

Christ and Cuts | The Church in 'Austerity Britain'

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Cuts to public spending have dominated the political narrative since before the General Election, and they will continue to do so over the next four and a half years of the current Parliament. These cuts will affect every family in the country, albeit to varying degrees. Some could face substantial hardship in the months and years to come as incomes decrease and public services are scaled back or closed: it is therefore imperative that the church is ready to serve those who find themselves in need, stepping in where government steps back.

This paper aims to give some context to the spending reductions, outline their probable effects, and suggest ways for the church to serve those most affected. It is not designed to comment on whether the government's approach to reducing public spending is right or wrong. Rather, it is a response to the political situation as it stands.

Background

Without a doubt, the global financial crisis of the past few years has been the most significant economic crisis since the Great Depression of the 1930s. It made clear not only how reliant on financial services our economy is, but also how dependent the world's economies are on each other. Two years after the trigger of the crisis (the collapse of Lehman Brothers in September 2008) the repercussions are still being felt, Ireland's bailout by the European Union (EU) and International Monetary Fund (IMF) being the most recent and one of the most dramatic examples. At the time of writing the ruling coalition in Ireland was teetering on the brink of collapse, the country's problems exacerbated by rising emigration, a property market which will not recover to 2008 levels until 2020, and an economy which has slipped back into recession despite (or perhaps as a result of) public spending cuts on a level unimaginable even now in Britain.

The United Kingdom is not realistically facing the same level of crisis as Ireland. But due to a combination of the said global financial crisis (and, arguably, overspending by the previous government), the country has been left with a significant structural deficit, i.e. the government is spending more than it receives in income, and will continue to do so unless a) tax rises are implemented, or b) public spending is cut. All three parties went into the General Election promising to cut this deficit, but differed as to how to go about it. Broadly speaking, the Conservatives planned to eliminate the deficit within five years, whereas Labour and the Liberal Democrats planned to halve it within the same amount of time. The Conservatives planned fewer tax rises than Labour and the Liberal Democrats, meaning that more public spending would be cut. It is the Conservative plan which the Coalition has adopted.

The cuts to overall public spending announced by George Osborne are the deepest since World War II, and the cuts to public services will be the deepest since the four years after 1975, when the government was forced to comply with the IMF's austerity plan.¹ We are a generation used to benefitting from the effects of public spending increases year on year. Even with the media reporting of the cuts and government attempts to emphasise how hard the coming years will be, it is doubtful that the public at large is aware of what the cuts will mean in practice. The Institute for Fiscal Studies (IFS) has shown that cuts to welfare spending will mean that benefits are focussed more on pensioners and less on families with children: such families, it says, are the biggest losers from welfare cuts. Furthermore, the IFS claims that the tax and benefit changes announced will reduce the income of the poorest households more than the richest households (with the exception of the richest 2%, who are hardest hit).

How then should the church appropriately respond to what will occur in the next few years? A few general principles can be highlighted at the outset:

- *The cuts are an opportunity to serve:* Many people will find themselves in need in the coming months and years, either through loss of income or public service cutbacks. The Church is well placed to step into the breach through projects such as Community Emergency Foodbank, Besom and Christians Against Poverty.
- *Our response should be both inward and outward:* Our churches could see, at least in the next couple of years, an increasing number of their members unemployed or with their incomes reduced. There should be an attempt to remove the stigma attached to being poor which can occur in church circles, whilst also welcoming in and serving the poor currently outside the church.
- *The role of the state is up for question:* In terms of longer-term strategy, as government steps back from some provision of welfare and public services the Church needs to position itself as an alternative provider. This is a once-in-a-generation chance for the Church to establish itself as a key driver of social support and change.

How should the Church respond?

The effects of the cuts will be felt in two main ways:

- *Income:* Individuals and families could see their incomes cut through a combination of benefit changes, tax rises, and public sector unemployment.
- *Public services:* The public services which people had come to rely on will in many cases face cutbacks or, in some cases, complete abolition, particularly where these services are provided by local authorities.

Obviously there is some overlap here, but these two categories provide a useful way of analysing how the Church can respond to cuts in public spending over the next five years.

Income

The cuts announced by the Coalition will affect the monthly income of families in a number of ways. Some of these will be relatively insignificant (such as changing the indexation of pension uprating),

¹ Institute for Fiscal Studies, *Opening remarks: 2010 spending review analysis*, [<http://www.ifs.org.uk/publications/5310>] (21 October 2010)

but some could have a significant impact on the ability of an individual or a family to meet their outgoings each month (most notably unemployment, but also some proposed changes to Employment Support Allowance and the scrapping of EMA).

