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# Fury over Rachel Reeves' raid on private sector pensions: Chancellor is under fire over plan to impose National Insurance on employers' contributions - while sparing public organisations

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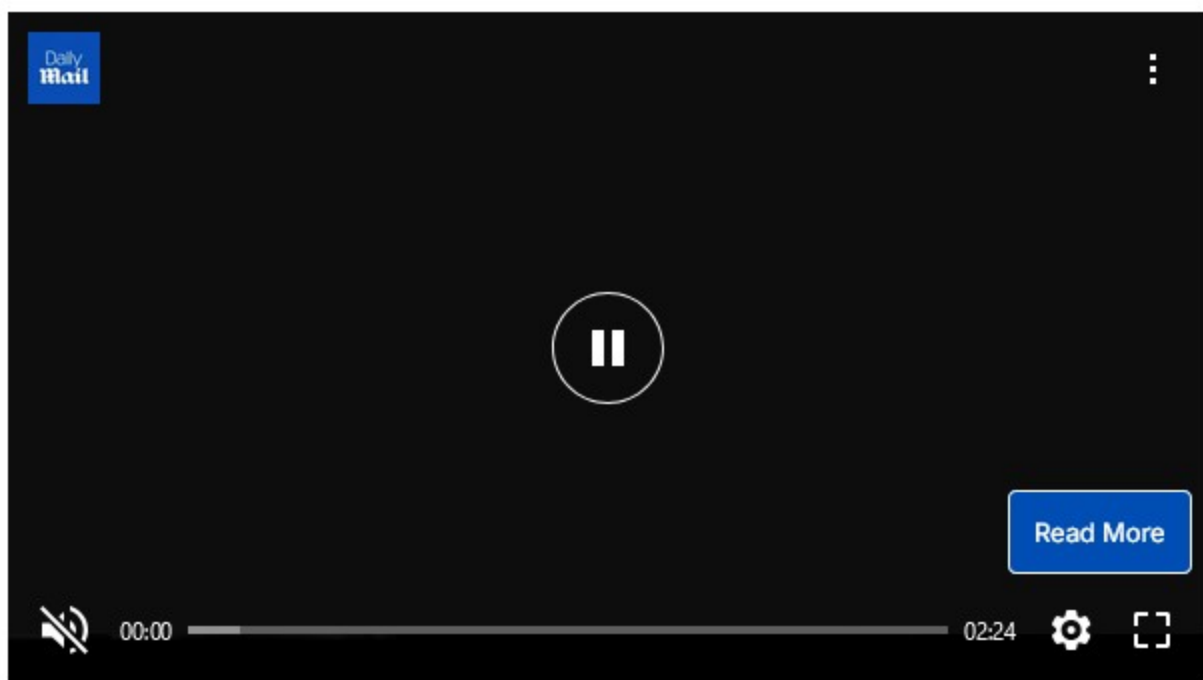
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**Labour** has been accused of plotting a series of tax raids on private enterprise to shower the public sector with cash.

As **Rachel Reeves** struggles to make her Budget numbers add up, she faced a furious backlash over plans to protect state employees from a £15billion assault on pensions.

