Britain's Labour government cuts disabled benefits and gives tax handout to business

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The Blair government's Welfare Reform and Pensions Bill, cutting invalidity benefit for thousands of severely disabled people, was passed in the House of Commons on Wednesday.

The Bill is the centrepiece of Labour's claim to "think the unthinkable" on welfare. It is aimed at slashing £750 million annually from state benefits and eroding the system of universal welfare provision. The legislation has encountered problems in the House of Lords, where it has been rejected on eight occasions. Following Wednesday's vote in the Commons, where it passed by a majority of 58 votes, it will now return to the Lords on Monday with peers threatening to vote it down again. If the Bill is not accepted within the next two weeks, it cannot form part of Labour's legislative plans for the forthcoming year.

The Lords have objected most to those aspects of the Bill that deal with changes to invalidity benefit.

Labour intends to means-test the benefit, penalising those with occupational pensions, and to stop anyone receiving it if they have not paid National Insurance Contributions during the previous two years. Opponents of the Bill, led by Labour peer Lord Ashley, have said the measures are too harsh and penalise those saving for their retirement. Ashley commented, "All we want is a reasonable, honourable compromise".

Following the Bill's last defeat in the Lords, Social Security Minister Alistair Darling made some minor concessions—raising the cutoff threshold after which people begin to lose invalidity benefit from £50 a week of occupational pension income to £85, and increasing the National Insurance limit to three years. The government has threatened that if the Lords continue to obstruct the legislation, they will abandon plans allowing 92 hereditary peers to keep their seats under their proposed constitutional changes to the second chamber.

The government hardly faces such problems amongst its own MPs, however. When the Bill came before the Commons in May, 67 Labour backbenchers opposed the government line. On Wednesday this had fallen to 53.

The Bill made its passage just as Chancellor Gordon Brown told the Confederation of British Industry's annual conference that Labour would provide multi-million-pound tax concessions on share options for managers of small businesses.

The £40 million handout for business, part of Blair's pledge to create a new "entrepreneurial culture", almost matches the £50 million Labour is taking from the disabled.

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