

RICH

IT'S TIME TO



Church Action
on Poverty

CLOSE THE GAP

BETWEEN RICH AND POOR

THE BASIC CASE

POOR

contents

- 3 introduction
Rt Revd John Packer
- 4 inequality and
the common good
James Hanvey SJ
- 5 biblical attitudes
to inequality
Marijke Hoek
- 6 the spirit level
Michael Bartlet
- 7 the wealth gap
Alison Gelder
- 8 the pay gap
Michael Taylor
- 9 the tax gap
Paul Morrison
- 10 the spending gap
Tom Sefton
- 11 the price gap
Jane Perry
- 12 the power gap
Niall Cooper
- 13 afterword
Frank Kantor
- 14 what are we calling for?

GIVE ACT PRAY **TO CLOSE THE GAP**

If we Give, Act and Pray together, we can build a more equal society. Happier. Healthier. Safer. Fairer.

You can be part of the movement for change by making a simple Pledge: to donate a small amount of money; to join in email actions; or to pray for a fairer world.

Make your own Pledge to Close the Gap now at www.church-poverty.org.uk
Or call 0161 236 9321 and ask for a Pledge leaflet

SPREAD THE WORD **TO CLOSE THE GAP**

We have free videos, worship materials, workshops, articles and other resources to help you get your church involved in this campaign.

Download the church pack free at www.church-poverty.org.uk/act/resources
Or call 0161 236 9321 to request a printed copy

This campaign is supported by generous grants from the Methodist Church's Connexional Grants Team, the United Reformed Church's Vision 2020 programme, the Society of Jesus and the MB Reckitt Trust.

introduction



Rt Revd John Packer, the Bishop of Ripon and Leeds, explains why Christians should care about inequality.

Any Christian coming to the issue of inequality must do so with a high degree of humility. The Christian churches have not had a good record of treating people equally or of recognising the equal worth of all people in the sight of God.

So slavery, racism and class oppression have been justified by Christians. It is no accident that within our society and in other Western countries Christianity has often appealed most to the wealthy, and that churches often prosper in well-off areas. Inequality is also a world-wide phenomenon. As we tackle the gap between rich and poor in our own country we need to be working too for equality between nations as well as within them.

So one reason for Christians to care about inequality is that our own record is so patchy. However, there are good examples of Christian action to reduce inequalities and express a bias to the poor. Much work with those who are homeless, with asylum-seekers and for racial justice is done under Christian auspices. These need to be celebrated, encouraged and enhanced.

Christian concern for equality is deeply rooted in biblical truth. The creation narrative of all humanity in the image of God must be a foundation document for us (Genesis 1:27). There is no room for discrimination by race, gender or religion. God's concern is for the whole of humanity created in his image. Paul takes up the theme in his speech to the Athenians (Acts 17:26) where all nations are declared to have a common ancestor. John's gospel uses the image of Jesus lifted up on the cross that he may draw all people to himself (John 3:14, 12:32). Scripture emphasises time and again the ways in which our imagination is to be extended in recognising and responding to God's care for those in need (eg Luke 6:20 – blessed are you who are poor).

This emphasis on combating inequality leads to a call to be generous, as in the example of the Macedonian church (2 Corinthians 8), and philanthropy has often been a mark of Christian discipleship. However, there is far more to it than this. Equality lies at the heart of God. The doctrine of the Trinity emphasises the equality within the Godhead of Father, Son and Holy Spirit. Human beings are equal because they are made in the image of the triune God. There is a fundamental equality which needs to be expressed in the way we treat one another. That is why Christians will be concerned if the doctrine of the common good

becomes an assertion that, at a time of financial stringency, 'we are all in this together'. Financial pressure always bears hardest upon those with less than enough. Unless structural changes are brought about to tax systems and welfare provision the gap between rich and poor will increase at times of financial problems in our society.

There is little sign that narrowing the gap between rich and poor is a priority within our culture, and therefore little sign of increased fulfilment for people on both sides of the gap. There are good pragmatic reasons for working to close the gap. For Christians there is something more. The gap is an affront to God who made all human beings of equal worth. Those who are poor, or who work alongside the poor, know that we have all much to gain from those humanly deprived. The churches have a theological and biblical duty to express the need to close the gap. This will happen by our own actions, such as in ensuring that a living wage is paid by our churches. It must also happen by political campaigning, because Christianity, like politics, is to be concerned for the welfare of all.

The arc of the moral universe is long, but it bends towards justice

Martin Luther King

inequality and the common good



James Hanvey SJ, Director of the Heythrop Institute for Religion, Ethics and Public Life, looks at what Catholic Social Teaching has to say about the gap between rich and poor.

Behind every statistic is a unique human face, a whole world of relationships without which society would be diminished. It is an illusion to think that poverty only affects those who are poor, it impoverishes us all. Not only do growing inequalities destabilise communities, they also point to a failure of government to govern for the common good of all its citizens.

In Catholic Social Teaching, the common good can be understood as encompassing the ultimate lasting good of all persons, ie their union with God, and then those conditions which enable people, individually and as a group, to achieve their fulfilment. These will obviously entail a whole variety of different interrelated elements: from the protection of a person's dignity and rights, to the securing of a peaceful society, the creation of just laws and administration. It must embrace the economy and the distribution of wealth within society as well as the provision of essential services.

