

We are going to pay a high price for Rachel Reeves' inc...

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Before Rachel Reeves even delivered her Budget, [I wrote this](#):

Where might this Budget go wrong – before Reeves has even spoken?

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Posted on [October 30 2024](#)

I just posted this on Twitter:

Most budgets end in tears for Chancellors within days of being delivered.

The trouble is that even if Chancellors understand economics, and few do, they do not understand the real-world consequences of what they propose.

I think, based on what we know already, that the backlash on this one will be on employer's [NIC](#) increases.

I was right. That is where the backlash is.

I added in that post:

Where will the crunch points be?

Nursery care will be one. An increase in employer's NIC plus an increase in the minimum wage, which most young carers are paid, will lead straight into price increases that few young families already hit by staggering rent or mortgage rises will not be able to afford.

There is going to be a lot of anger about that.

And expect the same in social care - where the same situation arises and the costs will have to be passed on to those already struggling.

Again, I was right: these, and in hospitality, are where the crunch points are coming.

In both nursery care and social care, the issue is going to be enormous. In the first case

for the parents of children, who are already most likely pushed to their limits and who will now have an additional cost to pay, as few nurseries make enough to absorb this cost. This will be inflationary.

In social care, the additional cost is enough to wipe out all of the £600 million of extra funding allocated to this sector in the Budget.

And this is not the only part of the government with a problem. In Scotland, the already underwhelming Budget allocation of £3.4 billion is likely to be undermined by a £500 million NIC clawback. And the Treasury has, so far, been unable to say whether Scotland will be compensated for that or not, which is absurd.

If I could see, with ease, that this crisis would unfold - which I did before Reeves even spoke - how come the Treasury could not, or did not, or at least failed to prepare for how they will deal with it?

And if they do now compensate social care, education, Scotland and Wales, plus the NHS (as they should, in each case), what are they going to say to businesses that are obviously going to suffer from this?

Big businesses can afford to pay, but small businesses rarely pay their owners a great deal (contrary to common perceptions), and they will suffer, as will employment prospects for many people who are on lower pay.

This is a fiasco all of Rachel Reeves's own making and all because of stupid promises made before the election. We are going to pay a high price for her incompetence.