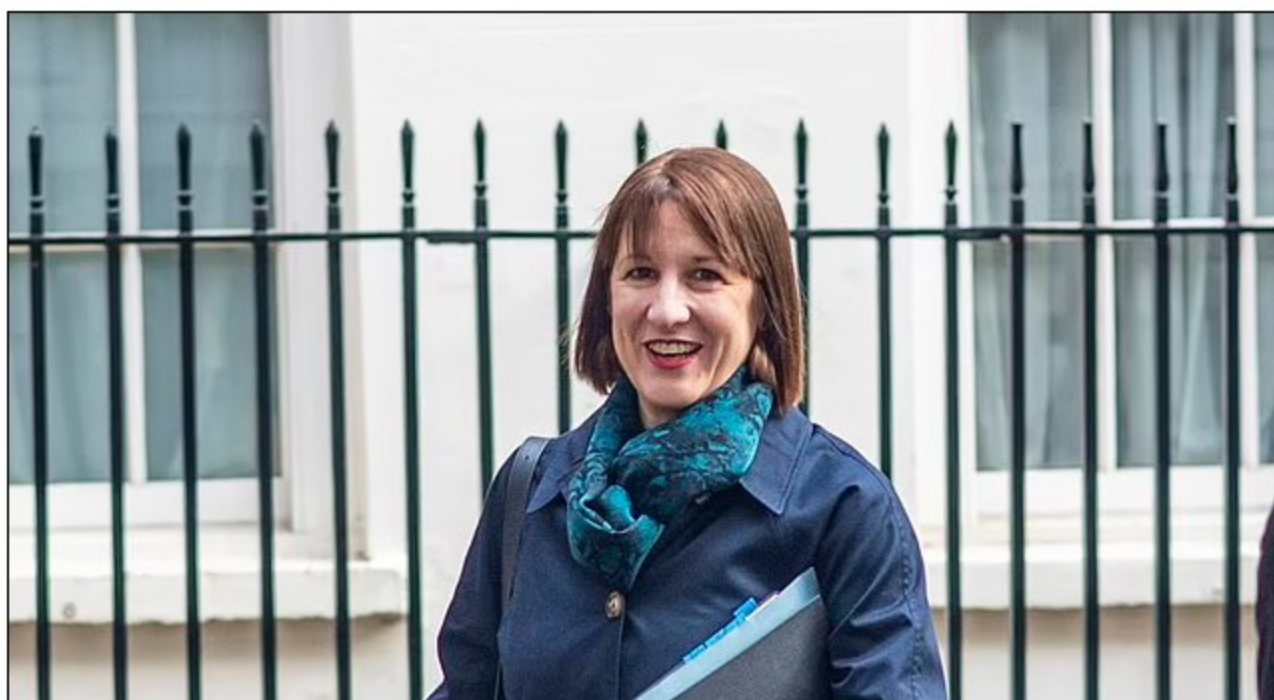
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The Chancellor looks set to impose national insurance on employers' pension contributions next week in a move that would damage the retirement pots of millions.



However, the Treasury will shield the **NHS**, schools and other government departments to avoid reductions to headcounts or wages, with critics dubbing it a 'get-out-of-jail-free card' for the public sector as private workers suffer.

A raid on private sector pensions looks set to be a major part of the Budget alongside changes to capital gains tax, inheritance tax and fuel duty as well as further freezes on income tax thresholds.







**Rachel Reeves is facing a furious backlash over plans to protect state employees from a £15billion assault on pensions**



The plan was branded 'jaw-dropping' and 'indefensible' by former pensions minister Baroness Ros Altmann (pictured)



