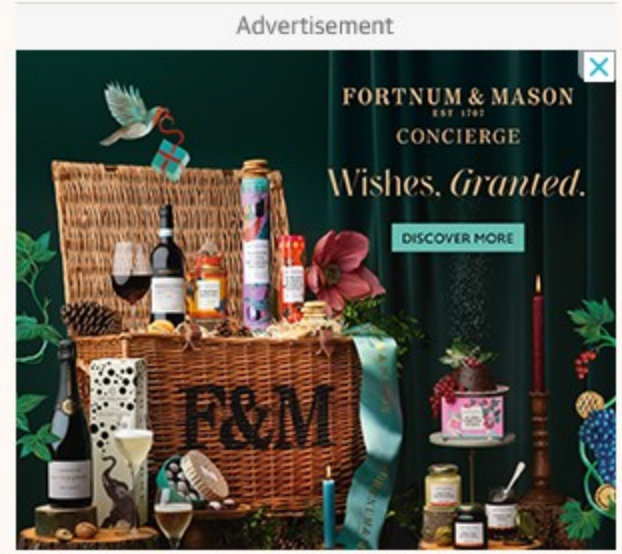


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Labour's decision to cut winter fuel payments is mean and politically inept

Larry Elliott



Means-testing will hit up to 2 million people. Rachel Reeves would be wise to admit she was wrong



'Older people are having their income reduced at a time when energy bills are going to rise.' Photograph: Realimage/Alamy

It is always a sign that politicians are rattled when they start coming up with ludicrous explanations for ill thought-through decisions that stir up serious opposition. And you don't get much more ludicrous than **Lucy Powell's claim** that the government was forced into emergency spending cuts because of the risk of a run on the pound. Fear of a backlash from the City was - according to the leader of the Commons - the reason the decision to axe winter fuel payments for millions of pensioners had to go ahead.

Let's be clear. Rachel Reeves was under zero pressure from the City to cut investment spending or means-test the £200 or £300 tax-free sum **paid to elderly people** each winter. There was not the slightest murmur from currency traders before the chancellor's announcement that she had found a £22bn hole in the public finances. Nor was there ever likely to be.

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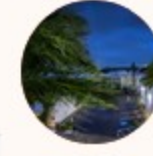
Instead, the pressure has come from those opposed to the decision, in the form of pensioner lobby groups and MPs who are getting stick from their constituents. Rishi Sunak **attacked Keir Starmer** over it at prime minister's questions. The Tories sense that voters are unhappy about older people having their income reduced at a time when energy bills are going to rise. The average bill will **increase by £149 a year** from October, but because many pensioners spend a long time in their homes, some will pay a lot more than that.

The Treasury was clearly not expecting the furore and has now let it be known that there will be an **above inflation increase** in the state pension next April. The triple lock guarantees an annual increase in line with whatever is highest: the average annual wage increase, inflation or 2.5%.

This is unlikely to defuse the row, which has triggered broader concerns about Labour's approach to welfare. In opposition, the party savaged the two-child limit and the benefit cap introduced by George Osborne after the 2010 election, but Reeves has given not the slightest hint that she intends to reverse these cuts any time soon.

A justification could be found for leaving the two-child limit and the benefit cap in place temporarily. Labour can say these were decisions by the Tories that they would not have made, but money is now tight and it will take time to make good the damage. It is not the most convincing of justifications, because child poverty rises for each year that the Osborne cuts remain in place. The result is that some of Britain's poorest people face another winter of want.

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By contrast, the winter fuel payment problem is entirely of Labour's making. The payment was introduced by Gordon Brown after the 1997 election **on the grounds that** he was "simply not prepared to allow another winter to go by when pensioners are fearful of turning up their heating, even on the coldest winter days".

That is precisely what will happen in the coming months. The decision will cause needless anxiety. It may cost lives. It will certainly put additional pressure on an already stretched NHS.

One argument used to defend the means-testing of winter fuel payments is that many of those who receive it are well off and so don't need it. But the idea that all pensioners are rolling in it is a myth. Age UK says **there are three groups of people** - two million in all - who will be hard hit by the means-testing. They include those who are not receiving pensioner credit even though they are eligible for it; those whose incomes are just above the limit for pensioner credit; and those with high energy needs because of disability or illness.

There is something to be said for a universal benefit that everybody gets. It binds the better off into the welfare state, and removes the stigma and shame of having to claim. An acceptance by Reeves that she had got this wrong would be the best outcome.

But even if the government is not prepared to go that far, there are other solutions. The pensions expert and campaigner Ros Altmann has suggested either **rolling the winter fuel payment** into the state pension and taxing it, or only taking it away from higher-rate tax payers. The consumer journalist Martin Lewis has proposed pensioners living in homes in the four lowest council tax bands **should continue to receive it**. At the very least, the cut should be shelved until a proper impact assessment can be carried out.

Means-testing of the winter fuel payment is Treasury cheese-paring of the worst sort. Reeves says Labour's plan to grow the economy will provide the resources to allow her to be more generous in the future. How cuts to public investment and winter fuel payments help achieve this end is not immediately obvious. The rationale for them appears to be that Britain is in danger of going bust, which is absurd.

Meanwhile, many pensioners will be shivering in their homes as the nights draw in. They will be hoping and praying it is a mild winter. More than 450,000 people have signed an Age UK petition urging the government to think again.

Politically, ministers may think that going ahead with the cut will not be that damaging to Labour because, as a group, the over-70s **will still vote Tory**. That's probably true, but not the point. Many Labour supporters oppose this decision because they believe it to be mean and stupid. They are right on both counts.

● Larry Elliott is the Guardian's economics editor

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