

11. Of Equal Value: Poverty and Inequality in the United Kingdom

Basic Information

Title	Of Equal Value: Poverty and Inequality in the United Kingdom
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Status of Paper	Final
Resolution/s	11/1. The Conference adopts the Report.

Summary of Content

Subject and Aims	To respond to concern regarding the effect of the financial climate and government policy on the levels of Poverty and Inequality.
Main Points	The Economic Climate Theological reflections Measuring Poverty and Inequality Scale of Poverty and Inequality Living in Poverty in the UK Perceptions of those in Poverty Church responses to Poverty and Inequality Proposals and resolutions
Background Context and Relevant Documents (with function)	The Methodist Council October 2010 passed a resolution expressing concern about the CSR's impact on Poverty and Inequality. Methodist Council paper MC/11/11 Poverty and Inequality in the UK, which directed JPIT to produce this report for the Conference.

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Impact	In concert with the Big Society report to be found elsewhere in the Conference Agenda the paper makes suggestions as to how resources should be allocated in response to societal need as well as how churches can be helped to respond to needs in their communities.
Risk	There are reputational risks in silence or in speaking in an uncoordinated or ill prepared manner. There are also reputational risks in speaking boldly without ensuring our own behaviours are in line.

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"It is embarrassing being in poverty. To be poor is to be written off."

quote from a poverty hearing held by Church Action on Poverty in Bradford.

PART 1: INTRODUCTION AND AIMS

1.1 Concern for the poor has been central to the message and ministry of the Christian Church. This concern for the poorest was a key part of John Wesley's ministry, and the ministry of his followers in the years after his death. The Methodist Church has continued to be active in the relief of poverty and challenging the structural causes of poverty: from the poverty relief work performed in The Foundry, Methodism's first building for inner city mission work, through the Mission Alongside the Poor programme, to today's multiplicity of local projects and support for campaign groups such as Church Action on Poverty. Most recently in autumn 2010 the Methodist Council, together with the URC Mission Council, passed a series of resolutions (appendix 1) reaffirming our commitment to stand alongside those most affected by the current economic situation and to challenge those who would stigmatise people living in poverty. The present Government has stated that its policies should be judged on its consequences for the poorest and The Revd Alison Tomlin, as President of the Methodist Conference, has

affirmed that Methodism shall indeed do this.

1.2 UK poverty has changed considerably in character over the years since Wesley. Poverty still exists and those living in poverty still suffer consequences in term of health, life chances and opportunities for their children. In short, lack of material resource prevents many from realising the potential that God has given them. The Methodist Church is called to stand beside those in poverty as well as to challenge the structures which allow poverty to persist.

1.3 Context

The UK is one of the richest countries in the world, yet 13.5 million people – 22% of the UK population – live in poverty¹. The rate of child poverty is higher, with 3.5m – 32% of the UK's children – living in poverty. Despite more than 15 consecutive years of economic growth, in which median earnings grew by 80% after inflation, the numbers living in poverty dropped only marginally, and have steadily increased since 2006. Similarly the level of inequality is now the highest it has been since the Second World War and, although comparable statistics are difficult to obtain, there is evidence that the level of inequality in the UK is similar to that seen in the 1930s.²

1.4 The current financial climate further brings the issue of poverty and

¹ The figures given in this paper for numbers living in poverty use the international standard definition of poverty which is "a household income that is 60% or less of the average (median) societal (in this case British) household income". See Part 4 for further discussion of measures of poverty and inequality.

² For more information see www.poverty.org.uk accessed March 2011

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inequality to the foreground. The July 2010 budget, the comprehensive spending review and local government spending settlement will all have dramatic effects on how the state funds and supports the poorest and most vulnerable. The total cut in benefit and tax credits over the next three years will be £16.5bn and the cut to other public services will be £48bn (at today's prices). Against this it is widely acknowledged that in the

short to medium term unemployment will rise.

- 1.5 There have been a number of independent analyses of the spending plans benefit and tax changes. The common theme is that as a proportion of income the poorest will lose the most³. Chart 1 shows an analysis of the impact of these changes broken down by income group.

Chart 1: Direct effects of changes in tax and benefits on different sections of society

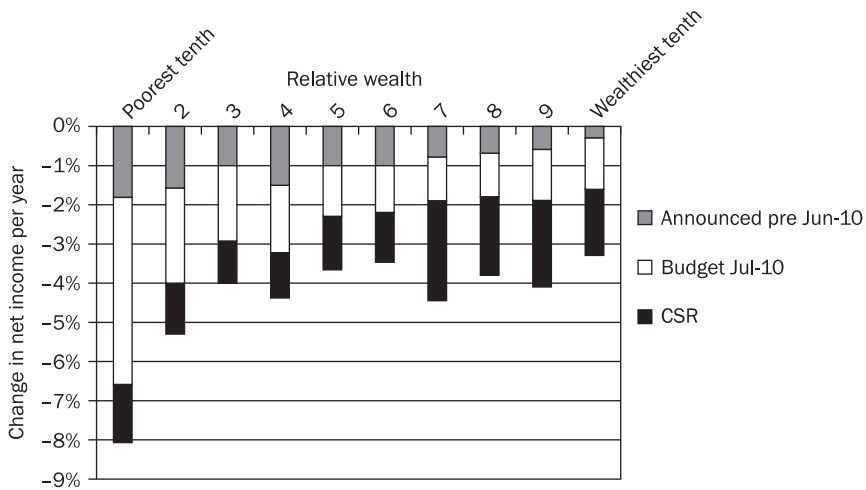


Chart 1: The UK population are divided into deciles by income, the poorest tenth, the second poorest tenth and so on until the richest tenth. The direct benefit, tax credit and taxation effects are applied to each group and the percentage change in net income is plotted. The effects of measures not yet in effect by April 2011 but announced prior to June 2010, those announced in the July 2010 budget and those announced in the Comprehensive Spending Review (CSR) are plotted separately. (Data from *Institute for Fiscal Studies*.)

³ The Institute for Fiscal Studies (IFS) report is the most respected and is the basis for most subsequent analyses. See BBC coverage for summary of reports: <http://www.bbc.co.uk/news/uk-politics-11583746>

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- 1.6 Analysis of the provision of public services and their impact on different sections of society are much more difficult to undertake. Treasury and IFS data consistently estimate services, such as transport, health care, child care, etc, received by the poorest to be valued at over twice the amount these groups receive in cash benefits. It is therefore expected that reductions to public services will have a greater impact on the poorest. The one comprehensive study performed so far was conducted by Landman Economics on behalf of the TUC. It concluded that on average it would cost the poorest tenth of people approximately 30% of their income to replace the services lost to them; this contrasts with an average loss of approximately 10% and a loss of just under 2% for the richest tenth of the population.
- 1.7 The local government cuts have caused a great deal of concern in a number of partner organisations. This spending has many draws on it: basic services eg refuse and roads; social care services eg care of the elderly in their homes, meals on wheels; as well as more discretionary services such as Citizens Advice Bureaux, women's refuges, youth clubs, Sure-Start centres etc. The fear, borne out by the few local authorities that have announced their 2011–2012 spending plans, is that discretionary services which are vitally important to many of the most vulnerable people in the community will be the first to be cut.
- 1.8 The Methodist Council has expressed concern over the effect of the changing financial climate on the levels of poverty and inequality in the UK in general as well as a very particular concern that changes in public spending will impact badly on the lives of the poorest and most vulnerable in society. This paper puts these concerns into their social, economic, political and theological context. It offers a range of possible responses, and proposes further actions for the Methodist Church.

PART 2: THE ECONOMIC CLIMATE

Have you not forgotten the richness which is related to sufficiency? If, according to Ephesians 1, God is preparing in human history to bring everyone and everything under the lordship of Jesus Christ, his shepherd-king – God's own globalization! – shouldn't caring (for nature) and sharing with each other be the main characteristic of our lifestyle, instead of giving fully in to the secular trend of a growing consumerism?

Letter of the Asian Churches in response to 1999 Asian Banking Crisis

2.1 The 2007 Global Banking Crisis and subsequent recession

The major driving factor in increasing poverty and inequality since 2008 and into the next decade is the 2007 banking crisis. Banks faced insolvency due to the discovery that large amounts of their investments were in reality almost worthless. Banks did not trust each other to

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stay in business and so would not lend to each other, reducing cash flow in some cases to breaking point. The subsequent months saw governments taking steps to prop up the banking industry. In the UK this included providing financial institutions with short and long term loans and partially nationalising a number of UK banks. The potential cost to the government of these measures is £850bn but the long term costs are likely to be less as much of this money was given in loans or bought shares which should have a future value. The government also responded to the crisis by rapidly increasing borrowing to fund these interventions and to cover the shortfall in expected tax receipts as the economy slowed down.

2.2 £850bn is a large and difficult number to grasp. To put it in context it is the NHS budget for 8 ½ years or roughly £14,500 for every person in the UK. Nevertheless it is widely acknowledged that government backing of the banking system was necessary if the industry, and hence the rest of the economy was to continue functioning in anything like its current form.

2.3 **The impact of the recession on individuals' incomes**
The Government responded to the crisis in ways which had more immediate effects on the general

public. To increase the amount of money available within the economy interest rates were reduced to a record low. There was a temporary reduction in VAT to 15%. These factors, amongst others, meant that for many mortgage holders and a number of other groups disposable incomes actually increased faster over the period 2007-2010 than in the years previously⁴.

2.4 The value of many investments and of housing fell sharply in 2007–2008 but both have since rallied. Stocks and shares have not regained their previous values but average house prices in Britain have rebounded and indeed increased by 10% in 2010. It is noticeable that values in many less well off areas have not recovered as well and therefore prices in relatively affluent areas have increased disproportionately⁵. Those whose income comes from investments, including many pensioners, saw their disposable incomes reduced. The other group hit hardest were those with unsecured debt, as the interest they paid on their loans increased sharply. However the incomes of the majority of people in the UK have not yet been affected by the recession.

2.5 **The impact on employment levels**
The number of people claiming unemployment related benefits has risen from 810,000 in mid-2008 to 1.5 million in January 2011. Much

⁴ Institute for Fiscal Studies "Poverty and Inequality in the UK" reports 2009 and 2010

⁵ Nationwide House Price Index 02/11

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of this increase was due to those in temporary or casual employment being made redundant as businesses shed the part of their workforce that could be lost most cheaply. As the jobs market has become tighter and recruitment has slowed down young people have been squeezed out with over a fifth of under-twenty fives not in employment, education or training – the so called NEETs.