Though there can be legitimate disagreement and conflict about what constitutes the common good and the means for achieving it, at its core is a vision of the human person as spiritual as well as material; finite, but also living with a transcendence expressed in a freedom open to goodness and truth.

In Catholic Social Teaching, the primary duty of the state and governments is the service of the common good. In a democratic system they have

a moral as well as pragmatic obligation to govern for the good of all people. No one pretends that this is easy. It is tempting for governments to work exclusively with utilitarian understanding of the good for the greatest number. This, however, becomes morally and socially indefensible when it leads to policies which accept that the 'good' of some is expendable. It is, likewise, indefensible for governments to pursue policies which increase inequalities. Not only is this a waste of human resources which society needs for its own flourishing, it progressively disenfranchises those at the lower end from access to the goods which they need in order to live well within a democratic system. For the good of society itself, democratic governments have an obligation to defend the weak, not just protect the interests of the strong.

The common good recognises that the good of the other is also my good. The economy cannot stand independently of the moral and social responsibilities that are incurred in virtue of belonging to a society: the economy must serve society, not society the economy.

In Catholic Social Teaching the strong dimension of solidarity is balanced with the principle of subsidiarity. Subsidiarity does not license central government to withdraw its resources while shifting responsibility for provision to local communities to the private or charitable sectors. It is not a delegation but a recognition of an already existing capacity at an intermediary level with the corresponding obligation to support it.

The common good is not an abstract concept but a concrete reality; it is not something that exists independently of our commitment to create it. Christian faith in the reality of an Incarnate God commits us to this work. It requires of us to see beyond the impoverishment of the idolised individualism that has dominated our economic, cultural and relational landscapes for too long. We know that the economy cannot save us. We should not be afraid to draw upon our deep, rich and inspiring Christian tradition to help our society find another way. As *Caritas in Veritate* states: "God gives us the strength to fight and to suffer for love of the common good, because he is our All, our greatest hope."

**The art of Government
in fact is the art
of so ordering life that
self-interest prompts
what justice demands**

William Temple

biblical attitudes to inequality



Marijke Hoek (co-editor of *Micah's Challenge: The Church's Responsibility to the Global Poor*) looks to scripture for ways of closing the gap.

The consistent message throughout the Old and New Testaments is that gross inequality is immoral and unjust. No wonder, for such consistency for 'justice' reflects the character of God. He is the one who upholds the cause of the oppressed and defends the cause of the fatherless, widow and refugee.

The biblical understanding of the 'poor' reflects their economic and social deprivation. They are hungry, begging, spiritually low, wrongfully impoverished, oppressed, homeless or humiliated. Interestingly, 'the poor' are frequently mentioned in the same paragraph with their counterparts, 'the rich' (Luke 16:19–31). This is significant for the interpretation of the texts and the shaping of our life. Martin Luther King Jr described it well: "We are caught in an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly, affects all indirectly."

God acts on behalf of the poor by instituting legislation that protects them, gives hope and regulates the behaviour of the rich and more powerful (eg Deuteronomy 24:10–15). Debts should be cancelled at end of seven years. People should lend generously and pay fair wages (Deuteronomy 15:1–15). Farmers should leave part of their crop for the poor to glean (Leviticus 19:9–10) and provide for the refugee (Deuteronomy 10:17–18). These and numerous other laws and principles aim for a just society.

God's justice also includes a clear advocacy on behalf of the vulnerable. The prophets act as social reformers who call rulers to account. They critique religion that does not care about the needy. The worship that God has in mind makes the poor and afflicted less hungry and distressed. He envisions a lifestyle for righteousness sake (Isaiah 58:6–10). Besides offering housing, food, clothing, justice and shelter, he instructs the people to spend themselves on behalf of others.

So, God is after a radical form of 'whole life stewardship'. We see that best lived out in Jesus. His first public reading announces the thrust of his ministry: "The Spirit of the Lord is on me, because he has anointed me to preach good news to the poor" (Luke 4:18ff).

The frequent instruction throughout the gospels to give to the poor is a characteristic concern of his message. The phrase 'almsgiving' means literally 'to do an act of mercy'.

The Church must announce Christian principles and point out where the existing social order at any time is in conflict with them. It must then pass on to Christian citizens, acting in their civic capacity, the task of re-shaping the existing order in closer conformity to these principles

William Temple

Jesus envisaged a kingdom community. Giving and hospitality should go across the social boundaries to those who are not able to give anything in return (Luke 6:35, 14:12–14). So, He critiques the dominant system that divided society in race and class. He raises the son of a poor widow, addresses racism in the parable of the good Samaritan, heals lepers and values women. Jesus aims at changing hearts and society.

The early church models such an alternative society. "Great grace was upon them all, for there was not a needy person among them" (Acts 4:32–35). The community was made up of people from different backgrounds whose identity is defined "in Him" rather than on the basis of class, ethnicity, or gender. The community is a powerful display of God's liberating and restorative presence.

