

1. On 10th June 2010 the Chartered Institute of Personnel and Development, a respected think-tank, published its assessment of the British Government's planned spending squeeze. It estimates that 750,000 civil servants will lose their jobs, and that unemployment will rise to a peak of 2.95 million in the second half of 2012 and remain near that level until 2015. It suggests that a majority of the staff likely to lose their jobs will be women in part-time work or on low wages, who make up a large proportion of the public sector workforce. The burden of these cuts would fall on the most disadvantaged and present a major challenge to a government that has pledged to "protect people living in poverty and enhance social mobility".
(Source: "The Guardian" 10.06.10)

2. The Unemployment Statistics published on 16th June showed that 8,186,000 people were economically inactive in the three months to April 2010. Public sector employment fell by 7000 in this quarter. The number of people claiming jobless benefits fell by 30,900 to a low of 1.48 million, but this was partially because of the increased number of economically inactive people who were either unable to claim jobless benefits, or chose not to do so. However the wider measure of unemployment, which includes those who do not claim jobless benefits, continued to rise in the three months to April, reaching 2.47 million. This was up from 2.45 million in the previous three month period. The number of people who are long-term unemployed (those jobless for a year or more) continued to rise, climbing by 85,000 to a 13 year high of 772,000 people. The number of people forced into part-time work because they could not find a full-time job rose to a record 1.08 million.
(Source: "The Times" 17.06.10)

3. On 17th June, Danny Alexander, the Chief Secretary to the Treasury, informed the House of Commons that the following unemployment projects would be scrapped: The Rollout of the Future Jobs Fund £290m; the six month offer of Recruitment Subsidies £30m; the Extension of the Young Person's Guarantee to 2011-12 £450m; the Two Years Jobseeker's Guarantee £515m; and the Local Authority Business Growth Initiative £50m. This decision removed resources of £1335 million from projects planned to help people who are unemployed. The Treasury insisted that the schemes would be replaced by a new Single Work Programme, but the Government could not give details of how this would operate, or what resources they would commit to it.
(Source: "The Times 18.06.10) Commenting on these cuts the Child Poverty Action Group said "Such cuts, made in haste, undermined the Government's claim that it would be fair in its attempts to cut the deficit. Cutting urgent funds to guarantee young people jobs, instead of drifting towards long-term unemployment, could threaten the recovery."
(Source: The Financial Times 18.06.10)

Janice Turner in an article in "The Times" (26.06.10) pointed out that almost a million young people are now unemployed: a fifth of everyone under 25. "What George Osborne's Budget made clear was that he would be untroubled if that number were to rise. Labour's jobseeker's guarantee schemes may have been expensive, but they gave training, propelling kids towards employment. Now extra university places are to go, and a big chunk of higher education. A friend who teaches literacy to low-achieving school-leavers reports that her hours have already been cut. Within a year 250,000 more young people will be on the dole, their benefits cheesepared, since they must be "incentivised" to find what in many parts of Britain are largely theoretical jobs...." She points out that the experience of young people in the 1980's looks set to be repeated. "Exactly what are you supposed to do all day, George, if you have no job, no course and £7 a day to live on? Wait for the upturn?" She predicts a surge in youth crime, and points out that cuts in policing will add to the problems. Recalling the experiences of public disorder and riots in the 1980's she asks, "How many young people can be classed as surplus to requirements before, one tinderbox summer, they feel they've nothing further to lose?"

Reviewing the plans to scrap schemes to help the jobless back into work the Organisation for Economic Co-operation and Development said that axing funding for the Future Jobs Fund and the six months offer was "of concern."
(Reported in "The Times" 08.07.10)

A survey by the Association of Graduate Recruiters (ARG) conducted in May, but reported in The Times on 06.07.10; found that almost 70 university leavers are chasing each graduate job. In some industries more than 200 university leavers are applying for every position. Some industries expect to offer 45 per cent fewer graduate jobs than in 2009. However since the survey was conducted, Government cuts mean that there will be even less public sector jobs for graduates than expected. [One of the consequences of this is that graduates will be forced to seek unskilled jobs and so diminish the employment opportunities of those leaving school without qualifications (RD)]

4. On 22nd June George Osborne, the Chancellor, delivered his emergency budget. The Government is planning a reduction in capital spending that will cut £23 billion a year from major infrastructure projects. It is estimated that 500,000 jobs in private construction companies could be lost because of these cuts. Richard Lambert, director-general of the CBI said, "We believe the planned sharp cuts in capital expenditure need to be reconsidered as they risk further undermining the productive capacity of the economy. Capital spending must therefore be returned to 2.25 per cent of GDP as soon as possible." This year's planned spending represents 1.4 per cent of GDP.
(Source: "The Times" 23.06.10)