- 2.6 A growing phenomenon is the large number of people who are seeking work but do not claim benefits. The true level of unemployment according to the International Labour Organisation is 2.5 million meaning that there are 1 million unemployed people not claiming benefit. Reasons for this are unclear. There is a concern that individuals are using debt rather than benefit to maintain their lifestyle when they are unemployed – the risky assumption being that they will get a new job relatively rapidly. Other factors may be that the process of claiming benefits can be strange and off-putting for those who are unfamiliar with it. There is also a perceived stigma attached to claiming benefits which has been heightened by comments from some sections of the press as well as some recent government statements.
- 2.7 Under-employment, where individuals seeking full-time work can only find part-time and often low paid work, is a newly recognised

phenomenon which has seen a 50% increase to 2.9m since 2007. This form of worklessness may present churches and the communities they serve with different pastoral challenges to the familiar challenges of unemployment.

2.8 Government Policy

As mentioned above, the banking crisis and subsequent recession led to a 6% decrease in the UK's economy and a subsequent rapid fall in tax revenues. Government spending continued to rise at the previous rate and the shortfall was made up by high levels of annual borrowing; £155bn in 2009–10 and £149bn estimated for 2010–2011.

- 2.9 The Office of National Statistics estimates the total national debt as of December 2010 to be approximately £900 billion excluding the banking sector interventions, or £2,200 billion including banking sector interventions. Assuming the nationalised banks can be sold at a later date the £900bn figure is the most relevant. Although it is a huge number, it is not unprecedented relative to the size of the economy when compared either historically or internationally, but it is high by recent UK standards.
- 2.10 All major political parties wish to reduce the amount borrowed each year to a much lower level, however controversy exists as to how quickly and what balance of taxation and spending cuts should be used to

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achieve this. The Government's aim is to reduce the 'structural deficit'⁶ to zero by 2015. The mechanism chosen to achieve this is one fifth through tax rises and four fifths by spending cuts.

2.11 The Methodist Church has taken no position on these judgements. These judgements are viewed as party political matters, properly made by elected representatives, whose decisions are informed by both evidence and political ideology. Other major denominations have also gone down this route, and this paper does not recommend any change to this underlying position.

2.12 Where the Methodist Church has spoken out is where changes to government policy disproportionately affect the poorest or most vulnerable. The wish to reduce borrowing should not be addressed by increasing poverty and inequality or by targeting services relied upon by the poorest. No deficit reduction plan which has within it the need to increase poverty levels can be acceptable, moreover attempts to misrepresent and stigmatise the poorest in order to justify decreasing the assistance given to them are also to be resisted.

2.13 Since the Methodist Church first spoke on this matter it has become increasingly clear that spending plans reduce the standard of living of the poorest, much more than the standard of living of the wealthiest (Chart 1).

PART 3: WHAT CAN WE LEARN FROM OUR CHRISTIAN TRADITION ABOUT POVERTY?⁷

"You do well if you really fulfil the royal law according to the scripture, 'You shall love your neighbour as yourself.' But if you show partiality, you commit sin and are convicted by the law as transgressors."
James 2:8–9 (NRSV)

3.1 Theological reflection and considerations

Our theological understanding must underpin our actions as a Church. The Wesleyan quadrilateral⁸ asks that we apply biblical understanding, insights from the tradition of the Church, rational thinking and our communal and personal experience when making judgements. This section reflects on some relevant biblical perspectives as well as insights gained from the tradition of Methodism and the broader Christian Church in relation to our understanding of poverty and

⁶ 'Structural deficit' is an elusive concept and involves an estimate of what tax revenue would have been if there had been no recession. The treasury estimates around two-thirds of this year's deficit to be 'structural' and the other £50bn as non-structural.

⁷ The website of the Joint Public Issues Team – www.jointpublicissues.org.uk – contains a number of guides for those wishing to explore theology relevant to poverty and inequality further.

⁸ This method was developed by Albert Outler modelled on how he viewed Wesley's theological reflection was done, and is recommended to Local Preachers in "Faith and Worship". For details see <http://archives.umc.org/interior.asp?ptid=1&mid=1661> (retrieved March 2011).

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inequality. Later sections will outline research evidence as well as some of the experiences of those in poverty and those churches that have sought to serve them.

- 3.2 The gospels unreservedly present God as one who is prepared to walk alongside all; including the poorest and the least. From Jesus' birth as the son of an unmarried young woman who had no place but an animal's feeding trough to lay his head, to his death which led him outside the city walls with the outcasts and villains, God incarnate challenged prevailing social culture, overturned expectations and reached out to those on the margins with radical love, compassion and hope. Jesus' ministry was provocative, uncompromising and costly and through it we encounter the reality of the Kingdom of God which calls us to first love God with all that we have and then to love our neighbours as ourselves (Luke 10:25–29).
- 3.3 If we find ourselves asking '*who is our neighbour?*' we can cast our attention to the accompanying story in Luke which identifies a neighbour as one who responds with mercy to another's need without reference to political or social background (Luke 10:30–37). Jesus' ministry is filled with such acts of compassion, benevolence, and mercy. As we seek to follow Christ's way we are called '*to do likewise*' (Luke 10:37).

- 3.4 Within the context of contemporary Britain (detailed in Part 1) Christian discipleship must lead us to respond to the needs of those affected by poverty and inequality. '*To do likewise*' we are called to respond with compassion, mercy and hospitality; to challenge injustices within our own culture; and recognise that seeking first the Kingdom of God may be costly by this world's terms.

3.5 **Discipleship and our social responsibility**

The ways in which faith has inspired Christianity to respond to the needs of others are too numerous to explore here. However there is much from the Christian tradition relevant to our reflections on poverty and inequality.

3.6 *Methodist heritage*

John Wesley had known poverty. His father was even imprisoned for debts when John was two years old. Possibly from his earliest education at Epworth, John Wesley set great store by the teaching and example of the Early Church and his interpretation of the vision of early Christian mutuality in Acts 2 and 4. These experiences set alongside his education, and the rise of wealth and conspicuous consumption that characterised the Walpole era helped shape what became the Methodist response to poverty.

- 3.7 Consistent with the command to first love God and then love our neighbours as ourselves the early Methodist movement proclaimed a

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theology of “holiness” through which Christian disciples are called to act in a way motivated by God’s perfect love:

“The goal of ‘holiness of heart and life’ is an integrated life filled with awareness of the love of God, marked by freedom from the guilt and power of sin, and lived in love towards others.”⁹

John Wesley was greatly troubled by the poverty he encountered later in life. Equally troubling was that it was often alongside disproportionate wealth, and he recorded that his response to seeing material need was driven by this love. Many of Wesley’s criticisms of the treatment of the poor were based on his reflection that such treatment showed no love towards ones neighbour. He angrily dismissed common justifications of the social disparity between rich and poor including the notion that God chooses the rich because they are worthy or that the poor are poor because of their own laziness or wickedness. He declared it “*Wickedly, devilishly false*” to say the poor “*are poor because they are idle*”.

3.8 Wesley was also critical of people’s deliberate blindness to the needs

of their neighbour who then “*plead their voluntary ignorance as an excuse for their hardness of heart*”. He went on to say “*if you saw these things with your own eyes [ie as he had done] could you lay out your money on ornaments and superfluities?*” Members of Methodist societies were therefore encouraged not just to give money to charity but also to work directly alongside the poor. Such interaction was intended to prevent those with the privilege and security of wealth from falling into comfortable ignorance of the plight of the poor or of the injustices that lead to poverty.¹⁰

3.9 As a grassroots movement, early Methodism took seriously its social responsibility in relation to wealth. In his sermon *On the Use of Money* Wesley penned what was to become a popular Methodist maxim: “*Having, first, gained all you can, and, secondly, earned all you can, then give all you can*”. Towards the end of his life Wesley observed a growing reticence to enact the final part of this maxim. He perceived growing wealth as a barrier to scriptural holiness as people sought to store up treasure rather than give in the spirit of the widow’s offering (Mark 12:41–44, Luke 21:1–4).

⁹ Revd Dr Stephen B Dawes from The European Methodist Theological Commission “Scriptural Holiness” projects. *The Spirituality of ‘Scriptural Holiness’*: www.methodist.org.uk/downloads/wc_Eur_Stephen_Dawes_The_Spirituality_of_Scriptural_Holine.pdf [accessed February 2011]

¹⁰ For further information see for instance, Henry D Rack, *Reasonable Enthusiast* (London: Epworth Press, 1989), 49, 57 and John Walsh, ‘John Wesley and the Community of Goods’, in Keith Robbins (ed.), *Protestant Evangelicalism: Britain, Ireland, Germany and America c. 1750-c. 1950* (Oxford: Blackwell, 1990), 25–50.

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- 3.10 In addition to addressing human relationships and the use of money, early Methodism offered practical responses to poverty and inequality. An example of this is the Foundry, the first building specifically purchased for a Methodist Society. Whilst it had a worship space for 1,500 people it also had as an integral part of its ministry a loan dispensary (to save people from exploitation at the hands of loan sharks), a space to offer medical help, and a school.
- 3.11 Another response of early Methodist discipleship was to address not just the effects of poverty and inequality but also the causes of it. Methodists were active in lobbying those in power to address the structural causes of injustice. For example, on seeing that many people could not afford bread Wesley wrote to the Prime Minister to demand a “horse-tax” to discourage landowners from using their land for the very profitable breeding of horses rather than the production of food. Wesley also campaigned to ban distilling of hard liquor as half of the country’s grain output went into this rather than producing food. While Wesley recognised the need to engage with decision makers, it is arguable that some of his suggestions, such as paying off the national debt using the Horse Tax levy, could be seen as economically naive.
- 3.12 The notable engagement of Methodists in parliament and civic life, alongside Methodists who supported the campaigns to end slavery, reform democratic institutions, and establish trade unions, are examples of how the political commitment to tackling injustice accompanied acts of mercy towards the poorest.
- 3.13 In relation to poverty and inequality we build on a heritage that is mindful of how faith informs our understanding and attitudes towards human relationships, use of money, practical action and a thirst for justice. Throughout the history of our tradition of care for those affected by poverty has emerged in many forms some of which survive today: the charities Action for Children and Methodist Homes, the social work of circuits such as the West London Mission, and countless local examples of social action by Methodist churches and people. Motivated by a desire for justice Methodism continues to support campaigns that seek to reform policies and practices that exploit and perpetuate poverty and inequality. Our commitment to Church Action on Poverty’s current *Mind the Gap* campaign and the Conference’s 2010 pledge to affirm and enact the principles of a Living Wage are indicative of a commitment to social responsibility. This is also recognised in the Our Calling document when it says that “*the Church exists to be a good neighbour to people in need and to challenge injustice*”.

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3.14 In seeking a continued and faithful response to poverty and inequality we build not just on the work of the Methodist tradition but participate in a broader ecumenical concern. Recognition of human dignity; *all are made in God's image and as such all deserve to be treated with dignity*, is a central precept of Roman Catholic Social Teaching and has been taken and developed by theologians from all parts of the Church. This simple precept has vast implications in the area of poverty and inequality in which *"having insufficient material resources for an individual to live in a given society with dignity"* can be used as a useful definition for material poverty.