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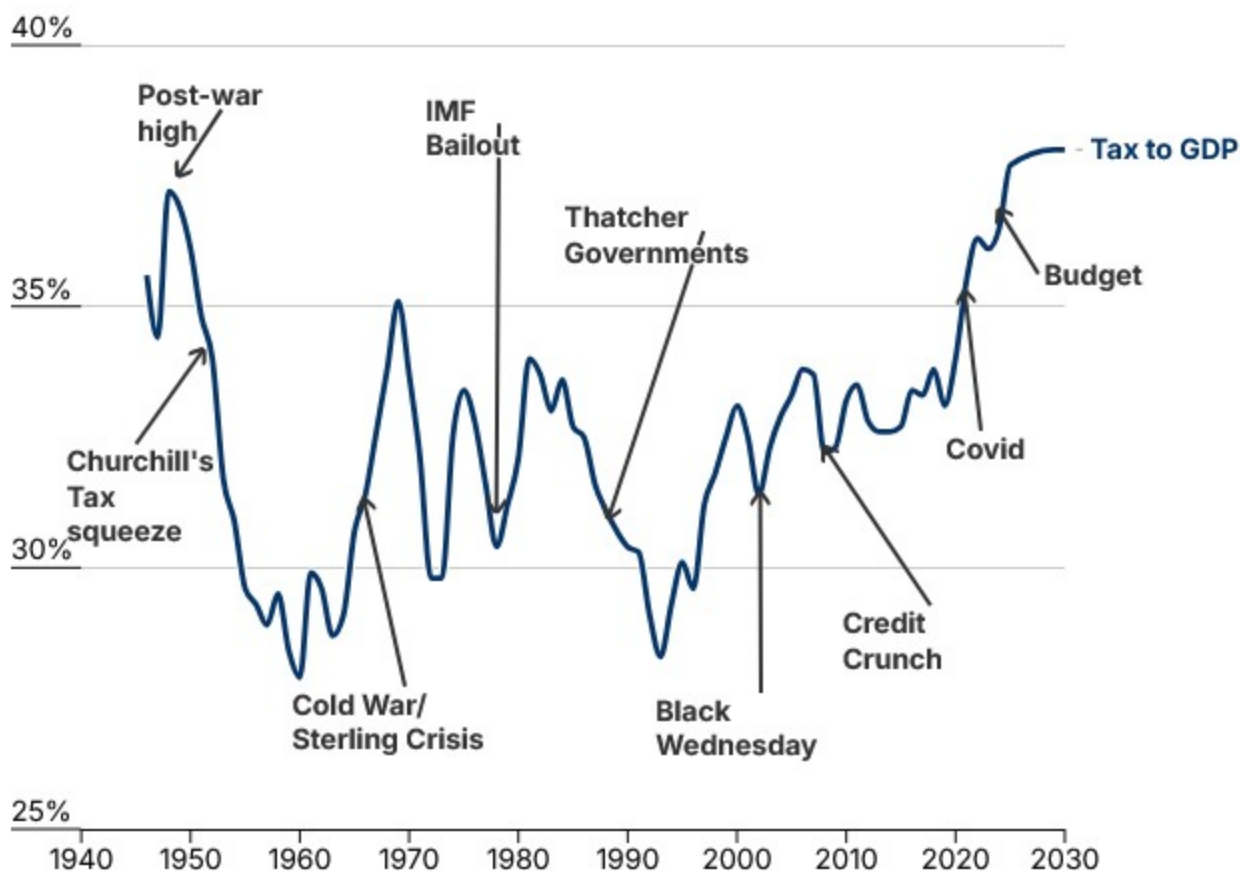


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## Will Rachel Reeves push the tax burden on Brits to a new post-war high?

Taxes vs GDP (%)



Mail Online

Employers currently pay national insurance of 13.8 per cent on staff pay above £175 a week but pension contributions made by employers are exempt from the levy.

Experts warn that imposing national insurance on pension contributions made by employers will lower wages and the amount firms pay into retirement pots for staff and could even cost jobs.

It means the burden of the tax raid will fall entirely on the private sector - sparking accusations Ms Reeves has capitulated to Labour's union paymasters and is targeting business to fund generous pay rises in the public sector.

Business leaders said hitting UK plc with punishing tax hikes was 'short-sighted' and accused the Chancellor of 'killing the goose that lays the golden egg'.

Sir Iain Duncan Smith, a former Tory work and pensions secretary, said the 'vindictive' plan would be a 'disaster' for pensions and the economy.

'In their short-term desperation to rake in money for union-dominated public services, Labour are going to attack the private sector and undermine the pensions system in a way which will do untold damage.'

Sir Iain, who oversaw the introduction of pension auto-enrolment and tax-free withdrawals, said the proposals would act as a disincentive for people to save for their retirement, at a time when many are already saving too little.

The move also risks exacerbating the already huge divide between the retirement enjoyed by former state employees and those in private enterprise in what experts describe as a 'two-tier' system.