Angel Gurría, Secretary General of the Organisation for Economic Co-operation and Development (OECD) said, "Creating jobs has to be a top priority for Governments." (Reported in "The Times" 08.07.10)

Bronwen Maddox, writing in The Times (05.07.10), points to the anxiety of President Obama, and the US Administration about the severity of the planned cuts in Britain and other European countries. "President Obama, who used the G20 summit in Toronto to put the point to David Cameron and other European Leaders, is not going to let up. It is the big economic argument of this year. The White House asserts that the EU is risking the economic health of the developed world by cutting budget deficits so fast. The US job figures (published on 02.07.10) and the US Housing and Construction data (published 01.07.10) confirmed what economists have been warning for some months: that the second half of this year will see a significant slowdown [in the US economy]. The British and EU case [for deep cuts] depends on US growth. As last week showed, and as the White House reminds us almost daily, that cannot be taken for granted."

5. On 22nd June George Osborne, the Chancellor, in his emergency budget, announced that public services spending will be reduced by 25 per cent in the next four years. Because of this economists predict that 500,000 public sector jobs will be lost in the next four years, with services transferred to the private and voluntary sector. (Source "The Times" 23.06.10)
6. On 30th June, in the Guardian and the Times, leaked Treasury estimates for Job Losses for the next five years were published. Up to 600,000 public sector jobs would disappear, and a further 700,000 jobs will be lost in the private sector, because of the Government's planned austerity programme. The Treasury has said, however, that it is expecting the private sector to create 2.5 million jobs in the next five years. Commenting on this expectation John Philpott, the chief economist at the Chartered Institute for Personnel and Development said, "There is not a hope in hell's chance of this happening (the creation of 2.5 million new jobs). There would have to be extraordinarily strong private sector employment growth in a much less conducive economic environment than it was during the boom. The Chancellor is expecting a similar rise in employment over the next five years to that seen during 13 years of the last Labour government, when around a third of the employment growth came from the public sector. This is a slower growth environment and there will be no contribution from the public sector." Writing in the Times, on 30th June, Anatole Kaletsky, said, "the main risk of (these) spending cuts is the probability that rushed cutbacks will cause permanent damage to transport and energy infrastructure, to science, culture and education and to other services vital to Britain's economic wellbeing, and that the Government will ultimately fail to hit its fiscal targets, causing the very collapse of business and financial confidence that it wants to avert." Alasdair Darling, the Shadow Chancellor, said, "Far from being open and honest, as George Osborne put it, he failed to tell the country there would be very substantial job losses as a result of his budget. The Tories did not have to take these measures. They chose to take them. They are not only a real risk to the recovery, but hundreds of thousands

of people will pay the price for the poor judgement of the Conservatives, fully supported by the Liberal Democrats. It shows the risks they are prepared to take. If they get it wrong, those people losing their jobs will not get back to work.” (Quoted in the Guardian 30.06.10) The Times reported that on the day these projected job losses were published the FTSE 100 fell more than 3 per cent, “suggesting that investors may be worried about the lack of growth in the world economy”. (The Times 30.06.10) The TUC general secretary, Brendan Barber, said, “With Treasury figures revealing that spending cuts will hit private sector jobs harder than those in the public sector, it is absurd to think that the private sector will create 2.5m jobs over the next five years. This is not so much wishful thinking as a complete refusal to engage with reality. Much more likely are dole queues comparable with the 1980’s, a new deep north-south divide and widespread poverty as the budget’s benefit cuts start to bite. Many will find that a frightening prospect.” (Quoted in the Guardian 30.06.10)

7. On 22nd June, the Chancellor in his emergency budget announced that state benefits are to be cut by £11 billion in the next five years. From now on all key benefits, with the exception of the basic state pension and pension credit, will be increased in line with consumer prices, rather than the more generous retail prices index. This change will save £5.8 billion by 2014, but it will also reduce the incomes of some of the poorest and most vulnerable groups in Britain. For example, the Jobseeker’s Allowance is paid for up to six months to anyone who is unemployed and available for, and actively seeking work. After six months this benefit is means tested. Unemployed young people aged 18 – 25 receive £51.85p per week, and a person over 25 receives £65.45p per week. In future annual increases will be linked to the lower consumer price index, rather than retail prices. In May 2010 the figures were 3.4 per cent and 5.1 per cent respectively. This means that the slender resources currently offered to those who are unemployed will be worth less year by year in relation to the incomes of those in employment. Even more serious is the threat to the homes of those who are unemployed. The Government’s scheme to help people who are unemployed to retain their homes is called “Support for Mortgage Interest” (SMI). Under the Austerity Measures this financial support will be reduced from 6.08 per cent to the Bank of England’s average mortgage rate – currently 3.08 per cent. So an unemployed borrower with a £100,000 mortgage who is on the scheme will see the payment received from the Government fall from £507 a month to £306 a month. According to the housing charity, Shelter, this could mean that homeowners are no longer able to meet their repayments. For hundreds of thousands of unemployed mortgage borrowers this “could trigger a surge of repossessions”. (Quoted in The Times 23.06.10) In 2009 46,000 homes were repossessed, and this figure would have been much higher without SMI.