3.15 Taking seriously the command first to love God with all that we have and then to love our neighbours as ourselves, the principle of *common good* was first developed by thirteenth Century theologian Thomas Aquinas. He argued that to be made in God's image means that each of us embodies the drive to work for the good of our neighbour. The principle of the *common good* is advocated as being fundamental to both our creation and our calling as Christians. Set against the backdrop of what we believe about human equity and dignity the principle of the common good asks us to evaluate our social conditions to see if they allow the maximisation of the possibility of human fulfilment.

3.16 Alongside this, the Roman Catholic Church and many others affirm that

within scripture and Christian tradition there is a clear and consistent call to all of society to ensure provision for the poorest and most vulnerable:

"The obligation to evaluate social and economic activity from the viewpoint of the poor and powerful arises from the radical commandment to love one's neighbour as oneself.

The option for the poor is an essential part of society's effort to achieve the common good. A healthy community can only be achieved if its members give special attention to those who are poor and at the margins of society" (Office for Social Justice, Archdiocese of St. Paul, USA)

3.17 The Methodist Conference report *The Ethics of Wealth Creation* (1990) stated that all things, including wealth, belong to God and we are only stewards of it. This was echoed in the more recent 2005 Churches Together in Britain and Ireland publication *Prosperity with a Purpose*. This principle has developed over the millennia of the church and leads to the view, again proposed by Aquinas, that the principle of private property is welcomed as long as it promotes responsible stewardship and one's possessions are used towards the *common good*.

3.18 In considering discipleship in relation to social responsibility we must finally consider the role of those with wealth. In relation to

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this scripture continually illustrates the worldly nature of wealth and its serious challenge to those who find themselves with such resources. Jesus' words that *'it is easier for a camel to pass through the eye of a needle than for someone who is rich to enter the Kingdom of God'* (Matthew 19:24) is not primarily a moral condemnation of rich people or presumption that their wealth was ill-gotten. The saying follows the passage in which a wealthy young man has asked *'Good Teacher, what must I do to inherit eternal life?'* and Jesus responds, *"You lack one thing; go, sell what you own, and give the money to the poor, and you will have treasure in heaven; then come, follow me"* (Matthew 19:16–22). The man was unable to do this, because he was attached to his many possessions; his desire for wealth superseded his desire for God. Such passages alert us as disciples to the dangers of desiring wealth and its many trappings ahead of God and the wellbeing of our neighbours.

- 3.19 This challenge is pertinent not just to our individual discipleship but also informs our attitudes, desires and actions as a people called Methodists. In serving God we must be prepared for costly giving. In serving our neighbour we must be prepared to reach into those margins and walk as Christ did with the poor and the oppressed, thirsting for justice and offering radical love, compassion and mercy.

PART 4: MEASURING POVERTY AND INEQUALITY:

'A child is deprived if he or she is unlikely to achieve or maintain, or to have the opportunity of achieving or maintaining the standards of health, housing, environment, access to services, safety, education and employment enjoyed by those living above 60% of median income.'

Action for Children's definition of child poverty.

- 4.1 Poverty in the UK has a number of guises. There are some which we know when we see them, such as when we witness homeless street people bedding down or when we are invited into inadequate or overcrowded housing. Much poverty however goes unseen, partly because we often do not wish to look but also because those in poverty may not wish their circumstances to be known. The Church's experience is that, especially in rural communities, poverty is often hidden from sight. It is therefore important to have accurate objective measures of poverty, allowing us to understand the problem's full reach within our communities and society.
- 4.2 The figures given in this paper for people living in poverty use the international standard definition of poverty which is "a household income that is 60% or less of the average (median) societal (in this case British) household income". There are a number of other methods of defining low income and poverty levels. These

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methods use variables such as income before or after housing costs, or disposable incomes after utilities and employment costs have been factored in.¹¹

4.3 The data from all these measures is broadly in agreement. It is important to look at multiple measures of poverty as there is no such thing as a 'poverty line' – the impact of poverty forms a spectrum. The artificial drawing of a single line tempts policy makers into actions which move people to just above that line and ignores those at the very bottom who will take a great deal more effort to lift above it.

4.4 It should be noticed that the most common measures of poverty do not directly relate to the cost of living but

instead compare incomes against others in society. A useful cost of living related measure of poverty is the Joseph Rowntree Foundation's Minimum Income Standard (MIS), which estimates the minimum amount of money needed to live and participate in society¹². An annual survey of the general population asks what items and services are needed to have an acceptable minimum standard of living inside this society. These findings are tallied with the costs of goods and services used by the less well off and a minimum acceptable income for people in the UK is calculated. Each year MIS sets the income required to live and participate in society at approximately 20% higher than the relative poverty figure. In other words using this

Table 1:

	Standard poverty definition	Minimum Income Standard
Single adult	£119 per week	£152 per week
Couple	£206 per week	£267 per week*
Single adult + 2 children	£202 per week	£262 per week*
Couple + 2 children	£288 per week	£367 per week

Table 1: Low income thresholds using the International standard definition of poverty (Column 1) and the Joseph Rowntree Foundation Minimum Income Standard. Sources: DWP Households below average income report 2008–09. JRF report "A Minimum Income Standard for Britain in 2009". This is not the most recent MIS report but is used as a comparison to the most recent DWP figures. All numbers are after housing costs. *estimates based on published data.

¹¹ The variable cost of housing is a major variable which is difficult to account for in national figures. In the past the housing benefit system constrained the effects of this national variation on after housing cost incomes. The recent changes especially caps on benefits will increasingly expose the poorest to these variations.

¹² Note this is also a form of relative poverty measure; in this case MIS compares people's perception of actual standards of living across society.

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functional definition of poverty there are many more than 13.5m people living in poverty in the UK today.

- 4.5 In 2001 the Methodist Conference expressed its support for the concept of using minimum income standards in determining benefit and minimum pay levels. Since then the Joseph Rowntree Foundation has invested in refining and improving the methods used to calculate the MIS making the numbers considerably more reliable.

It is important to note that the negative effects of poverty described in Part 6 are found when any reasonable measure of poverty is used, be it relative to societal income, deprivation indices or minimum income standards.

PART 5: SCALE OF POVERTY AND INEQUALITY IN THE UK

■ In 1979 13.7% of British people lived in poverty; in 2010 it was 22.5%

- 5.1 In 2011 the UK has historically high levels of poverty and inequality. The economic good times prior to 2008 did not lead to large reductions in the numbers of people living in poverty while levels of inequality continued to increase. By January 2011 the recession had just begun to increase the levels of poverty and inequality in the UK. It is widely predicted that the impact of the recession on the majority of the UK population, the

poorest in particular, is likely to begin to bite over the years 2011–2012.

- 5.2 There are 13.5 million people living in poverty in the UK¹³. This is an increase of 1.5 million over the past three years and encompasses over 1 in 5 of the UK's population. Surprisingly the majority of these people live in households where one or more of the adults are in full-time work. 1 in 3 children live in poverty, making them more likely to be poor than adults.

- 5.3 The poverty levels of the over-65s have shown a consistent decrease over the last 10 years as specifically targeted benefits have increased the standard of living of many of the poorest pensioners. Pensioners are now less likely than the rest of the population to experience low incomes; however illness and frailty can lead to additional financial burdens for the elderly.

5.4 Recent trends in poverty and inequality in the UK

Official statistics show that numbers in poverty between 1979 and 2008 increased during recessions and continued long after economic growth had restarted. More marked is the observation that even when the economy boomed there was only a small decrease in the numbers living in poverty but no substantial decrease in the number in severe poverty (Chart 2).

¹³ All figures are from the most recent dataset available usually 2007–2008; data from other dates are noted in the text.

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Chart 2: Numbers of people living in Poverty in the UK (1979/80–2008/09)

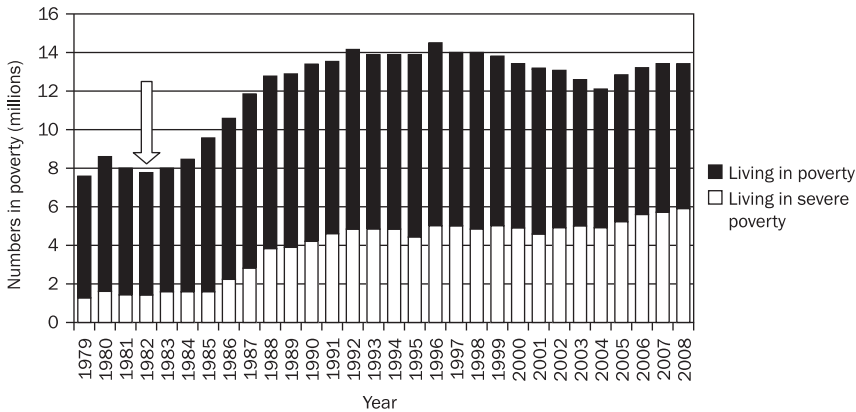


Chart 2: Shows the number of people in the UK living in poverty (defined as 60% of median income), and severe poverty (defined as 40% of median income), in the years from 1979/80 to 2008/09. Arrow marks the return to economic growth after the 1979–1982 recession.

Data from Joseph Rowntree Foundation, derived from the annual *Households Below Average Income* survey (1994/5 onwards) and *Family Expenditure Survey* (prior to 1994) performed on behalf of Department of Work and Pensions and its predecessors. FES Data compiled by Institute of Fiscal Studies.

5.5 In the years of high economic growth prior to the 2007–2008 recession, the poorest tenth of society saw a drop in their income after inflation was taken into account. In cash terms, adjusting for inflation, the richest tenth gained £365 per week over the past decade while the poorest tenth lost £7 per week (Chart 3). The justice of this distribution is highly questionable in itself, but should this pattern of distribution continue into the next part of the economic cycle, a rapid rise in poverty and inequality would be inevitable.

5.6 Given these patterns, it is therefore reasonable to expect that poverty levels will show a large increase in the short to medium term. Just as importantly, the experience of living in poverty is likely to become qualitatively worse as the public services used by the poorest face financial pressures. If previous patterns are followed, a sizeable proportion of the people who experience poverty will remain in poverty even as the rest of the economy picks up – this is especially the case for those who fall into extreme poverty.

