



National Insurance Contributions Increase

House of Commons, March 8, 2022

Speech by James Murray MP (Ealing North) (Lab/Co-op)

Today, we have heard from hon. Members representing people across the country about why it is so important that the Government cancel their national insurance hike on working people and their jobs. My hon. Friends the Members for Merthyr Tydfil and Rhymney (Gerald Jones), for Easington (Grahame Morris), for Vauxhall (Florence Eshalomi), for Ellesmere Port and Neston (Justin Madders), for Cynon Valley (Beth Winter), for Birkenhead (Mick Whitley) and for Liverpool, Riverside (Kim Johnson) all spoke powerfully about how so many of their constituents are struggling with the costs of living and how those pressures have been rising rapidly in recent months. My hon. Friends the Members for Sheffield South East (Mr Betts), for Salford and Eccles (Rebecca Long Bailey) and for Luton South (Rachel Hopkins) spoke about the fundamental unfairness of the Government's approach with their national insurance hike.

In September last year, the Government pushed their national insurance hike through Parliament in a day. From the very start, it was clear that this was a deeply unfair tax hike that would hit working people and their jobs. We urged the Government to think again and reverse course, but they refused to do so, and they have kept refusing to reverse course, despite people facing mounting difficulties in making ends meet. Inflation, already at its highest rate in decades, is forecast to hit 8% in April. Energy bills that have been rising rapidly are set to soar next month, and now the crisis in Ukraine will bring even greater pressure on the cost of energy, petrol and food. Yet in four weeks' time, the Government's tax rise will kick in, costing the average family £500 a year. It is the worst possible tax rise at the worst possible time.

Back in September when the Government pushed this tax rise through Parliament, we immediately knew how unfair it would be. The Government's own published assessment of this tax rise made that clear. Their tax information and impact note, which Ministers had to approve, set out what effect this tax rise would have. The note looked at this tax rise from a number of angles, including how it performed against the Government's so-called family test. As hon. Members may remember, the family test was introduced by David Cameron in 2014. When the then Prime Minister announced this new test, he said he wanted to "strengthen and support family life in Britain".

His plan to do so was to make sure that "every single domestic policy that government comes up with will be examined for its impact on the family."

That test was applied to the national insurance increase last September, and the outcome of that test was to warn of "an impact on family formation, stability or breakdown as individuals, who are currently just about managing financially, will see their disposable income reduce."

That warning alone should have given Conservative MPs reason to stop in their tracks and think again. They should have stopped and listened to the Institute for Fiscal Studies warning of this tax rise involving "a large, unjustified and problematic bias against employment and labour incomes".

They should have listened to the TUC general secretary, Frances O'Grady, warning of the hit faced by young and low-paid workers with this tax rise. They could have listened to any of the many voices against their plans, as the impact of this tax rise on people's ability to make ends meet was clear back in September.

The impact on jobs and businesses was clear then, too. Again, the Government's own assessment made that clear. It admitted the tax rise would impact on business decisions on wage bills and recruitment. The Federation of Small Businesses described the tax rise as "devastating for small businesses and the local communities they serve."

The British Chambers of Commerce described it as a "hammer blow to jobs growth".

Despite all those warnings, the Prime Minister and the Chancellor refused to think again. The Conservatives refused to listen to our calls for those with the broadest shoulders to contribute more. Their response to the low-growth, high-tax economic cycle they have created was to make working people foot the bill.

Even if some Conservative Members managed to hold their noses and vote with the Prime Minister and the Chancellor last September, it is astonishing that they still feel able to do so after all that has happened since then. Energy bills have been

rising fast and now are set to soar. We know that energy bills will rise by an average of more than £600 this April. Inflation is already at its highest rate in decades and is set to rocket to 8% next month.

What is more, the Government's arguments that they need this money for social care have been left in tatters. Not only have they failed to produce a plan to fix social care, but we know that Ministers looked the other way as billions of pounds of public money were handed out to fraudsters and written off. They ignored the warnings on fraud, they were careless with waste and they are now expecting working people to foot the bill for their mistakes.

If that was not bad enough, it is now clear that private sector workers will be asked to pay twice. As our new analysis shows, private sector workers will face a double whammy as almost all the rise in their employers' contributions is set to be passed on to workers through lower wages.

Ministers, and indeed some of their Back Benchers, often try to pretend that the cost of living crisis is entirely the result of global factors, but that argument simply does not hold true. Most damagingly, it ignores the fact that the Government could, and should, be doing far more to help people to make ends meet. The truth is that decisions by this Government over many years have left us uniquely exposed to rising gas prices. From cutting gas storage, to leaving our homes poorly insulated and failing to invest in renewables and nuclear, this Government's approach means that rising energy costs hit people in the UK much harder than they should.

The truth is that the Government have failed to step

up and offer people the help they need with energy bills now. Labour's plan is to give everyone £200 and those in greatest need £600 to help to meet energy costs. That would be funded with a one-off windfall tax on North sea oil and gas producers' profits. The alternative from the Chancellor is to land everyone with a buy now, pay later loan and to announce a council tax rebate that some of those in the greatest need will never even see.

The truth is that, when it comes to the tax rise we are debating today—an unfair tax rise on working people, a tax rise of £500 for the average family, a tax rise on businesses and jobs—the responsibility begins and ends here. Conservative MPs voted six months ago for that tax rise. Last week, the Minister admitted to me that the Government recognise the impact the tax rise will have on working people. Today, they have a chance to change course.

Today, we are asking all Members to join us in asking the Government to think again. When the Government first introduced this tax rise on working people and their jobs, it was blindingly unfair. Far from asking those with the broadest shoulders to contribute more, the Tories showed their true colours and went straight for a tax rise on 27 million working people. Since then, the case against the tax rise has got stronger and stronger. With energy bills rising and about to soar and with inflation set to hit 8%, the struggle for millions of people to make ends meet is getting harder by the day. Now is the time to change course and help people to face the tough months ahead. Now is the time to send a message to the Chancellor ahead of his Budget on 23 March. Now is finally the time to do the right thing and cancel this unfair tax rise.
