



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Andrew Boff AM
Deputy Chair
The London Assembly
City Hall
Kamal Chunchie Way
London
E16 1ZE

14 May 2026

Dear Mr Boff,

Thank you for your letter of 18 March to the Chancellor of the Exchequer, about National Insurance contributions (NICs), youth unemployment and student loans. I am replying as Minister responsible for public spending. Please accept my apologies for the delay in responding.

The Government has taken a number of fair and necessary decisions on tax, welfare, and spending to fix the public finances, fund public services, and restore economic stability after the situation we inherited from the previous administration.

One of these decisions we took at Autumn Budget 2024 were the changes to employer NICs. The Government protected the smallest businesses from these changes by increasing the Employment Allowance from £5,000 to £10,500. This means that this tax year, 865,000 employers are paying no NICs at all, and more than half of all employers are either gaining or seeing no change.

Businesses are able to claim employer NICs reliefs including those for under-21s and under-25 apprentices. This means employers pay no employer NICs for apprentices under 25 or employees under 21 on earnings up to £50,270. These employers will therefore not be affected by the increase in employer NICs relating to these individuals. These reliefs are forecast to be worth around £2.5 billion in 2025/26.

I note your comments on youth unemployment. Employment is historically high. There are only two peacetime years out of the past 150 years when the average annual employment rate has been higher than it was in 2025.

The Government is committed to providing young people with the support they need to earn or learn. At the last Budget, we committed more than £1.5 billion to back young people through the Youth Guarantee and invest additional funding in the Growth and Skills. We recently went further, announcing around £1 billion more to help unlock up to 200,000 job and apprenticeship opportunities for young people. This includes:

- A new Youth Jobs Grant, through which businesses will receive £3,000 for every young person they hire aged 18-24 who has been on Universal Credit and looking for work for six months. This is expected to support 60,000 young people over three years.

- An expansion of the Jobs Guarantee to a wider age range, from 18-21-year-olds announced at the Budget, to 18-24-year-olds, creating an extra 35,000 subsidised jobs for young people who have been on Universal Credit and looking for work for 18 months.
- An Apprenticeship Incentive of £2000 for each new employee aged 16-24 taken on by an SME which, as part of wider reforms, will drive progress to our target of creating 50,000 more apprenticeships.

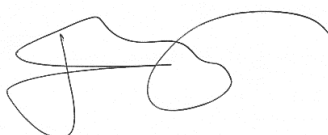
Regarding your comments on Plan 2 student loans, the student finance system removes upfront financial barriers so that everyone with the ability and desire to enter higher education (HE) can do so. It is right that those who can repay do so and under this system, where repayments are determined by income not total borrowed, graduates earning some of the highest salaries in the country contribute more towards the repayment of their student loan than workers who did not attend university or graduates on the lowest salaries.

The student finance system is designed to function differently to a commercial loan, including Plan 2 loans which were designed and implemented by previous governments. Repayments are calculated solely on earnings, not on amount borrowed or the rate of interest applied. Crucially, Plan 2 student loans are cancelled after 30 years, regardless of outstanding balances. A borrower entering repayment at age 21 will see any outstanding loan amount cancelled at age 51, long before they reach state pension age. Therefore, the student finance system is heavily subsidised by government and is a deliberate investment in our young people and the economy.

On interest rates, to consider both students and taxpayers and ensure the real value of the loans over the repayment term, interest rates are linked to inflation by being set in reference to the Retail Price Index from the previous March and applied annually on 1 September.

Thank you again for taking the time to share your concerns.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'J Murray', with a long, sweeping flourish extending to the right.

**RT HON JAMES MURRAY MP
CHIEF SECRETARY TO THE TREASURY**