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Chart 3: Change in weekly incomes for different sections of society over the past decade of economic growth (1998–2008)

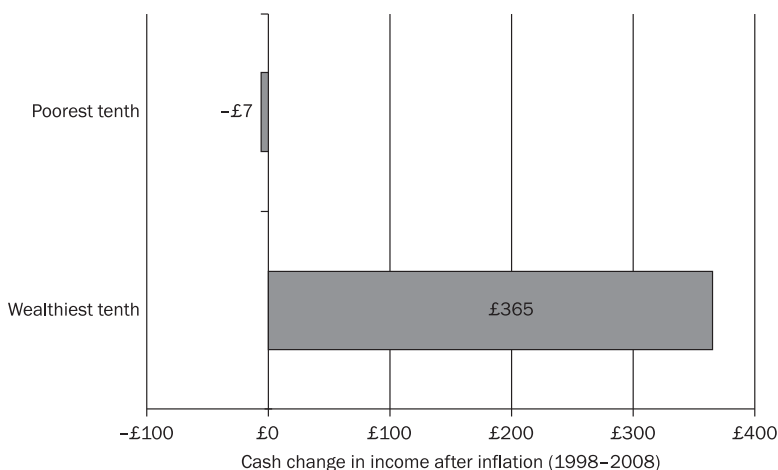


Chart 3: Change in household income over the past decade for the top and bottom tenth by income of the UK population. Figures are given in £ at 2009 value after inflation. Data from Joseph Rowntree Foundation, derived from the annual *Households Below Average Income survey (1994/5 onwards)* and *Family Expenditure Survey (prior to 1994)* performed on behalf of Department of Work and Pensions and its predecessors. FES Data compiled by Institute of Fiscal Studies.

5.7 It is clear from a great deal of evidence that movement out of poverty is extremely difficult. This is part of a larger phenomenon which is that in the UK it is difficult for a person to move out of the social or economic group that they were born into. The OECD judges the UK to be the least socially mobile country of its member states¹⁴, with movement down the socio-economic scale just as improbable as movement up it.

5.8 There is now considerable evidence showing that poverty, especially severe poverty, is both sticky and hereditary; once you find yourself in poverty it is difficult to get yourself or your children out.

5.9 **Level of income inequality in the UK**
As stated above the level of income inequality in the UK is at the highest level since the Second World War. Chart 4 gives an indication of the distribution of income between groups

¹⁴ "Going for Growth" OECD publication 2010.

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in the UK, with the bottom tenth of people earning approximately 1% of total wages.

- 5.10 The indications post-recession are that this increase in inequality is increasing at the same, if not higher rate, as it was pre-recession. Pre-recession the major driver was the large increase in incomes of a proportion at the top end of the income spectrum. Those on middle incomes kept pace until around

2003–2004, when higher earners' income growth began to outstrip all others. Those on lower incomes never enjoyed the high earnings growth of the rest of society. Post-recession the change in rates of earnings growth has been noticeable in the lower and middle income sections of society, where growth is now lower than inflation. Therefore in real terms these sections of society will get poorer over the coming year.

Chart 4: Income distribution amongst different sections of society (1998–2008)

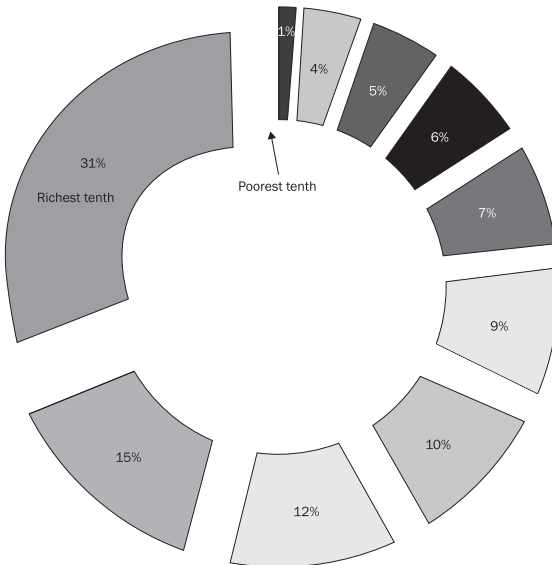


Chart 4: The UK population are divided into deciles by income, the poorest tenth, the second poorest tenth and so on until the richest tenth. The chart shows the proportion of total UK income received by each group over the years 1995 to 2008.

Data from Joseph Rowntree Foundation, derived from the annual Households Below Average Income survey performed on behalf of Department of Work and Pensions and its predecessors.

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5.11 Poverty and inequality is usually measured using income and not overall wealth. Because the effects of income inequality compound themselves over years and generations, wealth inequality has risen even more quickly than income inequality. Recent reputable estimates¹⁵ calculate that the richest 10% of people in London are 273 times as wealthy as the bottom 10%. The richest tenth of people have an average wealth of £933,563; the lowest 10 percent have an average wealth of £3,420. Wealth inequality is clearly even more heritable than income inequality.

PART 6: DRIVERS OF POVERTY AND INEQUALITY

“For the love of money is a root of all kinds of evil, and in their eagerness to be rich some have wandered away from the faith ...”

1 Timothy 6:10 (NRSV)

6.1 The increase of poverty and inequality is due to a number of factors, some of which are discussed below:

6.2 Levels of benefit support

Over nine million adults in the UK rely on state benefits as their major source of income. Over half of claimants are either unable to work for health reasons or are over the

Table 2

Benefit	Weekly rate	Yearly rate	Number of claimants
Job Seekers Allowance (U-25)	£51.85	£2,703.61	414,300
Job Seekers Allowance (over 25)	£61.45	£3,204.18	1,081,400
Incapacity Benefit*, long term rate	£91.40	£4,765.86	2,610,000 (all rates)
Basic State pension per person	£97.65	£5,091.75	10.75million (Contribution based)
Pension + Pension Credit (individual)	£132.60	£6,914.14	3,200,000 (means tested)

Table 2: Table of the rates for common out of work benefits as of 1st April 2010.

*Incapacity benefit is paid at higher rates to people over pension age. It is in the process of being replaced by Employment and support allowance which is paid at similar rates although the process of transfer from one benefit to another has been problematic.

Sources: Rates data from DWP Numbers data from ONS and is latest available at time of writing.

¹⁵ Dorling (2010), 'Injustice: Why Social Inequality Persists'. Policy Press.

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state pension age. Others may have the ability to get paid employment but at a time when unemployment is rising and is expected to continue into the short to medium term, large numbers of people will be reliant on benefits for the foreseeable future.

- 6.3 The benefits given in Table 2 are typically an individual's only income other than assistance with housing costs via the housing benefit system. The two major groups receiving out of work benefits and not included in the above table are carers (0.4m) and single parents (0.7m), where it is difficult to give an individual's level of benefits as they are highly linked to a number of additional factors.
- 6.4 As can be seen from the table above the levels of benefit for those not working are not overly generous. It is difficult to square these levels with the view sometimes proposed that people on benefits are living a life of luxury. As benefits are often put together in a package dependant on individual circumstances it is important to look at the total package available to different compositions of family. The amount of income available is shown as a percentage of the Minimum Income Standard as defined by the Joseph Rowntree Foundation research. It is clear that the fall in the number of pensioners in poverty can be linked to the level of benefits now available, but that even in this case the total levels of benefits is barely adequate to maintain a reasonable standard of living.

6.5 It is surprising to note that of the £156bn spent by the department of Work and Pensions on welfare each year approximately 60% is accounted for by payments made to people of state pension age, 13% by payments to disabled people, and only 2% for those who are unemployed. While cutting unemployment is a laudable social aim the impact on reducing the welfare bill would be quite small.

6.6 **Decrease in value of benefits relative to incomes**

Government policy has for some time linked the rise of social security benefits to prices, measured by the Retail Price Index (RPI). As incomes have on average risen more quickly than prices, the value of benefits relative to the rest of the population has substantially decreased. The government has introduced other benefits to make up for some of the worst of the poverty caused by this effect. The best known of these is the Pension Credit which is a means-tested benefit introduced to deal with the inadequacy of the basic state pension, which tops up pensioners' income to £132.60 per week and is largely responsible for pensioners having a lower rate of poverty than other age groups, whose benefits continue to rise only with prices.

6.7 This problem will be exacerbated by the government's move from the RPI to the lower Consumer Prices Index (CPI) measure of inflation. The issue is explained in more detail on the JPIT website however in short CPI

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Chart 5: Total Benefit entitlement as % of Minimum Income Standard

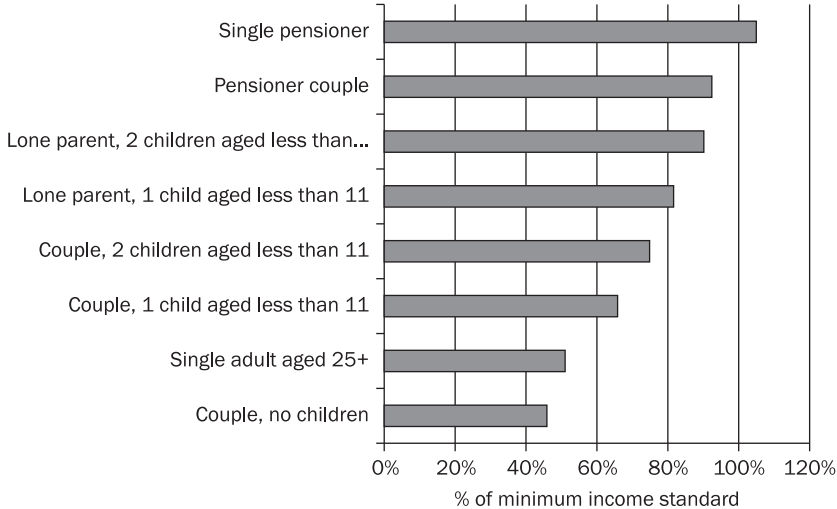


Chart 5: The benefit entitlement of different family types as a proportion of the Minimum Income Standard. The graph assumes that the household has no other sources of income, that all entitlements are claimed and that housing benefit covers all direct housing costs. 100% indicates enough money to live a participate in society.

Data from Joseph Rowntree Foundation.

is on average a third lower than RPI meaning benefits will fall behind the rest of society even more quickly.

6.8 Higher levels of unemployment:

Between 1950 and 1973 the average rate of unemployment was 1.6%; between 1973 and 2009 it was 7.6%¹⁶. Levels of unemployment that two generations ago were viewed as appalling are now commonplace. In 1997 the Council of Churches of Britain and Ireland produced a report *Unemployment and the Future of Work*:

An Enquiry for the Churches looking into the economic reasons behind this. They were unconvinced that the common reasons given for this shift – the need for a “more flexible labour market” or the greater requirement for skilled workers – necessitated this giant shift in the number of people out of employment at any one point in time. It concluded, to the surprise of many of the authors themselves, that high levels of unemployment were unnecessary in a modern developed economy.

