# rebalancing risk and responsibility

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DEMOS

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## INTRODUCTION

In May 2010 the Coalition Government published the agreement on the basis of which they planned, as two parties, to govern the UK for five years. The document itself contained a lengthy agenda for legislation – covering everything from the Government's central aim of deficit reduction to political reform, tax changes and a wholesale remodelling of our state education system. But for all its complexity and diversity the Agreement could, we were told, be summed up in three words – freedom, fairness and responsibility.

It is the last of those words that this paper is most concerned with. Because how we distribute responsibility affects society profoundly. How we seek to build a culture of responsibility will inevitably impact on the perceived freedom and fairness of our society. Nonetheless, it is a vital ambition. It is also an aspiration that prompts more questions than it answers. Who is to be responsible? Over what issues are we to become more responsible? What happens if we, the public, fail to take the responsibility that we are offered?

In order to develop an adequate understanding of what responsibility means in terms of policy it is important to consider responsibility not in isolation but in terms of its relationship to risk. Whether or not someone can be considered truly, personally responsible is relative to the extent to which they have control (and knowledge) of associated risks. Someone who drives when drunk is responsible for any injury or death that they cause because they have taken a risk with their ability to properly control the car. Someone, on the other hand, who injures or kills a pedestrian while driving because they have had to swerve to avoid an oncoming drunk-driver on the wrong-side of the road is not – in the minds of most people and the eyes of the law – as responsible. The excessive risk that led to the pedestrian's death is not in their control – ergo, they are not responsible.

By viewing responsibility through the lens of risk, and of risk-control, we are able to begin to make judgments about where responsibility properly lies – at what level and in what sense. It allows us to start to appropriately apportion responsibility to the individual, to the community and to the state – and to avoid the twin evils of diminishing the relative responsibility of individuals and of overburdening people with responsibility for outcomes that are beyond their control.

There is an abundance of evidence that our society has become less personally 'responsible' over time. More and more of the risks that we as individuals face – to our health, to our property, to our financial wellbeing – have been nationalised over the course of the 20th Century. In many ways the passing of responsibility to the state can be seen as a collectivisation of responsibility: through the NHS, I am no longer solely responsible for meeting the healthcare needs of myself and my family, the nation takes responsibility for our wellbeing too. And that shift from the entirely personal to the national and centralised has mostly been welcomed by a society that recognises obligations to other citizens.

But a narrative that contrasts nationalised risk pooling with wholly individualised risk-management – as though these were the only two policy alternatives available to us – is both ahistorical and unhelpful. For centuries, the insurance industry has provided people with the means to pool risk in ways that give them greater control over who they choose to share risk and responsibility with – and which, through the actuarial setting of premium prices, offer incentives for the responsible and risk-managing consumer. What is more, it simply isn't the case that the United Kingdom prior to the NHS or centralized welfare was a society without protections. As Frank Field MP, the Labour Member of Parliament for Birkenhead, recounted at a Demos event last year:

*My father didn't have access to the welfare state, but he was a member of the mutual. … I think the only day off sick he ever had, his friends from work came round to make sure he wasn't swinging the lead – because they knew that him having a day off on the sick meant that the pot was being depleted.*[1]

There are other ways to organise our management of risk that may encourage personal responsibility more forcefully than does our current, largely centralised approach. The value of smaller, mutual and collective responses to risk is two-fold; firstly it ensures a diversity of protection, allowing autonomous individuals and communities to choose the kind of risk-management that best suits their needs. Secondly, where the risk-pool is small we are able (and incentivised) to use the social dynamics involved to exert pressure on our fellow risk-poolers to behave in a way that is responsible and reduces the likelihood of high-cost overuse and abuse. Smaller, social, risk-pools are able to regulate themselves better than are large, nationalised ones – just as once colleagues were able to assess need, and exert pressure where needed, better with a more personal touch than any Jobcentre Plus.

Why should we? Well the combination of declining individual responsibility and a state with less resources is potentially toxic. Long-term trends such as our ageing population, youth unemployment and increasing public health risks such as obesity will place ever-greater strain on the public purse if we cannot find some way to better share responsibility between the state, the individual and communities. And the ability of the state to meet expensive challenges is already being tested.

There is also a growing sense that responsibility is – in many areas – the preserve of institutions and organisations rather than of individuals. Is our expectation that everyday hazards and risks be flagged-up for us, that companies and public bodies warn us of even the most obvious potential danger and that we are entitled to compensation for every trip, fall or injury making us incapable of basic risk management? Are we becoming less autonomous and less personally responsible?

This is all the more pressing because, over the past twenty years or so, public perceptions of the way in which risk and responsibility are distributed have shifted considerably. In a world where cause and effect - in a myriad social and economic areas – are better and more widely understood, it sometimes becomes difficult to justify the nationalisation of responsibility where individuals and groups have knowingly refused to be responsible in their behaviour.