Means by which loss of income could occur as a result of the government's spending cuts include:

- *Unemployment*: The most recent estimate by the Office for Budget Responsibility suggests that 330,000 jobs are expected to be lost in the public sector over the next four years.² (However, employment is expected to rise overall by 2015, public sector losses offset by private sector job creation)³. Changes to support for those in post-16 education could also mean a rise in NEETs (Not in Education, Employment or Training).
- *Pensions*: The uprating of private and public sector pensions are being linked to CPI rather than RPI from April 2011.⁴ This will mean smaller monthly rises in income.
- *Child Benefit*: Removed from families with a higher rate taxpayer from January 2013, saving £2.5bn.⁵
- *EMA*: Weekly payments to teenagers from less well off families to keep them in education or training are being scrapped.⁶
- *Employment and Support Allowance*: Contributory ESA will now only last a year unless judged to be very disabled. Welfare system will no longer support people judged too ill to work after 12 months if they have sufficient savings or partner with income to support them.⁷
- *Tax Credits*: Working Tax Credits frozen for 3 years from April 2011; couples need to work 24 not 16 hours to get WTC from April 2012. This will mean families who can't find an extra 8hrs/wk of work currently receiving WTCs will see their income significantly reduced.⁸
- *Council Tax Benefit*: Replaced with grants to local authorities from April 2013, which are planned to be lower than current CTB spend.⁹
- *Housing Benefit*: Cut for single people aged 25-35 from April 2012.¹⁰
- *VAT*: The increase in VAT from 17.5% to 20% from January 2011 will hit those with already tight margins the hardest.¹¹

The impact of these cuts on individuals and families will be far from uniform: some may notice only a modest change in their financial circumstances, whereas those facing unemployment face considerably more hardship. As a church we must be aware that people in general will be proportionally worse off than they have been thus far, some drastically so. In response, the Church may consider the following:

² Office for Budget Responsibility, *Economic and Fiscal Outlook* (London, 2010), p. 7

³ *ibid.*

⁴ Johnson, P, 'Index link switch puts pensions in limbo', *Financial Times*, 14 November 2010

⁵ HM Treasury, *Spending Review 2010* (London, 2010), p. 28

⁶ *ibid.*, p. 41

⁷ *ibid.*, p. 28

⁸ *ibid.*, p. 68

⁹ *ibid.*, p. 50

¹⁰ HM Treasury, *Budget 2010 (June)* (London, 2010), p. 33

¹¹ *ibid.*, p. 18

- *Church income:* It is possible that, stripping out the effect of growth in numbers, a church's income year on year will plateau or even decrease as changing circumstances are reflected in members' monthly tithes.
- *Job clubs:* Acknowledging the fact that more people are currently unemployed than at any point in the last ten years, with only relatively small economic growth predicted for the next few years¹², job clubs are an appropriate response. These could give people the confidence and skills to give them the best possible chance of employment in a very competitive market.
- *CAP:* Christians Against Poverty has been something of a phenomenon since its foundation, and its reputation beyond the Church is very high indeed. It could be worth exploring the possibility of having people from Emmanuel trained as CAP Debt Counsellors, who can help those in dire straits to plan their way out of trouble by helping them budget and renegotiating loans with the bank.
- *Openness and discussion:* Poverty and joblessness are perceived to be something of a taboo, particularly among the aspirational working classes and middle classes. Those in need are unlikely to say that they need help. Within a church, this could mean being frank about the issue in preaching etc. Beyond the church community, practical means such as CAP, CEF and job clubs are good ways to practically love and serve those most in need.
- *Meals:* Food costs are a significant part of anyone's monthly outgoings, and they are currently rising above the general rate of inflation. If meals were to be provided, hopefully on an informal but regular basis for those in a church who are in need, this could be a huge blessing. Community groups provide an obvious way to coordinate this, again hopefully informally.
- *CEF:* The Community Emergency Foodbank is an excellent project, practically serving those who cannot even afford to buy food. A renewed emphasis on the project would undoubtedly lead to increased contributions, and Emmanuel's members would be practically serving the very poorest in Oxford as the cuts start to take effect. It may be worth discussing what other support, e.g. administrative could be offered.
- *Besom:* The Besom Project enables people to use their time, money and skills to help the poorest and most vulnerable in society. It is possible that the number of people requiring help from projects such as Besom will increase, but whether or not there is an increase, serving in such projects is a practical and loving demonstration of our love for the poor, which is especially pertinent in these tough economic times. Community groups could be encouraged to take part in projects in their local areas.

