

British government loses vote on cuts to tax credits in House of Lords

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The British Conservative government's plans to cut welfare benefits for the working poor have had to be temporarily suspended after the House of Lords voted Monday evening for an amendment delaying their implementation.

The amendment, authored by Crossbench peer Lady Meacher, was passed by 307 votes to 277. Later in the same session the Lords voted by 289 votes to 272 in favour of an amendment giving full "financial redress" for the next three years to those who would be hit by the measures. The amendment was authored by former Labour Minister Baroness Patricia Hollis.

While voting in support of delaying the measures, the Lords voted down a bill put forward by the Liberal Democrats that would have thrown out the cuts in their entirety.

The cuts to tax credit payments are central to the Tories' plans to cut welfare spending by an additional £12 billion, as part of their ongoing austerity offensive. Cutting tax credits is slated to account for £4.5 billion of the £12 billion.

The tax credit system was introduced by the 1997 Labour Party government in order to subsidise the low paid, and millions have come to rely on them. Chancellor George Osborne intends to lower the income threshold for Working Tax Credits, received by those in employment, from £6,420 to £3,850 a year from April 2016. The income threshold for those people with children, who only claim Child Tax Credit will be cut from £16,105 to £12,125.

The cuts will have a devastating impact on the lives of millions of the lowest-paid people, with an estimated 3.2 million families worse off by an average of £1,300 a year from next April as a result. According to the Child Poverty Action Group, a nursery nurse stands to lose £1,788, a hospital porter £2,011 and a care worker

£1,906. Those earning as little as £6,000 a year stand to lose over £1,000 of their income.

Tax credit claimants will also be paid at a lower rate than previously as the "taper rate" will be increased. Currently, for every £1 claimants earn above the income threshold, they lose 41 pence. From April, the taper rate will accelerate to 48 pence.

The Lords' vote has the potential to cause a constitutional crisis. The tax credit cuts were debated in the Lords in the form of an "affirmative instrument". These require the approval of both houses of Parliament and had already been approved by a majority of 325 to 290 by Members of Parliament in the House of Commons in September.

Immediately after the vote, Osborne complained that "Unelected Labour and Liberal [Democrat] Lords have defeated a financial matter passed by the elected House of Commons" posing "constitutional issues that need to be dealt with."

The Lords are able to veto proposals from the Commons contained in affirmative instruments and could have thrown out the legislation entirely, with the Commons unable to overturn their decision.

This occasion is only one of a handful in which the Lords have terminated secondary or delegated legislation already supported by the Commons.

The most significant instance happened in 1909 when it vetoed the so-called People's Budget put forward by the Liberal government of Prime Minister H.H. Asquith, aimed at taxing the wealthy to fund welfare policies.

In 1909, the peers were acting as ardent defenders of the super-rich and privileged. It is a measure of the complete decay of bourgeois democracy that today it is Parliament that is the instigator of a draconian assault on workers' living standards, aimed at returning them

to the Edwardian era.

The government made every attempt to get the vote through the upper house. Tory Lord Andrew Lloyd-Webber, who has amassed an estimated fortune of £650 million, was even flown in from New York in order to bolster the peers' voting with the government for drastic cuts to the incomes of millions. Prior to that appearance, Lloyd-Webber had only voted on 30 occasions in 14 years.

In the run-up to the vote, Tory Prime Minister David Cameron had threatened to flood the Lords with more than 100 new Tory peers if they voted against the cuts instrumental to his austerity agenda.

Afterwards, however, the parliamentary speaker John Bercow, said there was "no procedural impropriety" resulting from peers delaying the tax reforms. However, Cameron is to outline plans for a "rapid review" of rules governing the relationship between the two houses of Parliament.

The vote demonstrates yet again how far removed the ruling elite are from the vast majority of the population and growing mass anti-austerity sentiment.

The government holds a small majority in Parliament. Elected with the support of barely a quarter of the electorate, it has no mandate for further years of brutal austerity. Under these conditions, even its supporters had warned that it risked igniting popular opposition. Right-wing commentators and MPs have particularly stressed that by hitting the working poor, the government has made a mockery of its claims to be standing up for Britain's "workers".

Thus the Conservative-supporting *Sun* tabloid, owned by billionaire Rupert Murdoch, has opposed the measures, describing them as "bonkers" and calling on Osborne to "do everything in his power to help hard-working families on low pay."

Conservative MPs have also attacked the measure, with one, Heidi Allen, using her maiden speech to warn that the "poorest and most vulnerable" would be hit hardest. During the debate in the Lords, former Conservative chancellor Lord Lawson became the most senior figure yet to call on Osborne to "tweak" the legislation.

Moving the amendment to delay the cuts, Baroness Meacher said, "Self-employed people who voted Conservative in May, hoping for protection, but who may earn little or nothing for weeks at a time, will be

among the biggest losers."

The Tories would never have lasted through their previous 2010-2015 coalition with the Liberal Democrats had they not been propped up by the Labour Party and their allies in the trade unions. The tax credits debacle demonstrates that it continues to remain in power only thanks to the refusal of the Labour Party to mobilise against it.

Labour, under new "left" leader Jeremy Corbyn, refused to back the Liberal Democrat amendment that would have killed off the tax credits cuts and created an immediate existential crisis for the government. Instead it supported the Meacher amendment to merely delay the measures, pending an independent analysis of their impact.

The Labour Party is fully aware of the depth of class antagonisms and is desperate to avoid any actions that could provoke a political crisis that would bring them to the surface.

That is why, in the run-up to the vote, Labour's Shadow Chancellor John McDonnell, promised Osborne that if he was prepared to make "a u-turn" on the policy, Labour would "not make political capital" out of it.

McDonnell assured Osborne, "If the Lords do throw this out tomorrow and put it back to the government, [if he] brings back a policy in which people are protected—not a political stunt—but a real protection, we will not in any way attack you for that—in fact we'll support you."

On Tuesday, Osborne told MPs that he would announce plans to "ease the transition" to lower tax credits next month. But he stressed there would be no retreat from austerity. "We will continue to reform tax credits and save the money needed so that Britain lives within its means, while at the same time lessening the impact on families during the transition", he said, adding, "We are as determined as ever to have a low tax, low welfare, high wage economy that Britain needs and the British people want to see."



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