So while the British public overwhelmingly supports and celebrates the principles of the NHS (that treatment be free at the point of use and that our collective responsibility is to ensure access to healthcare) increasing numbers of us resent the free availability of expensive drugs and treatment to those who have engaged in highly risky lifestyle choices. Only 27 per cent of us now believe that a person's behaviour and lifestyle ought to have no bearing whatsoever on their access to treatment on the NHS, while a similar proportion of us (25.5 per cent) believe that the state should expressly limit access to healthcare for those who persistently abuse substances such as alcohol and tobacco. It is clear – not least through polling that shows risk-sharing institutions like the NHS (which has a 70 per cent approval rating) remain phenomenally popular – that the collectivisation of risk is understood, accepted and supported by the British public. But it is also clear (increasingly so, in fact) that many of us believe that the sharing of risk involves taking some personal responsibility too. The perception that individuals and families who take excessive risks – such as smoking – are less welcome in our shared risk-pool because they have refused to take responsible steps to protect themselves is strong and is growing.

This expectation of individual responsibility in exchange for collectivised risk is not confined to healthcare. The public's anger at long-term welfare dependency and the growth of a perceived 'benefits lifestyle' in some communities is well documented. YouGov polling has found that, 'forty-eight per cent think that what matters most is not the size of the benefits bill, but how fairly benefits are distributed,' reminding us that that, for the majority, the principle is more important than the overall size of the pie.[2]

While most voters resist the idea of a wholesale dismantling of the welfare state it is the case that reforms targeted at those who are perceived to have not 'taken responsibility' – by doing their upmost to find and keep work – are staggeringly popular. The Coalition's harder stance on long-term unemployment – introducing new and tougher sanctions for those refusing to take active steps to find work – are, like Labour's progress on that front, overwhelmingly backed by voters: 74 per cent of voters believe that the Government's welfare reform measures are moving in the right direction.[3]

What is more, a renewed sense that individuals, families and communities must take more responsibility appears to have captured political imaginations across the political spectrum. Ed Miliband, the Leader of the Labour Party, has explained that he sees his political mission as being concerned with ending the 'something for nothing' culture – targeting both irresponsibility at the top of society and a sense of unearned entitlement amongst some at the economic bottom.[4] Alongside reforms to welfare, the Conservative Party has pushed the political narrative of the 'Big Society' – emphatically urging communities and individuals to play a greater role, and to take more responsibility. Finally, the Liberal Democrats have centred their messaging on an appeal to 'alarm clock Britain', Nick Clegg has called for a 'coalition of people prepared to roll up their sleeves and get the nation back on its feet'.[5]

All three major parties having expressed, in their own way, a desire to reshape British culture in such a way as to make us all more responsible, the question of 'how?' becomes all the more pressing. What is required to shift our relative expectations about risk, about our role in shaping our destinies and the quality of our communities and services?

So far, most attempts to redistribute responsibility have been concerned with the relationship between institutions and individuals. The Prime Minister, David Cameron, summed up the purpose of these efforts in his foreword to Lord Young of Graffham's 'Common Sense, Common Safety' review of health and safety legislation:

*A damaging compensation culture has arisen, as if people can absolve themselves from any personal responsibility for their own actions, with the spectre of lawyers only too willing to pounce with a claim for damages on the slightest pretext.*[6]

At first glance, it may be difficult to see the links between attitudes to NHS provision or welfare and a review of health and safety. But the lines of concern are fundamentally the same. Just as the perception has grown that some individuals – through their risky health or financial behaviours – have collectivised the risks they face without taking personal responsibility, so there is growing concern that a 'where there's a blame, there's a claim' culture has rendered employers and public institutions inappropriately responsible for the risks that individuals take.

Lord Young's review of health and safety identifies this problem in the context of our cultural assumptions about risk and responsibility – giving the impression that the spread of litigation is both a product of our collective refusal to take responsibility for the risks we take and the consequences of those risks but also a contributing cause of this cultural trend. A phrase which is often used in relation to bankers, that they have 'privatised profit but nationalised risk' can be seen to apply here too – as individuals we rarely attribute our success to institutions, preferring to believe it is entirely our own doing, but increasingly hold institutions to account when things go wrong.

The report – published soon after the Coalition Government took office – takes aim at the way in which a culture of litigation has resulted in risk-averse institutions and employers. It observes that in 2009 there were 800,000 compensation claims lodged – leading to damages being paid out, by the NHS alone, of almost £300 million pounds.[7] This has been driven, the report argues, in part by an excessive boom in the number of aggressively marketed 'no win, no fee' legal services – liberalised under the Access to Justice Act of 1999. What this boom in often petty damages litigation represents is a legal system whose architecture frequently works to reinforce the notion of the individual as the presumptive victim. It is a system that encourages those who have experienced misfortune to identify institutions and other individuals who can be held responsible first, and to look at and understand their own responsibilities last.