Public Services

Amidst the spending review, the government pledged to protect health spending and the schools budget. Whilst the realities of both these pledges have come under scrutiny by the Opposition and organisations such as the Institute for Fiscal Studies, they have relatively speaking escaped unscathed from the austerity measures.

¹² *Economic and Fiscal Outlook*, p. 7

By far the biggest cuts will be seen at a local level. Services provided by local councils are diverse and often go unnoticed by council tax payers. However, the Department for Communities and Local Government received by far the largest cut to its departmental budget – 51% over four years – and this will have a direct impact on the grants which councils receive from central government, falling by 26% over four years¹³. This could affect anything from youth provision to care services.

The precise nature of the spending reductions will vary based on decisions taken by each local council, and Oxford City Council and Oxfordshire County Council are yet to set out in detail their budgets for the coming financial year in their entirety. However, based on what has been announced to date in Oxford, as well as more general observations about likely cuts at a local level, the following are possibilities:

- *Sure Start*: The Sure Start programme was introduced by the Labour Government which combined childcare, early education, health and family support. Funding for the service is likely to be cut: the majority of councils are unable to give guarantees about the future of the service.¹⁴ Providing similar albeit scaled down services such as mother and toddler groups could be a way of stepping into the gap created by the closure of Sure Start centres.
- *Youth provision*: Oxfordshire County Council is cutting 20 of the 33 youth services it funds, and has specifically asked for voluntary groups to step into the breach.¹⁵ Churches should examine as a matter of urgency how they could work with the council to provide similar services funded from their own budgets and staffed with some of their own volunteers.
- *Community centres*: Some councils are considering the idea of giving smaller community centres and green spaces over to local communities to own and manage themselves. Churches could explore the possibility of working with communities, ideally where there is already a link, to run these.
- *Parks and green spaces*: One of the easiest areas for a council to cut will be in the upkeep of green spaces, reducing the frequency or extent of the work it does. Church members may consider volunteering to tidy community spaces near where they live.

Even though the precise nature of spending reductions at a local level is not yet clear, it is crucial for churches to start building good relationships with councils. If they can be seen to be trustworthy with what they currently do, there is a greatly increased chance of being asked to take on more services by councils looking to save money. This has the potential to be a mutually beneficial situation: councils reduce their spending by outsourcing services to church groups, and church groups gain an opportunity to serve hundreds of non-Christians in their localities. As suggested at the beginning of this paper, the spending cuts to come have the potential to be a fantastic opportunity for churches.

Conclusion

The Church always has an obligation to help the poor, both within and outside the church community. Many of these suggestions will therefore be applicable to any point in an economic

¹³ Spending Review, p. 50

¹⁴ 'Sure Start Shock' [<http://www.itv.com/daybreak/news/surestartshock/>] (19 November 2010)

¹⁵ 'Axe may fall on half of Oxfordshire's council libraries' [<http://www.bbc.co.uk/news/uk-england-oxfordshire-11845014>] (26 November 2010)

cycle, indeed Jesus himself reminds his disciples that 'you will always have the poor among you'.¹⁶ However, the spending cuts we in Britain are currently faced with provide an opportunity for the Church to make a fresh, concerted effort to help the financially worse off, enhancing its profile in the community as it does so.

Whilst meeting short term felt needs is imperative, it is also crucial for the Church to be taking a longer term view about its role in communities, and indeed the country. As a result of both the spending cuts and the Conservatives' 'Big Society' initiative, for the first time in a generation the role of the state is up for question. Christians cannot afford to miss out on this opportunity: as the government steps back from provision of welfare and public services, the Church should be the most high profile group filling the void.

¹⁶ John 12:8 (ESV)

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- 'Sure Start Shock' [<http://www.itv.com/daybreak/news/surestartshock/>] (19 November 2010)

Useful Websites

- Besom Project - <http://www.besom.com/>
- Christians Against Poverty - <http://www.capuk.org/>
- Community Emergency Foodbank - <http://www.cefoxford.co.uk/>
- HM Treasury - <http://www.hm-treasury.gov.uk/>
- Institute for Fiscal Studies - <http://www.ifs.org.uk/>
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