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Autumn statement: what national insurance cuts and other changes mean for young people

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At first glance, Chancellor Jeremy Hunt's [autumn statement](#) appears to reduce the tax burden, increase pay and make our lives a bit easier. But given the cost of living and other pressures, the big picture is not as pretty. If you're a young professional, here's what the changes could mean for you.

Let's start with your salary. The national living wage will increase from £10.42 to £11.44 per hour from April 2024 and be extended to all workers aged 21 and above. That's an inflation beating rise of 12.4% if you're between 21-23, and 9.8% if you're older than 23. For those between 18-20, the hourly rate increases by a whopping 14% or £1.11, to £8.60 per hour.

It's worth noting that many young people earn more than the living wage already. The median salary for those aged 22-29 is [about £30,000](#).

If you're in this category, you're more likely to be affected by changes to national insurance, which the chancellor cut from 12% to 10%. This tax is paid on income between £12,570 to £50,270 and falls to just 2% for anything earned above that. So, if you're earning £25,000, you will take home an extra £245 per year starting in January.

 Quarter life, a series by The Conversation

***This article is part of Quarter Life**, a series about issues affecting those of us in our twenties and thirties. From the challenges of beginning a career and taking care of our mental health, to the excitement of starting a family, adopting a pet or just making friends as an adult. The articles in this series explore the questions and bring answers as we navigate this turbulent period of life.*

You may be interested in:

[Why it's so hard to be young in Britain right now](#)

[More young people in the UK are living with parents and grandparents – here's what you need to know if you're considering it](#)

[How to know if your employer is serious about helping you find purpose in your work](#)

If you are self-employed or have a side-hustle to earn extra money, the autumn statement has something for you too. From April 2024, class 2 national insurance will be permanently abolished. That's a gain of £3.45 per week or about £179 per year.

In addition, the self-employed will be paying 1% less for their class 4 national insurance, which applies on incomes between £12,570 and £50,270. For someone earning £20,000 that's only a gain of £74 per year while for earners of £35,000 the saving becomes a more hefty £224 per year.

Read more: [Autumn statement: experts react to national insurance and business tax cuts](#)

Another headline announcement in the statement was that disabled people will face stricter requirements to look for work that can be done remotely, or face losing benefits. The number of young people unable to work due to ill health has increased dramatically since the pandemic, so this is likely to have a significant impact.

Savings

The chancellor also announced changes to Individual Savings Accounts (ISAs).

From April 2024, the money you place into an ISA will not only remain tax-free, but for the first time the law will permit the funds to be invested in real estate and private equity firms instead of just stock market shares.

Each year you can add another £20,000 into your total ISA amount tax-free. This now doesn't need to be with the same bank, but you can buy into multiple providers.

That means banks and other financial institutions will soon be offering you the option to buy into funds that specialise, for example, in small tech startups. Of course, the value of your investment can go down as well as up – it's a risky proposition but it's good to have options.

Read more: [*What to know about tax-free savings before the April 5 ISA deadline*](#)

No help for mortgages

The chancellor did offer some extra assistance to those who rely on [Local Housing Allowance](#) to pay their rent. The changes mean that 1.6 million households would benefit from an extra £800 per year for rent. The backdrop to this move is that private sector rents have risen by a whopping average of [30% since 2020](#).

But the chancellor has not addressed a major issue affecting young people: getting on the property ladder. Mortgage interest rates have risen from 2% to over 4%, adding hundreds of pounds to a typical mortgage. In fact, for the first time in many years it's now [cheaper to rent](#) than pay a mortgage in many places.

To add to that, the cost of living crisis means that it's even more difficult to save for a deposit since rents, groceries, transportation and socialising have all gone up substantially over the last few years.



A young man sitting at a laptop computer, looking in surprise at a piece of paper

For many, the tax cuts will not make up for increased cost of living. Pressmaster/Shutterstock

The bigger picture

The frustrating fact is that even after the cuts announced in the autumn statement, UK taxpayers will be paying more tax than ever before. According to the [Institute of Fiscal Studies](#) this has been the biggest tax-raising parliament on record. It's like if someone gives you a discount of 10% right after inflating their price by 30%.

Meanwhile, as salaries have risen in response to inflation, tax thresholds have been frozen since 2021. This means that more and more people are being “dragged” into a higher tax bracket. This is a phenomenon known as “fiscal drag”. And as we predicted back in 2021, inflation was not temporary or mild, and will be difficult to drop. This process will keep eroding take home pay until the government changes tax thresholds.

If you need a drink after this less-than-cheerful analysis, the chancellor has you covered. Hunt announced that the government would freeze alcohol duty, so the cost of your drinks will not rise (at least not as far as tax is concerned) until August 2024.