The changes to Housing Benefit are set out in an article in The Times (02.07.10). The Chartered Institute of Housing reported that the cuts to Housing Benefit, for those who lived in rented accommodation, will lead to “a huge rise in homelessness because people cannot afford their rent.” Charities also pointed out that many families will fall

into debt as they struggle to stay in their homes. Richard Capie the policy director of the Chartered Institute of Housing said, "There is a real danger that these changes will slam the door shut on private renting for hundreds and thousands of working families – care workers, teaching assistants, hospital porters, people in low paid work, doing important jobs, who need help with their rent." The Institute's figures show that Housing Benefit reductions could force thousands in the North, North West and East from their homes and the biggest effects will be in London where rents are highest. The Budget Red Book also shows that 250,000 people on Jobseeker's Allowance, claiming housing benefit, could lose an additional £500 a year. Mr Osborne announced that anyone paid the Jobseeker's Allowance for more than a year, would lose 10 per cent of weekly housing benefit. Campbell Robb, chief executive of Shelter said cuts would have a huge impact on pensioners, the disabled and carers. "Many will now be forced to cut back on essentials like food and electricity, or take on extra debt. Some will be pushed over the edge into a spiral of debt, eviction and homelessness."

8. On 27th June the Chancellor announced that under the Government's Welfare Reforms he will reduce the number of people receiving Incapacity Benefit over the next five years. Incapacity Benefit is paid to individuals under retirement age who are judged to be too ill to work. It is worth between £68.95 and £91.40 per week. It is paid to 2.6 million claimants and costs £12.5 billion a year. The Government's plan is to introduce a new strict test for Sickness or Incapacity Benefit, and move 2 million claimants from this and other higher paid benefits to the 'lower paid' benefit of Jobseeker's Allowance, over the next five years. The Centre for Economic and Social Inclusion think-tank estimates that between a third and a half of all existing Incapacity Benefit claimants being retested by the Government will be moved to Jobseeker's Allowance. This could save £2.5 billion a year by 2015. Some M.P.'s, charities and welfare-to-work groups have already expressed concern over the tough sickness test (already introduced by the last Labour Government), claiming it wrongly categorised people with serious health conditions. Lynne Featherstone, a Home Office minister said, "We need to be sure that there is no perverse incentive to determine that someone can work, when they cannot." Yvette Cooper, shadow Work and Pensions secretary said it would be "deeply unfair" if the coalition made the test tougher "just to reach an arbitrary target for spending cuts." The Centre for Economic and Social Inclusion estimates that if this "welfare reform" is implemented almost half the Jobseeker's Allowance claimants in 2014 might have transferred from a sickness benefit. This will pose a huge challenge to those who are seeking to help people on JSA into work, and will require a major restructuring of the training programmes, assuming that work is available. (Source: "The Times" and "The Guardian" 28.06.10)
9. A study, by the House of Commons library, on behalf of the Shadow Welfare Secretary, Yvette Cooper, examined the effects of the austerity budget on women. It showed that more than 70 per cent of the revenue raised from direct tax and benefit changes is to come from female taxpayers. Of the nearly £8 billion net revenue to be raised by the financial year 2014-15 £5.8 billion will be from women and £2.2 billion from men. In

addition job cuts in the public sector will also be likely to disproportionately hit women, who make up a large section of the public sector workforce. Yvette Cooper commented, "Women are bearing nearly three-quarters of the Tory-Liberal plans, while men are bearing just a quarter. This is despite the fact that women's income and wealth is still considerably lower than men's." She also comments on the effect of budget cuts on children. "They have cut support for children more savagely than anything else so far, with billions of pounds being cut from child benefit, child tax credits, maternity support and child trust funds." (The Guardian 05.07.10)

10. CONCLUSIONS

1. THE ARITHMETIC

2.47 million people unemployed in April 2010

600,000 Public Sector Jobs to go in the next five years (Treasury figures)

700,000 Private Sector Jobs to go in the next five years (Treasury figures)

2 million people moved from "higher paid" benefits to Jobseeker's Allowance in the next five years (Government Target)

TOTAL: 5.77 million people facing unemployment in the next five years.