The New Testament writers continue to draw on Old Testament laws and principles grounded in God's character. He is building a community of justice. The gospel is good news for the poor and the rich. Wealth can be put to good use. The only form of riches that is fitting is riches towards God (Luke 12:21). The quality of our society and worship is related to the way we treat the vulnerable and value all people. In this way, we reflect something of God's character in this world.

the spirit level



Michael Bartlet, Parliamentary Liaison Secretary for the Religious Society of Friends (Quakers), explains why equality is better for everyone.

The *Spirit Level*, by Richard Wilkinson and Kate Pickett, offers an optimistic and attractive argument that economic equality is in the interest of us all.

Fairness is the foundation on which a more cohesive, trusting society can be built.

Whether looking at levels of mental illness, physical wellbeing, illiteracy, teenage pregnancy, imprisonment and punishment, Wilkinson and Pickett demonstrate a strong correlation between inequality and the relevant index of alienation. In each case, when making comparisons between developed countries, there is a clearer correlation between the incidence of social distress and levels of inequality than with wealth. The pattern repeats itself in comparison between States in the U.S.A. The logic is compelling – greater inequality is in the interests not just of poor people but of the vast majority of the population.

The evidence is striking. Rates of mental illness are five times higher in the most unequal societies as compared with the least unequal societies. In more unequal societies people are six times more likely to be imprisoned. In the case of infant mortality, data is analysed according to social class. Children of the richest social classes in England and Wales – countries of comparative inequality – have greater infant mortality than the poorest classes in Sweden – a country of equality.

Correlation is not in itself evidence of causation. But *The Spirit Level* describes mechanisms of causation that include the social stress – or distress – of competition; status anxiety and the erosion of social networks and trust in more unequal societies. Educational opportunity increases cultural cohe-

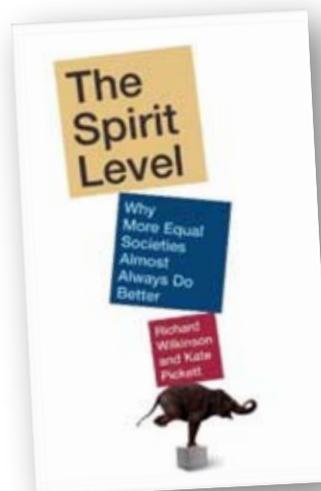
sion. The envy caused by inequalities of wealth may be a factor in criminality. The metropolitan riots of 2011 are a wake-up call for addressing these issues not just in terms of criminal sentencing but political action.

The Spirit Level presents a vision not of opposition but of making the world a better place to live for the vast majority. Reducing inequality would not only make the economy more stable, it could also make a significant contribution to social and environmental sustainability. More equal societies are more sustainable; and more sustainable societies are more equal. There is a powerful argument that more equal societies have greater levels of the trust necessary for binding agreements on limiting use of resources. More equal societies give more in development aid. It is only when people in the poorest countries have 'enough' that they will be able to pay attention to destructive patterns of resource use.

After a generation of widening inequality the book provides a rallying call for an equality that resonates with the spirit of the Gospels. Not only are there strong arguments for redistribution of wealth on the grounds of fairness, a more equal society is also more intrinsically satisfying, sustainable and peaceful. *The Spirit Level* prompts us to question the ideology connecting well-being with material prosperity premised on perpetual growth. In the context of the cuts, it makes a compelling case that public spending should be scrutinised for its impact on equality. Perhaps the hardest question to answer though is in essence political: once we accept that equality is desirable – how can we work together to create a society that is both more equal and just?

The organisations and networks of organisations which articulate the political concerns of other sections of society ... do not exist for lower income groups

Power Inquiry



the wealth gap



Alison Gelder, Director of Housing Justice, explains an injustice which is perpetuating inequality from one generation to the next.

Wealth (marketable assets like house equity, cash, shares, bonds and investment trusts) is not distributed equally across the population. According to the latest figures (from 2005) the wealthiest 1% of the population own 21% of these assets, while 50% of the population own only 7%.

The wealth gap decreased dramatically during the 20th century, but despite the sale of council houses through the Right to Buy, the number of households without any assets doubled (from 5% to 10%) between 1979 and 1999, and the wealth gap has been increasing again since the late 1970s. The increase in wealth has been largely due to the rising value of the stock market and to increased house prices. In other words, it has been due to capital gains rather than saving. In fact savings tend to fall as wealth increases.

There are three main consequences for society of the wealth gap.

1. Wealth often plays a role in enabling people to overcome transitions in their lives. There is evidence that households will be more secure, regardless of their income, if they have assets.
2. Rising house prices mean that a greater share of household wealth is spent on property, leaving less available for investment in productive parts of the economy like business and manufacturing.
3. The high proportion of UK wealth sunk in housing seems to be prolonging economic booms and exacerbating recessions and downturns, making our economy more volatile – although the mechanisms causing this are debated by economists.