¹⁶ “Unemployment and the future of work” CCBI 1997

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6.9 **Low-pay/no-pay cycle**

The Commission on Vulnerable Employment, co-ordinated by the TUC working alongside civil society groups including the churches and the Joseph Rowntree Foundation amongst others highlighted the “low-pay/no-pay cycle” as a key factor in keeping some people in poverty. At the low-paid end of the employment market casualisation and commodification of labour has led to many workers to cycle between short-term and agency work and no work at all. The complexities of the benefits system produces an unhelpful time-lag between the loss of employment income and the start of benefit income. Alternatively if benefits are overpaid they are clawed back at a later date – both circumstances put less well-off people at the risk of going into debt; debt which is considerably more expensive than that on offer to people with regular incomes.

6.10 In dockyards a hundred years ago men would line up in the morning to be chosen or rejected by foremen; if they were unsuccessful they went home unpaid. The advent of the telephone has done away with humiliating line-ups, it is however extremely common for people to wait for the telephone to ring on a daily or weekly basis to see if they have any work or income. People in this position have very few rights and are ripe for exploitation. Their source of income can be arbitrarily removed, or their hours of work can

be changed at little or no notice. They often feel they cannot refuse work, or complain about unsafe or bad working conditions as if they do the phone will just stop ringing, and they will be in effect sacked.

6.11 **Wages levels dropping as a proportion of GDP**

Wages are a gradually reducing proportion of GDP, as well as a gradually decreasing share of a company's profits. In the mid 1970s the share of economic output taken in the form of wages was at a high of 65%; by 2008 that had shrunk to 53%.

6.12 The idea that work has a value in and of itself has been challenged by the belief that labour's value is what the market chooses to pay for it. There are a number of factors in this, many of which are due to the economy's rapidly increasing demand for highly skilled workers. The value of work is to be judged against a market and should the skill be readily available the value is less. Generally the job security of the low-skilled worker will also be less. The only recognition that delivering a full day's work has a defined value is the minimum wage – which at present is insufficient to maintain an adequate lifestyle. As work per-se has reduced in market value so in-work social security benefits have become more common, in effect subsidising many low paying employers.

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- 6.13 There has always been the balance between investors and workers when it comes to who reaps the rewards of a successful business. The change in this balance towards investors again shows a change in attitude to the value of labour. This is double edged for a large number of people, church people included, who are both workers and investors in the form of pension funds, savings accounts or even stocks and shares directly. It does have to be remembered that a large number of people never amass sufficient money to become investors and so are completely excluded from this part of economic growth.
- 6.14 The Methodist Church along with other faith based partners is a member of the Fair Work Coalition which seeks to highlight the human problems caused by the casualisation of labour. The aim is to have the law changed such that low paid workers receive the basic protections that other workers do. The Methodist Church's commitment to the Living Wage, a wage which represents the amount of money that a person requires to live and participate in society, is also based on the understanding of human labour as something other than a commodity to be bought and sold. There is an understanding that to buy someone's labour for less than a reasonable person needs to live is exploitation. There is also clear practical evidence that the life chances of the people stuck on very low pay or the low-pay/no-pay cycle are not improved over those who do not work at all, nor is there any significant improvement in their children's chances.
- 6.15 As the majority of adults and children living in poverty live in households where at least one person has a full-time job, addressing the problems of the low-paid labour market are key to addressing the issue of poverty.
- 6.16 **Hurdles to those already living in poverty**
People living in low-income families have a number of hurdles to face if they are to move out of low-income. Many are discussed in the section Part 7, Living in Poverty. It is important to note that that once a family finds itself in poverty often money alone is not sufficient to break the harmful cycles and consequences of poverty.
- 6.17 The portrayal of and public attitude to those on low incomes and especially those receiving benefits can have profoundly negative effects. These can take the form of demoralising individuals and communities, or take the form of treating people whose outward appearance is less well off in a less favourable way. A number of studies in health and welfare systems as well as in relation to customer service show this obvious phenomenon to exist and have real effects. The challenge for churches

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is to both recognise it in ourselves and to point it out in others.

6.18 As well as these unseen barriers, the poorest also face concrete barriers in terms of higher costs of living. Church Action on Poverty and Save the Children have done extensive research on the "Poverty Premium", the financial penalty faced by the least well-off families when buying basic goods and services. The most obvious penalty comes in the money lending markets where 7–8% is the current price paid for a loan by someone with a regular average income; those in poverty can borrow less money at rates that can rocket into the 1000s of percent. Other goods and services such as phones, utilities, and even food cost more to the poorest. Save the Children estimates that this costs Britain's low-income families around £1,280 per year each.

6.19 Taxation

Taxation in the UK is highly *regressive* ie a greater proportion of the income of the poorest is taken in taxes than of the richest. Data from the Institute of Fiscal Studies (IFS) shows that the poorest tenth pay 46% of their income in tax while the highest income tenth of the population pay around 34% in tax. The effect of the recent government changes is discussed in Appendix 3 but it is likely to increase this differential.

Even in the hypothetical situation where every individual and company pays their taxes according to the letter and the spirit of the law it would still be regressive.¹⁷

6.20 The biblical example of the tithe suggests that, for easily understood reasons of justice, tax should at the very least be raised from each group proportionately.

6.21 The regressive nature of the UK's tax system is often a surprise given that the most talked about tax, Income Tax, is progressive. However almost all other taxes are not. Income Tax plays a large but reducing part of the Exchequer's income. As the base rate of Income Tax is a politically sensitive number, there is pressure on all political parties to keep the headline rate low. Governments have therefore used other taxes to raise revenues. In recent years these have included National Insurance (appears similar to Income Tax but its rules mean it hits low earners more and high earners much less), Council Tax (highly regressive) and Value Added Tax (also regressive).

6.22 The Robin Hood Tax Campaign promotes a version of the Tobin Tax where a small proportion (approximately 0.01%) is charged on currency transactions. As a huge amount of currency is traded each day, this small proportion has the

¹⁷ Office of National Statistics, 2006/7, "The Effect of Taxes and Benefits on Household Income".

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potential to raise large amounts of money. The money would be spent 50% alleviating poverty at home and 50% on alleviating poverty and the effects of climate change abroad. This tax would clearly be progressive in nature and has gained a cautious welcome from government, and a more rapturous response from many sections of academia and civil society.

- 6.23 The known distribution of taxation comes from HMRC records and therefore does not include tax which is avoided by the manipulation of tax rules which are outside of the spirit of the law but inside the letter of the law (tax avoidance) or tax evasion which is straightforwardly illegal. The line between evasion and avoidance can be fluid and indistinct. The effect of these practices is both to deprive the exchequer of large amounts of money and further increase the disparity between the proportion of tax paid by the poorest as opposed to the proportion of tax paid by the richest. This is because only individuals and companies with large amounts of wealth or income are able to avail themselves of the specialist advice and complex legal structures required to avoid or evade substantial amounts of tax. The estimates of the amount of money lost this way are highly contentious but vary from the HMRC's estimate of approximately £45bn annually, to the TUC's estimate of approximately £95bn.

- 6.24 Avoidance of tax by basing companies in jurisdictions which are known as 'tax havens' is often alleged. Christian Aid is currently running a campaign to shine a light on such tax havens. Their evidence points to transactions between companies owned by the same parent companies being used to transfer profits artificially to countries with extremely low tax rates. This means that developing countries selling natural resources or commodities are unable to collect the taxes which could be used to improve their infrastructure and social welfare.

- 6.25 The key ask of the Christian Aid campaign is not to change any laws relating to tax payment or tax rates, just to let the light shine on these transactions so that customers and law makers can see the process in full. The ask is called 'county by county reporting', insisting that groups report profits made and taxes paid in each jurisdiction it or its subsidiaries operate in. A similar ask that the existence of personal bank accounts set up in havens is reported to the country the person is domiciled in as happens when a UK citizen opens a UK bank account. This changes no tax rates but allows for transparency and would be of assistance in tracking illegal as well as tax avoiding funds.

- 6.26 It is interesting to note that when a London-based tax management company was approached by one

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of this paper's authors it estimated that it could reduce the tax liabilities of Joint Public Issues Team (JPIT) staff by around 60% if we allowed JPIT to become an Isle of Man-based company which sold its services to the Connexional Team. No member of the Connexional Team or JPIT staff would ever have to leave Methodist Church House for this to come about.

PART 7: LIVING IN POVERTY IN THE UK:

A person born into poverty in the UK will on average have a shorter life with more ill health than the average person. Over ten years of healthy life will be lost due to an accident of birth.

7.1 The JPIT website contains more such stories in written and video format. This is in part in response to the Methodist Council's call "*to listen to and tell the real stories of those who struggle on low incomes*" (Appendix 1).

7.2 In modern developed countries such as the UK, poverty and destitution are not synonymous. The current benefit system alongside other widely available public and charitable services means that destitution as Wesley would have known it is currently mercifully rare¹⁸. The increase in poverty in the UK is

therefore related to the fact that inequality between rich and poor has increased to historically high levels. Some have argued that avoidance of absolute destitution is sufficient to discharge our duty towards the poor. Discussions within the Connexion and with partner organisations have indicated that this is not a position that Methodists would be happy to accept and that there are strong practical, moral, sociological and theological grounds to reject this argument.

7.3 Many parts of the Church in Western Europe are in decline and nowhere is this decline sharper than in the poorest communities. For many, living in poverty and living away from the Church are synonymous.¹⁹

7.4 Experiences of Living in Poverty

Church Action on Poverty has for a number of years worked in disadvantaged communities and held hearings and other projects designed to allow the voices of the poorest to be heard. Below are a sample of statements and quotations which they have collected during this work. Poverty is:

- going without a winter coat so you can afford them for your children
- having to decide whether to eat a meal or heat your house

¹⁸ For some sections of society, however, such as those seeking sanctuary, living on 70% of benefit levels largely given in vouchers not cash, such extreme levels of poverty are much closer.

¹⁹ http://www.churchofscotland.org.uk/serve/priority_areas/new_models_of_church_life (accessed March 2011) for more information and references.

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- never being able to go on holiday or get away from home for even a day
- not being able to buy a cup of tea in a café, or catch a bus to visit family
- paying £800 or more to a legal loan shark, for a washing machine that would have cost a wealthier person just £100
- waiting ten years for your house to be repaired, then being told there's no money to do it (this happened this year (2011) to a whole community in Collyhurst, Manchester)
- having no say in decisions that affect your community, but seeing 'regeneration' imposed from outside by companies and councils
- not just experiencing these things once in a while, but facing them every single day.

Statements from people about their own experiences of poverty:

- "It is embarrassing being in poverty. To be poor is to be written off."
- "Poverty is ... wondering if you can take the night bus ... having no music ... carrying heavy bags with food in to save fares ... being unable to afford magazines, books, a camera, film ... living with badly designed equipment ... waiting for any of the reduced items in Sainsbury's ... being given endless bowls of soup and cups of tea when what you want is a proper meal."
- "Poverty is a 17-year-old who can never afford to go to a disco."
- "Poverty means having no choice. If you're lucky you can afford the cheapest things."
- "Poverty is not only about shortage of money. It is about rights and relationships; about how people are treated and how they regard themselves; about powerlessness; exclusion and loss of equity."