2. THE POLITICS

- ❖ There are serious questions about the viability of the coalition as these figures sink in. We could be facing a new General Election if changes are not made to save the coalition.
- ❖ Industrial Action, which can take many forms, is very likely as the scale of the Job-cuts proposed for the Public Sector becomes clear.
- ❖ The Political Debate has hardly begun. Democracy can rise to this challenge and ensure that cuts protect and do not damage the economic recovery, and do not penalize the most vulnerable.

3. THE ETHICS

Those who have lost most in this recession are those who have lost their jobs, lost their homes, or young people who have never had a chance of finding work, and the 1.08 million people forced into part time work.

What is this Government proposing to do for this group of people?

- I. Add to their numbers by cutting 600,000 Public Sector Jobs and 700,000 Private Sector Jobs, and by shifting 2 million people on Incapacity Benefit onto Jobseeker's Allowance.
- II. Reduce training opportunities for unemployed young people and adults by cutting part of the £1335 million set aside for training and job subsidies.

- III. Make large numbers homeless by cuts in support for Mortgage Interest and by cuts in Housing Benefit.
- IV. Steadily reduce the value of unemployment benefit, relative to the lifestyle of those who are employed.

The policy of this Government on employment and unemployment cannot be defended on ethical grounds. To punish the group of people who have already suffered so much through this recession, and to voluntarily add to their numbers in such a savage way, while cutting their slender financial resources from the State is morally wrong.

4. THE ROLE OF THE CHURCHES

1. The Churches should call for a change in Government Policy on Employment and Unemployment. It should argue its case on Political, Economic and Ethical Grounds. The Political case for a change in Government Policy is that this Government wishes to retain power at the next General Election. If the policies of this Government produce the increases of unemployment, homelessness, crime, and riots predicted, they will become deeply unpopular and will not be re-elected.

On December 2nd 1830 Mrs. Maurice wrote to her son, F.D.Maurice, "These midnight fires have been very necessary to awaken us." The Toxteth riots in the 1980's awakened a former Conservative Government and led to the setting up of the Manpower Service Commission as a response to youth and adult unemployment. It would be far better for this Government, and in its own interest, to change its proposed policies this summer before it is faced with another set of "Midnight Fires."

The Economic case is equally strong. If we are to become the economy this Government hopes for, then training opportunities and re-training opportunities, of a high quality are the stepping stones. So also are the commissioning of infra-structure projects to ensure that the Private Sector can generate the 2.5 million jobs this Government is hoping for.

The Ethical case is the strongest of all. As people see rising youth crime, rising homelessness, and growing poverty, they will say, "This is not fair." Without a sense of fairness, the austerity measures will be resented and the credibility of this government will be destroyed.

The Churches should call for the following changes:

- I. Capital spending should return to 2.25 per cent of Gross National Product immediately – to save 700,000 private sector jobs and to give the Private Sector the opportunity to generate new jobs.
- II. The £1335 million cut from training, retraining and job support initiatives should be restored, and the new Single Work Programme should be developed, using all these resources.
- III. Cuts in Housing Benefit and “Support for Mortgage Interest” should be abandoned, to prevent a rapid rise in evictions and homelessness.
- IV. Plans to move 2 million people from Incapacity Benefit to Jobseeker’s Allowance should be abandoned. A thorough re-assessment of the ‘sickness test’ should be made.
- V. The Jobseeker’s Allowance should be increased in line with the retail prices index, not the lower consumer prices index. The resources offered through Jobseeker’s Allowance are already slender. They should not be reduced further in the next five years, relative to those in employment.

The Churches should use all the means open to them to stimulate public debate on these issues, including the Media, membership of the House of Lords, informal contacts with Government Ministers and the Prime Minister, and within churches and communities. This debate should include, in my view, calls for private and public prayers for a change of policy on employment and unemployment. Vigils of Prayer, as well as public debate and private prayer, all have a part to play in persuading Governments to change their policies.

2. Even with such a change in Government Policy, unemployment will be high for the next five years. The churches should publicise the resources now available to help local churches, and groups of churches, respond to unemployment in their area. Some of these resources are already available on the Chelmsford Diocesan Website www.chelmsford.anglican.org/unemployment
3. “What does the Lord require?
Do Justice
Love Mercy
Walk humbly with your God.”

Raymond Draper
Unemployment Adviser to the Bishop of Chelmsford