Property wealth is the largest component of wealth in the UK. Between 2006 and 2008 it accounted for almost 40% of all wealth and, within this, residential buildings were worth seven times the value of commercial, industrial and other buildings. In 2009 the value of owner occupied housing was estimated to be £3.5 trillion. The situation is made worse because housing wealth is relatively untaxed as an asset class. So there are a limited number of Council Tax bands and these are based on very out-dated valuations; Stamp Duty is only incurred when a house changes hands and inheritance tax on the death of the owner; and there is no Capital Gains Tax on someone's main residence. Thus the house price boom has left many home-owners

Someone buying a property in London in 1995 could expect an unearned gain at today's prices of 350%

with unearned assets. This is not only buy-to-let landlords and property developers but also ordinary people who bought homes to live in over the last thirty or forty years. For example, someone buying a property in London in 1995 could expect an unearned gain at today's prices of 350%. These gains have contributed to an imbalance in the housing market, making it much more difficult for the under forties to buy homes unless they are helped, for example by home-owning parents or grandparents. This has exacerbated the usual trend in society for wealth to be concentrated in older generations. It is also contributing to unemployment (limiting labour force mobility) and to problems like overcrowding (565,000 households in England were overcrowded in 2010).

The fact that the wealth gap reduced considerably in the 20th century shows that it is possible to change the present reality. The adverse economic and social consequences of the current situation mean reducing this gap would potentially have a huge impact. We can tackle the wealth gap by mobilising opinion in two directions. First, unearned gains in wealth should be taxed, for example by the introduction of capital gains tax on main residences. Secondly, alternative forms of assets should be developed which are not dependent upon private property, for example through shares in community assets such as community land trusts.

the pay gap



Michael H Taylor, former Director of Christian Aid, is now a member of the High Pay Commission. He explains how we can reduce income inequality.

Some of the plain facts about the Pay Gap are astonishing to say the least. Two statistics out of many must suffice. In 1978 British Aerospace paid its top director £29,000. By 2010 his salary plus benefits and bonus amounted to £2,363,000, an increase of 8,048% compared with a 556% rise in median earnings of UK full-time male employers. In 2010 the average annual salary of FTSE 100 chief executives was more than £3,747,000 or 145 times the national median wage of £25,800.

The reasons why this situation has come about are complex and many. If we talk in general terms we can point for example to a growing culture of greed, which has been increasingly well rewarded. If we look at something more specific, remuneration committees, which recommend to the board of a company how much the chief executive should be paid, carry some blame. Their recommendations are hardly objective since for the most part they are made up of other highly paid executives with their predictable vested interests. Another possible factor is the need for a bank or business enterprise to be seen to be hiring 'the best', and the best comes at a price which ratchets up the figures.

Some of the highly paid would say that they bring skills to the job that are in short supply, they take risks, carry heavy responsibilities and, by running successful enterprises, create jobs and fuel the economy. They should be paid accordingly, but in any case their pay is a product of the system and cannot be blamed on them.

Yet the widening pay gap produces people who live in a different world from the majority, and have difficulty in understanding the daily realities with which others have to cope. (It is important to remember that this can also be true of many in the so-called 'squeezed middle', and it threatens our ability to feel sympathy and responsibility for one another.)

What needs to be done? Shifting the public mood so that greed and extremely high pay become unacceptable, and that more (money or growth) won't make us happier, are starting points, as of course is campaigning for a decent living wage for everyone. But there are several areas of policy-making which are worth looking at. I will mention two.

The first takes us back to those remuneration committees and the need to widen their membership so that it is not entirely made up of a chief executive's peer group but includes people from other walks of life and employees representatives, provided they are given the necessary training and support that enables them to make themselves heard.

Second, 'performance-related' pay is much talked about with the assumption that it is fair if it is a reward for success. Clearly some high pay has looked like a reward for failure – over the past 10 years the average annual bonus for FTSE 350 directors went up by 187% whilst the average year-end share price went down by 71%! The relationship between pay and success is not easy to prove. Doesn't the workforce contribute as much to success as the chief executive? And do you measure 'success' simply by share values, or by the contribution of a firm to the common good, the affordable goods and services it has provided, and its level of responsibility to society and to the environment?

As Christians we should of course critique the pay gap on grounds of justice, wellbeing and our responsibility for one another. We should be interested in exploring and advocating specific measures to reduce it. We cannot derive them directly from our faith but our faith requires us to pursue them. We should guard against self-righteousness and recognise where we are part of the problem. And we should look for the better examples where private enterprise, including shops and banks, are run on more equitable lines, and put any money we have to spend, save or invest where our mouth is.

Justice and power must be brought together, so that whatever is just may be powerful, and whatever is powerful may be just

Blaise Pascal

the tax gap



When it comes to tax, there is one rule for the rich and another for the poor. **Paul Morrison**, Policy Adviser at the Methodist Church, explains.

Tax hits the poorest hardest. The poorest tenth of families pay around 46% of their income in tax. The wealthiest tenth pay less than 32% of their income in tax. The trend of shifting the burden of tax from rich to poor started in the 1980s, and every significant change in tax law from that point on has increased this tax gap.

You may be surprised by this. The media and politicians often focus on income tax, which is progressive and paid more by the richest. Other major taxes – VAT, council tax, excise duties and even National Insurance – hit the poorest hardest.

