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Spatial Economics Research Centre

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NICs Holidays

Not some new, soon to be broke holiday company, but the government's [National Insurance Contributions holiday scheme](#) which started today.

According to HMRC: "The 'Regional Employer NICs Holiday for New Businesses' offers substantial reductions in employer NICs for new businesses in those parts of the UK most reliant on public sector employment." Looking at the list of eligible regions, this turns out to be the whole of GB except for the SE region and London.

My understanding of the (now quite old) evidence on regional employment subsidies was that they did have an impact but that the costs per job created were quite high. I imagine that will be the case with this holiday as well. It's an employment subsidy, so we expect some positive impacts, but because there will be plenty of deadweight (businesses that would have started anyhow) and quite a lot of displacement (new subsidised businesses driving out old) the net impact will be considerably smaller than the gross impact. It will be interesting to see how the effects play out.

Posted by [Prof Henry G. Overman](#) on [Monday, September 06, 2010](#)



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