7.5 Impact on Health

Poverty has measurable and marked effects on individuals' and communities' ability to thrive and flourish. There is now a huge literature available – links to some of which are on the JPIT website – detailing the relationship between poverty and poor outcomes in terms of health, education and wellbeing. There are many measures which can be used to demonstrate this, examples of which are given below.

- 7.6 One of the most striking influences of poverty is the effect it has on life expectancy. Chart 6 below is derived from the most recent comprehensive analysis of poverty and life expectancy in the UK. It is for Scottish males 2001–2005 but the trends are found in both genders and all parts of the UK.
- 7.7 The life expectancy for the poorest was 13 years and 4 months lower on average than the life expectancy for the richest. These data also showed that the poorest could expect more of

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Chart 6: Relationship between poverty and the life expectancy of Scottish men 2001–2005

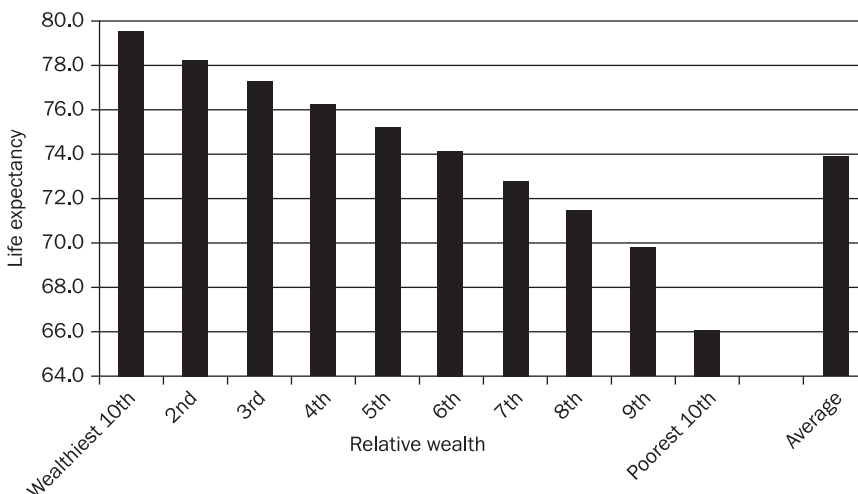


Chart 6: The UK population are divided into deciles by wealth, the poorest tenth, the second poorest tenth and so on until the richest tenth. The chart shows the relationship between poverty and the life expectancy of Scottish men 2001–2005.

Data from the Scottish Public Health Observatory, and DWP.

their life to be “not in good health”, 11.3 years as opposed to 4 years for the wealthiest. Most worryingly the trend over the years 1994 to 2005 is for poverty to have an increasing effect on health and life expectancy. The group above the poorest tenth’s life expectancy grew by only two months, while the richest tenth’s grew by over thirty one months.

7.8 Life expectancy is the crudest of health measures, but it is clear that poverty is linked with this and a number of other health measures. Poverty is also linked to poor mental health, more

difficult relationships within families as well as higher rates of relationship breakdown and divorce. The links with mental health and emotional wellbeing are becoming of increasing interest to researchers and policy makers. These are viewed as key to the ‘stickiness’ to poverty; people who may be physically able to seek work and seek to improve their financial position also need to have hope, drive and resilience when seeking to move forward in the jobs market.

7.9 Child Poverty

In March 2010 The Child Poverty Act passed into law. This is an “Act to

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- set targets relating to the eradication of child poverty". The Act defines poverty using relative measures and deprivation measures, and sets a target of 2020 to meet tight child poverty targets. By the end of March 2011 the government must lay before Parliament its strategy to achieve this aim.
- 7.10 Policy makers focus on child poverty both because of the clear injustice of having one's life chances harmed by an accident of birth, and because there is clear evidence that child poverty has impacts on the rest of one's life, harming educational attainment, health, and eventually increasing one's chances of living in poverty as an adult.
- 7.11 The impacts of child poverty are clear before school age, eg babies from the poorest tenth of households are twice as likely to die in their first year as those from the richest tenth. By the time children from the least well off families are preparing for school they are at a considerable disadvantage.
- 7.12 Looking at educational attainment from 3 years to 14 years, differences in assessment related to family income, father's occupation and mother's education widen at each stage (although they then narrow slightly between 14 and 16). In contrast differences related to other factors such as ethnicity, reduce or even reverse during childhood.
- 7.13 Our Methodist partners, Action for Children, are experts in the field of understanding and tackling child poverty. The JPIT website includes the full text of their submission to this paper and provides a valuable insight into the complex and sometimes expensive steps that need to be taken if the government is to meet its child poverty targets. The charity advocates early family support as a key way of breaking intergenerational cycles of deprivation.
- 7.14 Action for Children recognises the two needs which must go hand in hand for a family in poverty: more income preferably through suitable opportunities to work or through benefits; and targeted early support to families to improve the health, emotional well-being and ultimately the educational attainment of vulnerable children. Their submission outlines changes in policy needed to allow suitable services to be given to the families of vulnerable children.
- 7.15 Action for Children's submission also expresses grave concerns that services to provide the necessary early interventions will be cut by local authorities. The Comprehensive Spending Review sees local authorities' grant support cut by 27%. Although government ministers have made statements that Sure Start and similar programmes have not been cut, the Early Years budget out of which

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such services are funded has been substantially reduced. This means that if for instance Sure Start centres were completely protected other Early Years services would have to be cut substantially.

- 7.16 Subsequent to Actions for Children's response the Campaign to End Child Poverty produced a report mapping child poverty in the UK. Worryingly the areas of high child poverty appear to be areas where the direct grant from central government to local authorities have been cut the most, further highlighting Action for Children's concerns.

PART 8: PERCEPTIONS OF THOSE IN POVERTY

■ *Unemployment-related benefits represent just 2% of benefit spending*

- 8.1 Jesus values individuals irrespective of their wealth and status and that was and is, radical and countercultural. To include the poor as a neighbour who should be loved as thy-self is radical and countercultural. Jesus presents us with a morality that is at odds with the prevalent ideas of individual worth and individual wealth being linked.
- 8.2 Blaming the poor for poverty has a long and ignoble history from long before Jesus' birth. In Roman society the poor were largely viewed

as morally corrupt and deserving of their fate. Indeed the beginning of small changes in attitude – viewing the group as possibly worthy of assistance – has been noted as coinciding with the beginning of the Christian period of Roman history²⁰.

- 8.3 The view of the poor as deserving of their fate remained in Wesley's day. The declaration that it was wicked to blame the poor for their poverty was radical and countercultural. To treat beggars and the poor with respect was also radical and countercultural. Society has moved on but attitude surveys and opinion polls repeatedly show that the poor are viewed by many as the architects of their own fate with words like lazy, feckless and work-shy being used.
- 8.4 The confusion between the value of the individual, of their efforts, achievements and potential with their wealth is still prevalent and it is still challenged by Jesus' example. Moreover it is difficult to square the evidence of recent trends in poverty and inequality detailed above, especially the indicators that poverty is largely hereditary, with the view that poverty is the fault of the poor.
- 8.5 **Misrepresentation of the poor**
A present day incarnation of this prejudice is the section of the UK media which continues to portray those on benefits as scroungers who are exploiting the generosity of

²⁰ "Poverty in the Roman World" (2006) edited Margaret Atkins, Robin Osborne. Cambridge University Press

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the ordinary taxpayer. Examples of fraudulent benefit claims or of people who are claiming benefit and appear to be enjoying an above average lifestyle are prominently displayed. It is important to note that the Government estimates benefit fraud to be £1.6bn per year while it estimates underpayment to those who qualify but do not claim to be £16.8bn.

- 8.6 Sadly politicians, including past and present government ministers, have used similar statements when justifying reductions in benefit. The Chancellor mentioned families who receive over £104,000 per year in housing benefit when justifying widespread reductions in housing benefit. A number of journalists in contact with the Joint Public Issues Team have only been able to find three such households. A member of JPIT has spoken to two of these families. They are both large families living in unsuitable accommodation, in extremely expensive areas of London. They were given no choice as to where to live if the families were to be kept together and would welcome cheaper suitable accommodation. This is not the impression anyone listening to the Chancellor's speech would have got.
- 8.7 The Government has also chosen to emphasise benefit fraud, which, although clearly a crime, makes up only 0.6% of the welfare budget. In the Chancellor's speech announcing

the Comprehensive Spending Review and in a ministerial foreword to a Department of Work and Pensions (DWP) official document²¹ the level of fraud was exaggerated three-fold by combining figures for government and claimant error with fraud, and labelling it all as fraud. Churches wrote to the Prime Minister asking for these errors to be corrected²² and the DWP publication has subsequently been corrected, though not other ministerial statements. This is to be regretted as it pollutes the debate over welfare reform.

- 8.8 The message particularly around benefits appears to be influencing public opinion. The British Social Attitudes Survey data shows that 78% people "believe the gap between rich and poor is too large". The statements that "wealth is not fairly shared" and "the Government should redistribute wealth" are more controversial, but all three statements have been increasing in approval since 2004. The attitude to benefit spending has taken a different trajectory, with a declining number of people supporting increased benefits. The media portrayal of people on benefits along with recent statements from government ministers exaggerating benefit fraud, giving extreme examples of families receiving large amounts of benefit, and suggesting those on benefits are lazy are key factors in the reducing public support for the benefits system.

²¹ "Tackling fraud and error in the benefit and tax credits systems" DWP 2010

²² <http://www.methodist.org.uk/index.cfm?fuseaction=opentogod.newsDetail&newsid=473>

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8.9 Research into social attitudes in less well-off communities shows them to have similar views as the rest of the population. The interesting twist is that people or groups known personally tend to be exempted from the negative traits ascribed to less well-off people not known to them.

8.10 **Biases against the poor**

Other research highlights two major psychological influences as to why we have a tendency to believe the worst of people living in poverty. There is a psychological effect known as the 'just-world phenomenon'. This is the observed tendency for people to make the assumption that current circumstances have come to pass because of just reasons. Many studies show that when individuals are asked to describe people based on no information other than clues about their wealth, they make assumptions to justify the perceived level of wealth, suggesting the poor are lazy and unintelligent while the rich are hard-working and clever. The view can be challenged by personal knowledge but when making judgements about public policy or new people this prejudice is often encountered. The recurrent view of the poor as deserving of their own fate can be partially explained by this observation. The statistics which demonstrate that poverty is largely hereditary, along with other data about health, education and future job prospects being

distributed inequitably between rich and poor show the just-world prejudice to be utterly untrue.