The tax system holds within it another massive injustice. The poor pay their taxes – it's hard to avoid the VAT on everyday products – but the richest *sometimes* pay their taxes. The numbers are disputed but using the Treasury's own figures, £25 billion of tax owed goes unpaid, £35 billion of tax owed is illegally evaded and £35 billion is avoided by legal but arguably immoral means. The numbers involve overlapping categories so simple addition is not possible, but it is clear that over £80 billion of tax is not paid – though more realistic estimates put the number at £120 billion. To put that in context, the government in 2010–11 raised £520 billion in tax in total – so between 10% and 20% of tax goes unpaid.

Tax avoiders include both corporations – who account for just under half of the £80 billion – and wealthy individuals, those higher-rate income tax payers who, often to their surprise, are normally in the top 10% of households. The key to successful individual tax avoidance is not to need the money immediately. After that, the possibilities are endless. For example:

- **For the modest tax avoider** – get your income paid into an Isle of Man registered trust which will offer you an interest-free 150-year loan surprisingly similar to the amount you paid in (minus a fee) – tax-free, of course.
- **For the middle-income tax avoider** – divide your income between yourself and an offshore company. Many a proud England footballer has decided that their image is owned by a Gibraltar-based company for tax purposes.
- **For the up-market tax avoider** – have your assets transferred into a family member's name. If they live in Monaco or Belize you get to not pay UK taxes at all. This is a respectable choice used by, among others, MPs, the chairman of the Conservative party, and a government adviser on public spending, Sir Phillip Green.

These are the legal schemes. They deny public services huge amounts of tax. There are many more sold by legitimate large accountancy firms, some of which have fallen over the fuzzy boundary into illegality. But as avoidance is a respectable trade there are no real punishments, so you can try a new wheeze next year.

It is important to compare the treatment of these wealthy defrauders of the public purse with that given to benefit cheats – who are mainly poor. To be called a cheat you need only to be found guilty by a benefit adviser, and repayment with a further punishment is mandatory. The total cost is £1.6 billion, or 0.3% of tax take. Illegal tax evaders, on the other hand, are almost exclusively wealthy. To be called an evader you must be tried in a court, and most are given the option to repay, usually with interest but often without. The total cost is over £60 billion, or 11% of tax take.

Poverty is often justified by personalising the problem and blaming the poor for their deficiencies. But the poorest didn't create tax policy. The tax gap has been created by the privileged to advantage the privileged. We should be outraged by both the amount of tax the poorest pay, and the amount of tax the richest are allowed to avoid paying. Christians are called to promote values of justice and to reject abuses of privilege.

In an era of austerity, the UK's £35 billion tax gap has a devastating impact on public services



the spending gap



The current cuts in public spending are falling disproportionately on those least able to absorb the blow. **Tom Sefton** of the Church Urban Fund looks at the figures.

Each year, the Government spends around £700 billion, the majority of which goes on healthcare, education, pensions and other cash benefits.

All households benefit substantially, but households on lower incomes gain most. According to the government's own estimates (for 2009–10), cash benefits and 'benefits in kind' are worth around £14,400 a year, on average, for the poorest fifth of households and around £7,100 for the richest fifth of households. Public spending is, therefore, a powerful tool for redistribution. The unfortunate corollary is that public spending cuts are likely to have a disproportionate impact on the poorest households.

The Government is planning a 3% reduction in overall spending over the next four years (measured in today's prices), compared with an increase of nearly 15% over the previous four-year period. This represents a very substantial cut – of more than £80 billion – relative to what had been budgeted. That this is being attempted during a recession, when pressure on welfare spending is rising – not least because of the knock-on effect of the cuts on public sector employment – makes it even more challenging.

The Government has always presented the cuts as if there is no alternative. Whilst it is necessary to tackle the deficit, there is discretion about how quickly it is eliminated, the phasing of cuts,

and the balance between spending cuts and tax increases. On all three counts, the Government has adopted one of the toughest possible lines in terms of spending, choosing to eliminate the deficit over four years, front-loading cuts, and only aiming for a quarter of the deficit reduction to come from higher taxes.

However, it is the specific measures, as much as the size and timing of cuts, that determine the impact on the poorest households. On this, the Prime Minister has said that "those with broader shoulders should bear a greater load". This was always going to be a difficult task given that Government spending is skewed towards poorer households, and would require a very intentional effort to protect the services used most by those on lower incomes.

In practice, there is little evidence of a 'pro-poor' bias, indeed, quite the opposite. Perhaps the most striking example is the cuts to local authority budgets in 2011–12, ranging from 8% for the poorest authorities to less than 2% for the richest authorities. The impact of this is already being felt, particularly on non-statutory services such as youth clubs, Children's Centres, Supporting People, and Connexions, as well as voluntary sector funding. In some cases, the protective ring-fence on these budgets has been removed, leading to large variations between local authorities. Other regressive cuts include the replacement of the Educational Maintenance Allowance with a much less generous system of support for poorer students staying on in education, much tighter restrictions on disability benefits, and sharp reductions in housing benefit, affecting some of the most marginalised groups in society. For people who are already living on the edge, even small reductions in benefits can have a dramatic impact on their lives. Up to 300,000 households in London may be forced out of their homes by the housing benefit reforms alone. Meanwhile, very public efforts have been made to ensure that middle-class households do not lose their weekly bin collection or face an increase in council tax bills. And the heavily-touted increase in personal tax allowances actually favours middle income groups most (including many second earners), and not at all those with very low or zero earnings.