The plan was branded 'jaw-dropping' and 'indefensible' by former pensions minister Baroness Ros Altmann.

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Yesterday it emerged that Gordon Brown, who conducted a notorious raid on private sector pensions during his time as Chancellor, has been advising Ms Reeves on the Budget.

Mr Brown, whose time as Chancellor was marked by the introduction of stealth taxes, has been spotted in the Treasury in recent weeks and Ms Reeves yesterday confirmed she is receiving advice from him, saying: 'I speak to Gordon regularly.'



Yesterday it emerged that Gordon Brown has been advising Ms Reeves on the Budget





© Getty Images

Sir Iain Duncan Smith, a former Tory work and pensions secretary, said the 'vindictive' plan would be a 'disaster' for pensions and the economy

### Rachel Reeves promises to 'fix the foundations' ahead of budget

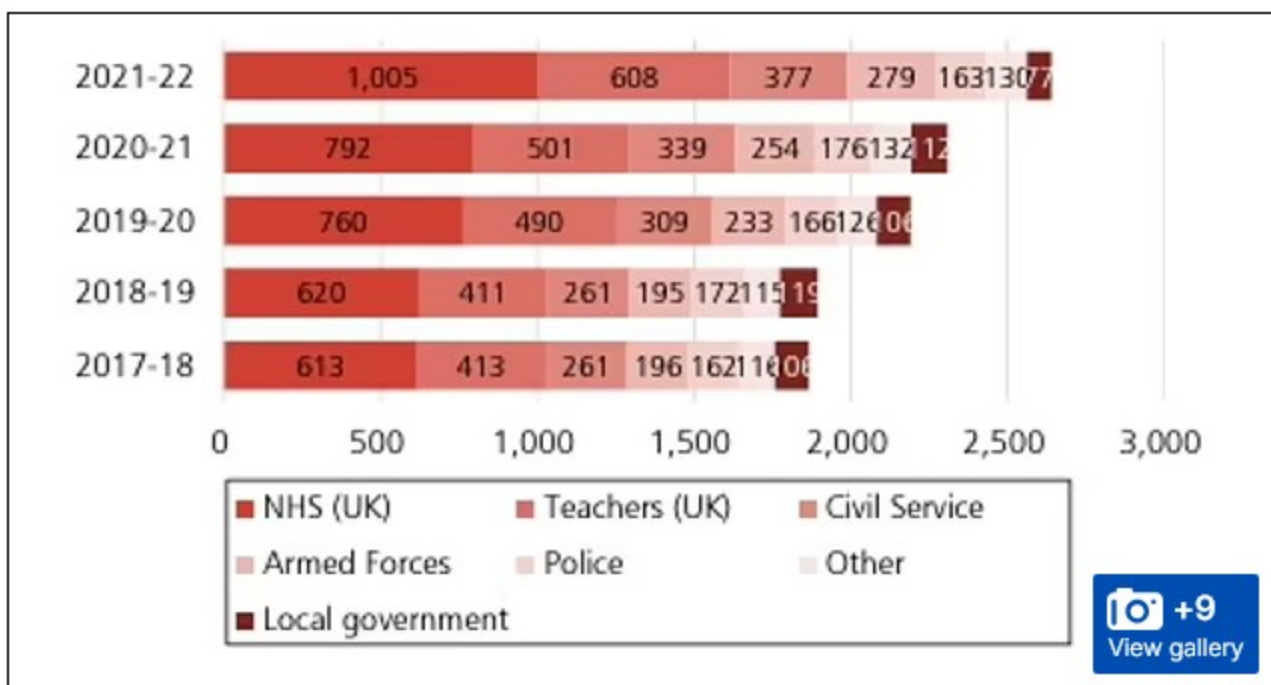






	2012		2021	
	Private sector	Public sector	Private sector	Public sector
<b>Participation</b>	32%	83%	75%	91%
Defined benefit	8%	76%	7%	82%
Defined contribution	22%	5%	66%	8%
Unknown	1%	2%	2%	2%
<b>% with employer contributions</b>				
≥ 4%	25%	82%	36%	90%
≥ 10%	12%	80%	11%	86%
≥ 20%	3%	14%	2%	47%
<b>% with employee contributions</b>				
≥ 4%	16%	73%	41%	89%
≥ 7%	5%	31%	8%	31%