8.11 Another factor leading to the misperception of the poor is that people's perception of their own wealth is usually inaccurate. Multiple studies have shown that people consistently believe themselves to be poorer than they actually are. They therefore underestimate what the real effects of living in poverty are likely to be. This is especially prevalent in the very wealthiest sections of society. In the most recent such research only 2% of the UK population believed themselves to be in top 20% of earners, while 88% of people believed themselves to be middle income or lower. This lack of understanding is thought to be due to income groups living increasingly separate lives and very few relationships being formed which span income groups. There is evidence to show this inaccurate understanding is more common in societies with greater levels of inequality, and therefore it is expected to increase as inequality increases.

8.12 An argument is sometimes made that if attitudes could be changed such that income, wealth and rank were completely ignored in terms of status and power then, as long as destitution was avoided, income inequality does not matter. The question is hypothetical as no

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society, despite many attempts, has ever achieved this. The distribution of respect and the distribution of wealth appear to be intimately related, and actions to change attitudes about the poorest in society go hand in hand with actions to reduce poverty and inequality within society, in a virtuous circle.

8.13 **Impact of inequality and economic growth**

Evidence popularised by the 2009 book *The Spirit Level*²³ has been growing for some time from a variety of research groups. It is clear that inequality within a society, even one in which poverty does not usually lead to destitution, has detrimental effects. A wide variety of social problems in developed countries such as the incidence of crime, some health issues (mental health especially) and well-being are closely linked to inequality, with more unequal societies suffering more greatly from these ills.

8.14 Although there is some controversy as to how to define countries which follow this pattern, there appears to be little doubt that the trend exists in most developed countries, including the UK. There is also data showing that as inequality increased in the UK over the past 20 years many of the social problems mentioned also increased, but not the physical health problems which

have too long a lag period to be captured in such timeline analyses.

8.15 It is entirely uncontroversial that being at the bottom end of a highly unequal society is much worse than being at the bottom end of a more equal society, ie that equality is better for the poor. If this was the only implication of the research there would certainly be a theological case to be made that more equality is a suitable aim for a developed society. The more controversial statement, within the political community and much less so amongst the academic community, is that a more equal society is beneficial for all. A flourishing society is a more equal society. The implication is that economic growth is not the best way of improving the well-being of the population of a developed country such as the UK, instead it is a better distribution of the wealth already present.

8.16 Growth is seen as the primary aim of economic policy makers. It is estimated that because of efficiencies in the economy a growth rate of 2% per year is needed to maintain employment and standards of living, and a higher rate is required to improve living standards. The data above shows that higher growth has not, in the past twenty years, improved the living standards of all.

²³ "The Spirit Level" by Richard Wilkinson and Kate Pickett, Penguin (2009)

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8.17 Economic growth has always had environmental consequences. Since the industrial revolution it has been strongly linked to CO₂ emissions and other forms of pollution, and developed societies with greater inequality tend to have higher levels of per capita CO₂ emissions. Unless this link between growth and pollution can be broken it is difficult to see a moral case to strive towards it while there are alternative ways of improving 'the common good'.

8.18 The 2009 report to the Conference *Hope in God's Future* discusses the impact of climate change and references compelling evidence that these will be greater in developing countries, whose governments and people will be less able to afford to adapt their living patterns or habitat to the changing environment. The first substantial research into the effects of climate change on different sections of the UK population²⁴ shows that in terms of water availability, resilience to increased high temperatures and access to services and suitably modified housing, the poorest in the UK will face heightened pressures.

8.19 The role of future economic growth as a means to improve the plight of the poorest in UK society needs to be questioned on both inequality and environmental terms. The

question is summed up in the quote "*Anyone who believes exponential growth can go forever in a finite world is either a mad man or an economist ...*" (Kenneth Boulding, renowned Quaker philosopher and economist, 1910–1993).

PART 9: CHURCH RESPONSES TO POVERTY AND INEQUALITY

"to contemplate legislative and administrative proposals from the point of view ... of the poor. That would be more likely than almost any other bring ... conduct into harmony with Christ."

Hugh Price Hughes,
Christian Democracy.

9.1 The Methodist Church

Many projects ranging from coffee mornings and lunch clubs, to debt counselling and Credit Unions are run by Methodist Churches responding practically to poverty in the communities they serve. A list of all such projects would be much too long but it is interesting to note that there is no comprehensive list available of even larger community projects within the Methodist Church. The Big Society Paper to be found elsewhere in the Agenda also touches upon how Methodist Churches are contributing to their communities.

9.2 Learning from other partners

Other Churches and partner organisations do similar work in

²⁴ "Vulnerability to heatwaves and drought: adaptation to climate change" by Magnus Benzie, AlexHarvey, Kate Burningham, Nikki Hodgson and Ayesha Siddiqi, (2011) published by the Joseph Rowntree Foundation.

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communities and the January 2011 Methodist Council resolved that we should endeavour to understand and learn from these. Many of these local projects are arranged through Churches Together Groups and are from their very instigation ecumenical projects, others become more ecumenical as they succeed and expand. For example the West London Homeless 'Concern' project provides food and shelter for street-homeless people each night of the winter. Accommodation is in different churches throughout West London and the volunteers are from a variety of church backgrounds and none. Many other such co-operative projects exist up and down the country, where co-operation and shared learning is integral to their make-up.

9.3 Below are some examples of effective work within communities in innovative ways. This list is of course in no way comprehensive and examples are selected to draw out particular ideas.

9.4 *Church of Scotland's Priority Areas Programme*²⁵: Scotland has many of the UK's most deprived communities, many of them concentrated in the former industrial areas around Glasgow. The Church started the Priority Areas Programme as an intentional response to this poverty. There was a recognition that the Church was not as effective as it could be within deprived communities and part of this was the lack of

resources available to churches serving such communities. The Church of Scotland operates on a parish system, with ministers allocated roughly in proportion to the size of the population served. Priority Areas are areas defined as the most disadvantaged 5% of parishes. These 58 parishes are allocated a minister and the resources for an additional member of staff, who may be a minister but may have a different set of skills dependant on the needs of the community.

9.5 The programme has a seven year plan, agreed in 2010, with three priorities: "Engaging with wider church and society; Developing new models of church life; and Developing new models of community". There is a continuing commitment to target resources at these areas as a reflection of the belief that there is a "*gospel bias to the poor and marginalised*" that needs to be reflected in the witness of the Church. A statement of this belief is read out at the annual General Assembly. It is important to note that the programme is aimed at enabling and empowering people in deprived communities to flourish and realise their God-given potential. It is not a deliberate evangelism or church growth strategy (although God often uses faithful witnesses when bringing people to faith) and it is premised on a view of Church that encompasses all seven days of the week.

²⁵ For more information see http://www.churchofscotland.org.uk/serve/priority_areas (accessed March 2011)

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Faith in Community Scotland project is a project with links to the Priority Areas work, but is a charity founded in 2005 that includes many faith groups and is focused on community building through the work of people of faith. Faith groups which have joined this charity share a concern for the people in deprived communities.

correspondence suggest that areas known to be deprived are given special consideration. The difficult financial environment for groups providing support to the disadvantaged has prompted at least one district to look at formalising its commitment to supporting deprived communities by the introduction of a new policy.

9.6 The Priority Areas Programme is an effective example of a Church targeting its resources at areas of deprivation. It is also to be noted that the resources are located irrespective of the existing Church infrastructure and is given with the specific purpose of serving the community outside of the Church congregation (while of course including church people in community development).

9.8 *Church of Scotland Church Twinning Scheme*: This is a scheme also run under the Priority Areas umbrella where churches in Priority areas are twinned with churches in other areas. It is absolutely essential that there is no expectation of a financial relationship between the Churches. Twinned churches agree to walk together for three years in the first instance, and share in their experiences of being church in their respective communities. The initial agreement sets out how this will be done and is unique to each church. Geography obviously plays an important part in how the relationship can be formed.

9.7 Correspondence with District Grants Officers and an examination of the Connexional Grants System and district funding formulas suggest that Methodist resources are not intentionally targeted at disadvantaged areas as in the Priority Areas Programme. Methodist funds appear to be more targeted at churches which have poor finances. The deprivation of an area and the finances of a church should be related but it is easy to envisage circumstances where that would not be the case or where there would be a substantial time lag between the change in an area's demographics being reflected in the books of a church. It is also clear that district grants committees have considerable local knowledge and

9.9 There are 52 Churches currently in the programme, some are what the co-ordinator calls 'love-marriages' where the churches found each other through shared links, but most are 'arranged marriages' where churches that have expressed an interest in the programme are matched up. The programme has been important to changing attitudes in both partner churches involved and has galvanised churches into responding to the needs in their communities be they deprived or otherwise.

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- 9.10 Many problems of rising inequality are due to the lack of relationships between different groups of people. Wesley recognised the dangers of ignorance when judging other groups in society, and he himself mixed with both the highest and the lowest. The phenomena recognised by the Connexional Team's researchers in their Missing Generation project, where people of similar demographics tend to gather together, provides both an opportunity for church growth and a challenge to be a church which promotes understanding throughout society. The experience of this programme is that it is invigorating and informative to all the churches. One of the advantages is that it requires relatively few central resources, and as many local resources as each church is prepared to give.
- 9.11 *Faith in Affordable Housing*: This is a programme supported by partners including the Church of England, and co-ordinated by Housing Justice, the national voice of Christian action in the field of housing and homelessness. This project is aimed at giving practical and technical information to assist churches in providing affordable housing. The effective use of church property is an ever present issue and this provides an option for churches to use their property to generate some income as well as act in a way that promotes social justice.
- 9.12 *Christians Against Poverty*: This is a Christian charity which delivers help to anyone regardless of their faith with debt problems. The service is free to those who receive it, and helps people through the process of getting their finances back in order all the way through to the discharge of their debt if that is the path the client chooses. There are many good reports throughout the Connexion of their counselling work but their financial relationship with the doorstep lending company Provident Financial has led some Methodists to feel uncomfortable with accepting their help.
- 9.13 *Credit Unions*: A number of churches of a wide variety of denominations have been home to credit unions. These provide banking services to people regardless of their financial status as well as affordable loans to people who might otherwise be forced to go to high-interest lender or illegal loan sharks. Changes to the regulation of credit unions have led to the recent tendency for these organisations to become larger and outgrow a home in a single church. The regulations also mean that credit unions can provide a service appropriate to individual churches and smaller charities. Even with these changed regulations church members volunteering and saving in credit unions continues to be key in maintaining the movement.

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9.14 **Campaigning activities**

The Methodist Church has also responded to this issue of poverty and inequality by campaigning and attempting to influence those in power through individual correspondence, press work and consultation responses. As stated above the underlying principle to these responses has been to challenge policies where there is good evidence that they will disproportionately affect the poor. The Methodist Church has also been active in refuting government exaggerations of benefit fraud and other statements that speak unfairly about the poorest.