As Christians, we should be pressing for a bias to the poor to be reflected in public spending decisions, locally and centrally, holding the Government accountable to its commitment to protect the vulnerable and poorest in our society.

Some of the women who have lost benefits unfairly have taken up working in prostitution at home, which is highly dangerous.

STEP/ Community Action, Norwich

Local mothers from low-income families are being increasingly harassed by the Benefits Office, told that they have to go on to Job Seekers Allowance and look for work whatever the pay, and whatever the hours and location, despite them having young children and two of them being single mothers who are also looking after elderly relatives. This is putting significant stress and pressure on their lives and causing some serious mental health issues, including depression.

(DATIC Trust, Sheffield)

It is highly ironic that as people need additional help and support to access benefits, to put in appeals, to sort out their finances that the third sector organisations who have been there and able to help them are now having to close due to lack of funding.

CHAT Trust, Newcastle

Many families are going without heating until they get their next benefit as they cannot afford to put money on their key meter. Their diets have been affected as it is far cheaper to buy convenience food rather than fresh fruit, vegetables and meat.

St John's Community Development Project, London

the price gap



Jane Perry (independent social researcher and author of *Paying Over the Odds*) explains how the poor end up paying more for basic goods and services.

Is it fair that those with the least money should pay most for basic goods and services? Is it right that the cost of gas and electricity should be much higher for a low-income family than for those of us who are better off?

The Poverty Premium is the extra that families pay for basic essentials because they lack access to savings, bank accounts or affordable credit. Extra cost is incurred every time a family doesn't have the money needed to cover a household emergency and so feels forced to use a high-cost lender; or when not having a debit card or internet access means they are unable to get the best deals. The estimated cost for a typical low-income family is around £1,280 per year (estimate taken from *The UK Poverty Rip-Off: The Poverty Premium 2010*, Save the Children, 2011).

Take energy costs: the highest charges for gas and electricity are paid by those with a prepayment meter. Meters are often installed for families on a low income who want to budget weekly by paying in cash or who have been in debt. If those families were charged the same as families who pay by direct debit, they would save, on average, £250 a year.

And what if the cooker breaks? Households with low or variable income often cannot access affordable credit. Rent-to-buy companies charge high interest rates on goods which already cost considerably more. A basic cooker can cost £669, more than 2.5 times the cost of the same cooker bought outright on the high street.

Church Action on Poverty spoke to families in Goldthorpe, South Yorkshire, about their experiences of the poverty premium. For them, the poverty premium was an accepted, if not acceptable, fact of life. Nearly all knew they were paying more than they might need to, but many felt that the more expensive option was their only choice. Income from benefits or Minimum Wage work falls far short of what is needed for a basic but acceptable standard of living. A couple with two children needs £402.95 per week, but basic benefits provide £247.94, just 62% of the amount they need (excluding housing and childcare costs – based on *A minimum income standard for the UK in 2011* by Hirsch, Joseph Rowntree Foundation). That gap has to be made up somewhere. Parents spoke of careful money-management, 'going-without' or borrowing from their families. All had times when they couldn't make ends meet or when an unexpected bill was a significant problem.

£20 a week would be like winning the Lottery, you know... Oh things what I'd spend it on, clearing debt to start with...

Jackie, a single parent in debt to high-cost lenders

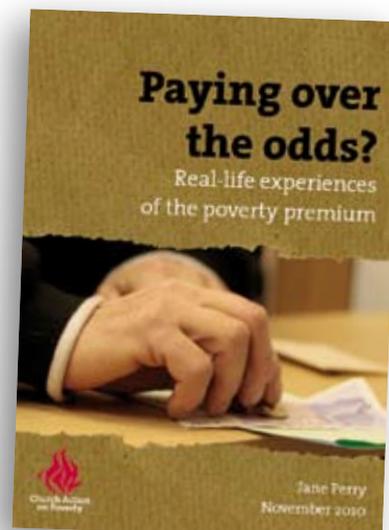
The poverty premium plays a crucial role in a cycle of deprivation. The causes of poverty are well-rehearsed. However, having found themselves in financial difficulties, exclusion from mainstream financial services and lower-cost spending options simply exacerbates families' problems, making it difficult, if not impossible, for them to improve their lives.

But it was not all bad news. Some families could and did escape the poverty premium, demonstrating that avoiding paying extra is possible but also how difficult it can be for vulnerable families to do it on their own. Listening to families' own experiences revealed three main areas for change:

1. **Targeted action to tackle the impact of low incomes:** improving access to low-cost borrowing; enabling work that pays; maximising the effectiveness of benefits.
2. **Working with families to improve their resilience:** through affordable insurance, financial support services and enhancing financial capability.
3. **Protecting the most vulnerable:** encouraging responsible lending; ensuring low-income customers get the best deal for gas and electricity; avoiding disproportionate penalties for payment in cash.