Research by the IFS think-tank has previously highlighted the growing gulf between public and private pension provision



**The latest Whole of Government Accounts published earlier this year highlights the government's surging liabilities for public sector pensions**

Critics argue the pensions raid would be a 'straightforward breach' of Labour's manifesto pledge not to increase taxes 'on working people' as it ruled out hikes on national insurance, income tax and VAT.

Ms Reeves appeared to downgrade the pledge yesterday, saying only that she would not raise the 'main taxes' paid by working people.

Having signed off a series of inflation-busting pay rises for public sector workers, the Chancellor is now scrambling to raise money to fund Labour's election pledges and spending plans.

Business leaders said Labour is hitting the private sector while protecting state employees.

'This is all very worrying and their whole approach is wrong,' said Lord Bilimoria, founder of Cobra Beer and a former president of the Confederation of British Industry.

'I'm very, very concerned about what's going to happen in the Budget because the tax level's already far too high.

'On top of that to start increasing taxes again is going to be very damaging to our economy and to our businesses.

'To increase employers' national insurance is a tax on jobs. It is the wrong thing to do.

'How are you going to generate growth when you are stifling business with more taxes?

'If you want to pay more to the public sector or if you want to invest the way to do that is to grow the private sector because it's the private sector that creates the jobs that pays the taxes that pays for the public sector.

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'You're basically killing the goose that lays the golden egg. It's short sighted.'

Pimlico Plumbers founder Charlie Mullins said: 'What we have here again is Reeves raiding the part of the economy that pays the bills. It's stupid, unfair and proves Labour is captured by the powerful public sector unions.'

The Institute for Fiscal Studies has said raising national insurance would be a 'straightforward breach' of Labour's manifesto commitment.



**The Chancellor looks set to impose national insurance on employers' pension contributions next week**



A raid on private sector pensions looks set to be a major part of the Budget alongside changes to capital gains tax, inheritance tax and fuel duty