9.15 Where possible influencing and campaigning work is done in co-operation with other organisations. These are usually church-based, but on occasions we have common purpose with other secular organisations. The sharing of resources and expertise that comes from such co-operation is invaluable in terms of being effective campaigners, as well as helping us to learn from the experience of others.

9.16 The Methodist Church is an active member of campaigns which are immediately relevant to the issue of poverty and inequality.

9.17 *Close the Gap*: This campaign is co-ordinated by Church Action on Poverty, and aims to highlight the issue rising inequality in the UK.

It was launched in January 2011 with a hand in of petitions to 10 Downing Street, and is scheduled to last for three years. The aims are to raise awareness of the problems associated with poverty and inequality within churches and to enthuse and equip campaigners to lobby government. The second aim is to raise the same issues outside the church in partnership with other organisations.

9.18 *The Fair Work Coalition*: The majority of households living in poverty contain a working adult. The Fair Work Coalition seeks, mainly by lobbying government, to influence the development of employment law such that all low-paid workers receive fair and equal treatment and the protections that their better-paid counterparts take for granted. This campaign is co-ordinated by the TUC and follows on from work around the Living Wage and the Commission on Vulnerable Employment.

PART 10: PROPOSALS AND RESOLUTIONS

10.1 **The Methodist Council, at its meeting on 9–11 April 2011 resolved to accept the following principles.**

- All things belong to God and the trustees of wealth are also entrusted with the responsibility to use that wealth justly towards the common good.
- An individual's wealth or poverty is irrelevant to their value and

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that the Church should promote this ideal both in its words and in its actions.

- The Church looks forward to the day when no member of society has their ability to fulfil the potential God has placed within them hindered by lack of material resources.
- A key criterion to be used when evaluating policies and actions is their effect on the level of poverty and inequality within society.
- Money paid in fair taxation is a gift freely given; a contribution to the common good. That when a proportion of this money is fairly paid in benefits to the least well off this contributes to creating the just and compassionate society that the Church would wish to see. Those who would abuse these systems by not abiding by either their letter or their spirit push the goal of a just society further from our grasp.

10.2 Recommendations related to Church Life

There is considerable overlap between this paper and the paper on the Big Society (which may be found elsewhere in the Conference Agenda) especially when making recommendations as to encourage and enable churches to engage further with their communities. One point which is clearly shared is that there is a lack of easily accessible information on what projects – even

large projects – are happening around the country.

- 10.3 Discussions within the Connexion and consultations with those involved in equality and diversity within churches have indicated that while there are many excellent examples of work within deprived communities, we cannot afford to be complacent about our attitudes to poorer people. The story in the second chapter of James of no preference being given to the wealthy man is still relevant today.

10.4 *Decisions of the Council taken in April 2011*

The Council has

- encouraged churches within the Connexion to explore ways of building relationships within the Methodist Church between people of different economic backgrounds;
- asked the Connexional Team, within existing budgets, to explore the possibility of using a Church Twinning model as a way of promoting understanding between churches from different backgrounds;
- asked the Connexional Team, within existing budgets, to explore the feasibility of gathering and sharing information on community projects that currently engage Methodist churches;
- asked the Joint Advisory Committee on the Ethics of

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- Investment to include issues of poverty and inequality in the UK in the advice it provides to the Central Finance Board, including consideration of Living Wage, overly high pay, the protections offered to companies' low paid workers (or those it contracts) and the companies' policies around the transparency of corporate tax affairs.
- 10.5 For resolutions on how our Church might understand how its resources are deployed across the Connexion, enabling it to respond to greater levels of need, see the report on the Big Society.
- 10.6 **Recommendations related the Public Policy**
Many of the new difficulties facing the poorest and most vulnerable are due to decreases in government expenditure. In order to speak about these cuts with integrity we must ensure that we corporately and individually contribute to government funds by paying all the taxes owed. These contributions are both a moral and legal duty; therefore it is not sufficient to obey merely the letter of the law, but also the spirit.
- 10.7 Methodists will hold a spectrum of views as to the correct level of just taxation; in all but the most extreme circumstances in the UK the democratic process is the correct way to address
- such concerns. Subversion of tax regulations is an inappropriate and socially divisive method of achieving change.
- 10.8 Recommendations around taxation ask Methodists to review one aspect of how we deal with our money, and may lead to pay additional tax. Christian discipleship with integrity should challenge us all to examine our relationship with money and a willingness to do this will add to the integrity of the witness of the Methodist people.
- 10.9 Employers have a major effect on the experience of living on a low income. Good practice such as offering training, personal development and the Living Wage should be encouraged. The Methodist Church has decided to pay Living Wage to its own workers and should use its investments to promote such behaviour.
- 10.10 *Recommendations:*
The Council recommends that **the Conference:**
- a reaffirms its commitment to ending the scourge of poverty and to promoting the welfare of the poorest and most vulnerable in representations to all levels of government and civil society;**
 - b calls upon the Methodist people to consider how best**

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- they may play their part in bringing this about be it by prayer, charity, social action or political action;
- c** speaks out where changes to Government policy adversely affect the poorest or most vulnerable, and when these groups are portrayed unfairly;
- d** calls upon the Methodist people to examine their own practices to ensure they are contributing all taxes that are owed, both legally and morally, to ask if tax 'efficiencies' are in fact tax avoidance strategies outside of the intention of the law, and to challenge the culture where the payment of tax is viewed as a merely a legal obligation to be minimised, rather than a moral obligation to be embraced;
- e** promotes a fair tax system where all income groups share fairly the tax burden and preferably the wealthiest contribute more as a proportion of their income; and where all individuals and companies pay their contribution to society by both the spirit and the letter of the law;
- f** encourages policies which seek to reduce the levels of poverty and inequality in the UK and to support enthusiastically Church Action on Poverty's "Close the Gap" campaign (www.church-poverty.org.uk);
- g** encourages and congratulates the Government on its commitment to end child poverty by 2020, and to reaffirm and celebrate the Conference's relationship with Action for Children, seeking their advice and guidance in matters related to child poverty;
- h** promotes fair working conditions for the poorest by continuing to support the Fair Work Coalition, and other campaigns aimed at enabling low-paid workers to have dignified, life enhancing employment;
- i** welcomes and seeks to engage constructively with the Government as it tries to simplify the benefits system and to enable more people to work without fear of losing their benefits;
- j** reaffirms a commitment to linking benefit levels to a minimum income standard so that those unable to work may live in dignity.

*** RESOLUTION

11/1. The Council adopts the Report.

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Appendix 1: 2010 Council Resolution

At a joint meeting of the Methodist Council and the URC Mission Council in October 2010 the following text was agreed:

“The Methodist Council and URC Mission Council meeting together note that:

- *despite being the 5th wealthiest country in the world, in the UK almost 1 in 4 adults and 1 in 3 children live in poverty*
- *income inequality in the UK has risen to its highest level since the Second World War*
- *all are created to experience life in all its fullness, and that for those in poverty lack of resource is an often insurmountable obstacle to this*
- *relative poverty impacts on life chances, in terms of lower educational attainment, health, and life expectancy*
- *inequality is increasingly a barrier to the relationships within society and it is clear that the impact of inequality makes us all poorer economically, socially and spiritually*
- *20 October 2010 the government will announce reductions in spending expected to have lasting effects on the poorest and most vulnerable in society.*

The Methodist Council and URC Mission Council meeting together resolve:

- *to promote just distribution of income by confirming our commitment to the Living Wage and by calling for benefit and wage policies that provide the opportunity for all to live and work in dignity*
- *through the work of the Joint Public Issues Team and others, to challenge the causes of poverty and inequality inherent in our society*
- *to stand alongside those worst affected by the government spending review and to demand that the burdens of the current economic situation are not unfairly put on the poor and the vulnerable*
- *to challenge those who would stigmatise the poor and portray those in poverty as ‘lazy’, or ‘having made a lifestyle choice’, or being ‘scroungers’*
- *to listen to and tell the real stories of those who struggle on low incomes.*

The Council of the Baptist Union of Great Britain has also affirmed this statement in a slightly amended form.

Appendix 2: Brief summary of tax and benefit changes that may affect local congregations

There are a number of government policy changes that will also have direct and tangible effects within the communities that Methodist Church’s serve. For full details see JPIT website²⁶.

²⁶ www.jointpublicissues.org.uk

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Major changes to the Benefit system.

Incapacity Benefits: Claimants are being moved to a new benefit (ESA) at a rate of 10,000 a week.

From the appeals process we know that at least 1,000 people a week are incorrectly having their benefits cut. People supported through the appeals process have more than double the rate of success. Advice for people wishing to help in this way is on the JPIT website.

Child Benefit Changes: This will be removed from families where one earner is in the higher tax bracket and it will not be up-rated in line with inflation for the next three years. Child benefit is large proportion of low-income families' budget. The change will increase pressure on these households.

Mobility Component of Disability Living Allowance (DLA): This will be removed from those in residential care, and those with learning disabilities will be the groups worst affected. People who are able to fund residential care privately will be unaffected. Access to the Motability scheme will be removed therefore churches may notice that elderly or disabled members will lose some independence and that the transition in to residential care may become more difficult.

Proposed changes in Housing Benefit and Social housing:

Housing Benefit will be capped, at a level which in some places, especially London, will mean that large areas will become unaffordable to those on low incomes. The new social housing scheme "Affordable Rents" will charge 80% market rates and will also not be affordable to families on housing benefit.

In all areas Housing Benefit will only pay for the worst third of housing, and under-35s will only get sufficient money to rent a single room. New social tenants will also no longer have long term tenancies instead they will have two year agreements.

Local Churches may experience population movements within their communities as well as pressure on the supply of cheaper rental accommodation. A number of groups including Citizens Advice Bureau have issued warnings that the proposed changes could dramatically increase the number of homeless families.

Changes to the measure of inflation used to uprate benefits

Benefits other than the State Pension and Pension Credit are now up-rated using lower different measure of inflation, the Consumer Price Index (CPI). The Joseph Rowntree Foundation has estimated that the cost of living for poorer families by around 6% while CPI has been at around 2%. Long-term this is probably the most important change to the standard of living of the least well off as inflation compounds year on year the effects will get greater year on year.

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Changes to local government funding

Local government receives approximately £30bn each year from central government and this is to be reduced by 27% over three years. The many local services which are not mandatory such as Sure-Start, and many projects housed or run by churches will be under severe pressure.

Local government settlements in Scotland and Wales follow a different pattern from England but will contain similar reductions.

At a time of reduced funding this localisation makes it impossible to generalise how local services will be affected it is however apparent that charities which receive funding from local authorities are also receiving cuts, probably proportionately higher than core services.