The impact of the poverty premium is immense, trapping families into cycles of debt, stress and ill-health. Tackling the poverty premium is possible, opening the way to helping thousands of families build a better lives for themselves. The question is – do we have the will to close the Price Gap?

Download our report *Paying Over the Odds?* at www.church-poverty.org.uk/overtheodds



the power gap



Niall Cooper, Coordinator of Church Action on Poverty, explains why we are calling for a Fair Say for all.

Underlying all the other inequalities in the UK is a Power Gap: big business exercising too much power, whilst local communities feel that they have little or no say in decisions that affect them.

In our modern globalised world, it is easy to feel disenchanted, disempowered and disconnected from the big decisions which shape our lives and the lives of our communities. Global economic forces, corporate power, distant political parties, managerialist bureaucracy, and decision-making processes which lack transparency all conspire together to drain any sense of agency away from the local. We feel as if we have no power to affect the big decisions that really matter.

As Helena Kennedy observed in the Power Inquiry: "The disengagement from politics ... cannot be dismissed as the preoccupation of the chattering classes. Its substance has come from the voices of thousands of people around the country who feel quietly angry or depressed. When it comes to politics they feel they are eating stones. Principle and ideas seem to have been replaced with managerialism and public relations. It is as though Procter and Gamble or Abbey National are running the country."

Barack Obama, as an ex-community organiser from Chicago, is clear that: "The problems facing inner-city communities do not result from a lack

of effective solutions, but from a lack of power to implement these solutions."

Set against this, banks and financial institutions ('the markets') seem to wield enormous and entirely unaccountable power over the fate of whole nations.

Fundamentally, as Christians we believe that human beings are created in the image and likeness of God. But what does this mean in practice? Arguably nothing defines us as human beings more than our agency, or in theological terms, our free will: if we are rendered powerless, our very humanity is threatened.

Yet, within the churches, we also sometimes seem to have an antipathy to power. When we see power being exercised over people, we rightly recoil. But power can be a force for good, as well as for ill. As Martin Luther King once said, "Power is the ability to achieve a purpose... It is the strength required to bring about social, political, and economic change."

If we are passionate about wanting to see healthier communities, or a more socially just society, we must surely also want the strength (or power) to bring these things about.

The challenge to the church is therefore to discover how we can contribute to building a movement which is powerful enough to bring about the social, political and economic changes necessary to Close the Gap.

We know, from the efforts of Jubilee 2000, that when the Churches come together with others and mobilise the power of our collective voice, we can bring about change. We know too from our work at Church Action on Poverty that this approach can and does work in a domestic context as well.

Together, we can enable local communities to have a more effective, stronger and more powerful public voice, and churches can play a key role in this task.

One of the keys to restoring faith in democracy is ensuring that the MPs we elect at the General Election are held to account for what they do on our behalf in Parliament, and not just once every five years. We must be willing to hold our MPs to account on a regular and on-going basis.

By working together, we can ensure that issues we care passionately about – including Closing the Gap between rich and poor – are firmly on the political agenda.

If communities are to trust their civic leaders, and leaders are to understand their communities, we need political spaces which are created by communities themselves and which encourage participation

afterword



Frank Kantor, Secretary for Church and Society at the United Reformed Church, reflects on Closing the Gap and the restoration of community.

The more equal a society is in terms of the distribution of the goods for human flourishing, the greater the overall well-being and health of the population. Christ taught us that the flourishing life does not consist in the abundance of our possessions but in a right orientation towards God, our neighbours and the rest of creation.

This orientation is based on reconciled relationships made possible through the life, death and resurrection of Jesus and his sending of the Holy Spirit as the creative energy and enabler of individual and community transformation. The first community of Christians in Jerusalem held all things in common, shared meals (love feasts) together and generally embodied transformation and hope in the midst of the Roman oppression and opposition of the religious elite. We currently face challenges which urgently require us to recover this understanding of community in our corporate life as churches.

Churches are uniquely positioned to respond to these challenges as an ecclesial community of the Spirit, and local churches can embody community as they respond to the social challenges in their neighbourhoods.

- **Location! Location! Location!** – we are located in local communities across the length and breadth of the UK and have been engaged in a wide cross-section of activities to enhance the spiritual, physical and material well-being of these communities over a span of several centuries.
- **Resources** – we have a considerable wealth of resources – both spiritual and physical – to draw on and the contribution of churches to social capital is well known. In a time of increasing economic austerity, we need to find creative ways to unlock and utilise these resources to enhance human flourishing and well being in our communities.
- **Strategic partnerships** – our role as agents of change in our communities is best achieved

in partnership with others. We have a distinctive contribution to make and need to be able to identify the gifts and resources we uniquely bring to these partnerships to ensure that we don't compromise our convictions.