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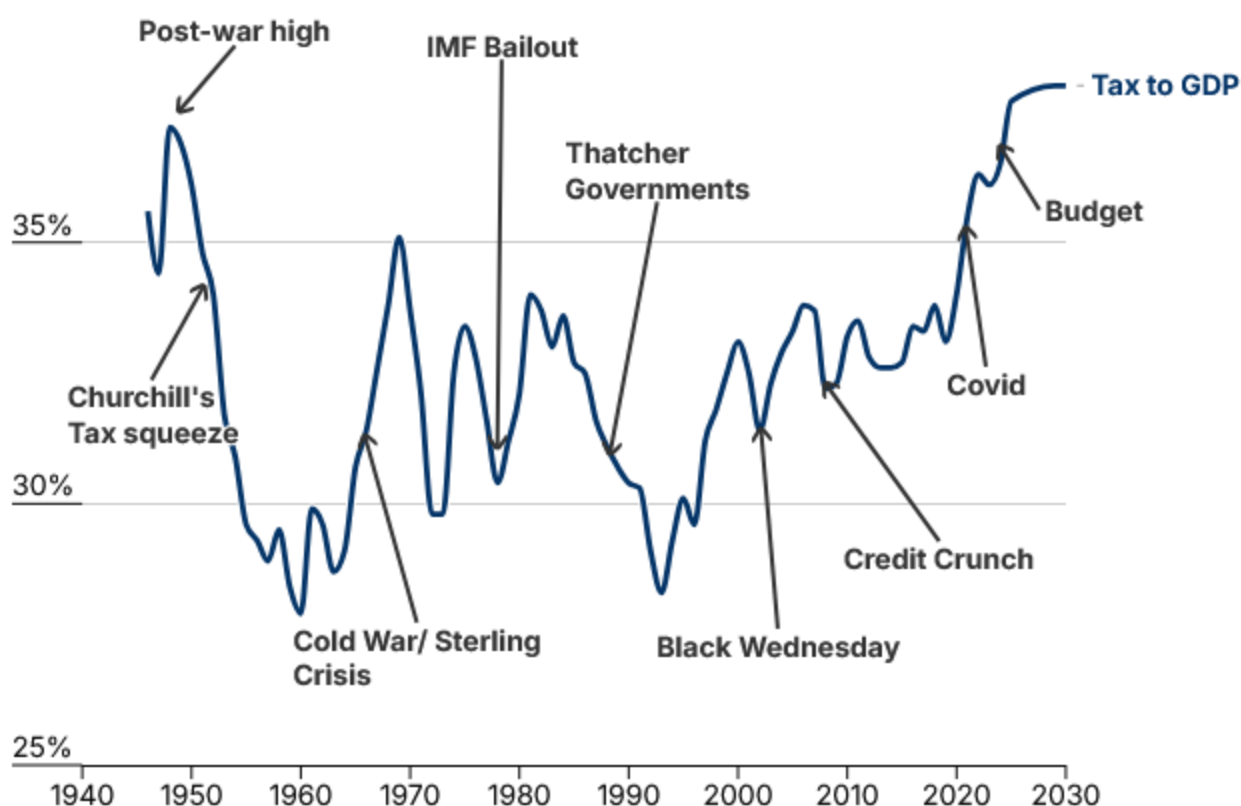
## Will Rachel Reeves push the tax burden on Brits to a new post-war high?

Taxes vs GDP (%)

40%

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MailOnline

Ministers insist this is not the case because they are raising employer national insurance not that paid by employees.

But in 2021, when in Opposition, Ms Reeves herself branded national insurance a 'jobs tax' that 'takes money out of people's pockets'.

Other former pensions ministers lined up to slam the plan.

Baroness Altmann, Tory pension minister under David Cameron, said such a move would be 'patently unfair on private sector employees' and would 'further embed inequalities in pension provision for the UK workforce'.

She added: 'Ending national insurance relief only for private sector employer pension contributions is unjustifiable.'

'If public sector schemes can't cope with ending this relief, it is a clear indication that private sector schemes will struggle and this change should not happen at all.'

'Damaging private sector workers, and their employers, while forcing them to pay for even better public sector pensions, would be a serious mistake.'

Sir Steve Webb, a partner at pension consultants LCP who was Liberal Democrat pensions minister in the Coalition, said: 'If you start taxing something you are going to get less of it.

'Employers are likely to be less willing to offer generous pensions. Ultimately this means that their employees will end up with poorer incomes in retirement.

Tom Selby, director of public policy at online investment firm AJ Bell, described it as a 'get-out-of-jail-free card' for public sector workers.

'Increasing costs on employers will inevitably hit workers, either through pay restraint or scaled back pension contributions,' he said.

'Applying national insurance to private sector companies while giving the public sector a get-out-of-jail-free card would be difficult to justify given public sector pensions are far more generous than their private sector equivalents.'

Research by savings and investment firm Hargreaves Lansdown shows just 34 per cent of those working for a small or medium-sized company are on track for a 'moderate retirement income'.

This compares to 55 per cent of those working for large private companies and 62 per cent of public sector workers.

Helen Morrissey, head of retirement analysis at Hargreaves Lansdown, said: 'There's already a huge gap between pension provision in the public and private sectors and this move will only make it wider.'

Sparing public sector workers from the pension levy would cost the Government around £5bn, according to estimates – a price that would ultimately be picked up by private businesses and their workers.

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