- **Connectedness** – churches have an extensive range of networks which can provide strategic links between the social realities and needs of local communities and available resources that are often overlooked by other agencies.
- **Motivation** – we also have a compelling motivation based on our Christian faith to work for justice (our prophetic mandate), undertake acts of compassion (our pastoral mandate), and to listen to the stories of the vulnerable and marginalised and to the promptings of the Spirit and God's Word to determine our response (our priestly mandate).
- **Mission imperative** – local churches are recovering an understanding of their mission as agents of change in local communities which is serving to reinvigorate their life and witness as communities of love. A key focus of our mission is responding to the injustices in our society which includes our response to the growing poverty and inequality in our society.
- **Moral agency** – as moral agents we base our actions on the biblical injunction to do justice and to treat every human being with dignity and respect based on their inherent worth as human beings created in the image of God and loved by God.

The recovery of a sense of community, based on an understanding of the common good and more equal and fair relationships, will require substantial political will and lifestyle change if it is to be anything more than empty rhetoric. Local churches are ideally situated and equipped to begin to model this type of community. We need to transform our current praxis and grow a willingness both to embrace change and to act as agents of change in our communities, as we work to enact hope and close the gaps in our society.

WHAT ARE WE

FAIR TAXES

The lowest-earning 10% of people in the UK pay 46% of their incomes in tax, while the top 10% pay less than 32%. Although high earners pay higher rates of income tax, taxes like VAT and fuel tax hit lower earners harder. Wealthy individuals and corporations can avoid paying much of their tax altogether. Huge amounts are lost through legal tax avoidance. This is big business and is 'entirely legal.' But it's hardly moral.

£45-£100 billion is lost each year through tax avoidance and evasion. Every pound avoided in tax is a pound less to spend on childcare, social care, health or education. At a time when spending cuts are having a real and damaging impact on the lives of some of the poorest and most vulnerable people in the country, it is morally indefensible for some of Britain's richest companies to be avoiding paying their fair share of UK taxes.

We are teaming up with Christian Aid's 'Trace the Tax' campaign to stop tax dodging by increasing tax transparency.

- **The tax system must make businesses and wealthy individuals pay their fair share**
- **The government must tackle tax avoidance**
- **This would reduce the need for damaging cuts in public spending**



FAIR PRICES

2010 research by Save the Children found that it can cost an extra £1,300 a year to be poor in the UK. People on lower incomes pay a premium for:

- **Fuel** because they often use prepayment meters which charge a higher rate.
- **Insurance** because people in poorer communities are viewed as a higher risk.
- **Food** because poor communities have limited access to affordable, fresh and healthy food.

Credit and banking are particularly important issues in the price gap. People on low incomes cannot get credit from banks, and are forced to use doorstep lenders and hire-purchase companies which charge interest of up to 3,500%APR. People become trapped in poverty, unable to pay their debts.

We are working with the Co-operative Bank and other lenders to identify affordable alternatives which do not charge a poverty premium.

- **Businesses must stop charging higher prices to their poorest customers**
- **Government can cap lending companies' charges**
- **Poor families could save up to £1,300 a year!**



CALLING FOR?

FAIR PAY

Bankers and company executives in the FTSE 100 are paid astronomical sums, even when their companies fail and have to be bailed out by the tax-payer.

At the same time, many companies pay poverty wages to their lowest-paid staff. The Minimum Wage is too low, and does not keep pace with rises in the cost of living – so work is not always a route out of poverty.

The disparity between top and bottom pay – the ‘pay ratio’ - is an issue in itself. Many private companies pay their directors 100 or 200 times as much as their lowest-paid workers – and the gap is increasing.

We are calling on churches to lead the way by paying all their employees a Living Wage of £7.60 an hour (£8.30 an hour in London), considerably higher than the £5.93 Minimum Wage.

Several denominations have already committed to do so. We will also call for all employers to publish their pay ratios.

- **Employers should publish their pay ratios and avoid excessive pay gaps**
- **Employers should commit to paying a Living Wage**
- **This will reduce poverty at source**



A FAIR SAY

People in disadvantaged communities often get very little say in what happens in their area. Even when regeneration initiatives take place, local people are often not consulted. Statistics show that the lowest earners are also the least likely to participate in elections, politics and civic life in general.

“The real poor in a relatively prosperous Western society are those without sufficient means to take part in the life of the community ... they cannot participate in the formation of public policies that might protect them from the adverse consequences of market forces ... they are excluded from the community, and they are denied the rights of membership. Their choices are circumscribed; they have little personal freedom.”

The Catholic Bishops' Conference of England and Wales

Our *People's Budget* campaign will enable local people to have a direct say in how our money is spent by public agencies.



- **Poorer communities must have a stronger voice – especially in decisions about budgets and spending**
- **Politicians must be held to account for their decisions and policies**

RICH



Church Action On Poverty, Dale House, 35 Dale Street, Manchester M1 2HF
0161 236 9321 | info@church-poverty.org.uk

www.church-poverty.org.uk | www.facebook.com/churchpoverty | [@churchpoverty](https://twitter.com/churchpoverty)

Registered charity number 1079986. Company limited by guarantee, registered in England and Wales, number 3780243.
Material from this publication may be reproduced elsewhere, subject to the Creative Commons Legal Code
(see www.church-poverty.org.uk/about-us/copyright).

POOR