Lord Young, in his own foreword to the document, argues that the eroding of individual responsibility and the assumption that all risk must be identified and managed by institutions has held British companies and institutions back and further undermined our collective sense of responsibility for our own actions. He goes on to say:

*… It's a fear that not only blights the workplace but almost every walk of life – from schools and fetes, to voluntary work and everyday sports and cultural activities*[8]

While Lord Young's report – and the proposals contained therein – should be praised for its efforts to tackle that compensation culture and its vicious, cyclical impact on our perceptions of risk and personal responsibility, it is nonetheless a predominantly reactive approach to the problem. The hope is that repealing legislation and making litigation harder will reign in our desire to blame, and punish, others for misfortune and – thereby – help to reassert the proper apportioning of responsibility within our society.

But on their own, changes to our legal structures and processes and the cutting back of red tape may not be enough to effect the cultural shift that the Coalition and Labour alike recognise is necessary. To achieve such sweeping changes in perception, we may need to look at how we can reward responsibility and encourage sensible, informed approaches to risk rather than simply helping to avoid the misplaced blame that can be encouraged in a litigious society.

What is more, whilst it may well be true that risk has been excessively nationalised and institutionalised – so that individual responsibility has been reduced – it also the case that merely rushing back the other way may prove counterproductive and unfair. While the story of the 20th Century was largely one of ever more nationalised responsibility, the story of the 21st is in danger of becoming one of excessive burdens of risk being placed upon the heads of individuals. What is needed is policy shaped through the lens of risk, which seeks to identify the appropriate level at which the responsibility for risk management lies. Sometimes this will mean the individual, sometimes the state and – increasingly – it will mean networks and communities that lie somewhere in between.

How governments can promote and reward responsibility is a vexed question. It not only demands that we identify the appropriate level at which responsibility for various risks should lie but it asks us to make judgments about the behaviour, values and lifestyles of others. Furthermore, no attempt to reward the responsible citizen can succeed without, implicitly, penalising the irresponsible citizen. An incentive to behave well is worth nothing if it is also doled out to those who have behaved badly. These are classic political dilemmas – to be debated and discussed between parties and ideologies and decided upon by the public.

This paper will look at three increasingly politically and socially divisive areas of policy – health, community safety and financial wellbeing – and attempt to examine how interventions designed to encourage responsibility and maintain risk at the appropriate level might work for each. The proposals contained within are subjects for debate but they are premised on three principles that a 21st Century government, looking to rebalance risk and responsibility, should maintain at the heart of their policy process if they are to succeed and maintain public support:

- **Aligning incentives:** Much of the nationalisation of risk – while succeeding in reducing the individual burden of risk – has resulted in perverse incentives for individuals and disincentives to responsibility. Aligning incentives – both economic and social – is key to rebalancing risk. This means ensuring that we adequately reward responsible behaviour and – by definition – that we assess how prepared we are to disadvantage those who do not behave responsibly.

- **Empowering Individuals:** In order to take responsibility for the risks that we face we must be equipped with an understanding of what those risks are, how they work and what a responsible decision might look like. Government must empower and support individuals to take responsibility if it is to promote it.

- **Powerful groups:** It is vital that any full-blooded attempt to rebalance risk and responsibility look to respond to people as more than simply individual actors. For many types of risk, while the state is too big a pool in which to share the individual is simply too vulnerable to go it alone. Government must be imaginative about at what level it seeks to place responsibility.

This paper is not intended as a blueprint but as a provocation. If we are truly to seek to enhance and promote responsible behaviour in our citizens, how are we to do so while ensuring that our approach is humane and our culture pluralist? If we are to punish or penalise the deliberately irresponsible, how can we ensure that we do so in a way which does not discriminate for the wrong reasons? If we are going to be a more responsible society, what will we be able to devolve and what must remain managed and balanced from the centre? And how can we respond to the sometimes seemingly contradictory aspirations and attitudes of the public?

## Personal choices, public health

Health is perhaps the area of our lives where personal responsibility and attitude to risk most directly, and most evidently, impacts upon our outcomes and our use of public resources. From smoking to excessive alcohol consumption, the links between certain behaviours and certain health problems are not only well established but well known. And it appears that campaigns to raise public awareness of risk, and to change behaviour, have in part succeeded both in reducing the levels of such behaviour and in changing attitudes.

In 2010 around 21 per cent of the UK adult population consumed tobacco products – compared to 82 per cent in 1948. The steepest fall in consumption was between 1970 and the mid 1990s – the period in which the relationship between smoking and the risk of cancer and other long-term and terminal health problems began to emerge and be communicated to the population.[9] This trend has not been repeated in alcohol consumption – where the level of excessive consumption has grown slightly over the last thirty years and levels of overall consumption have remained roughly stable – but there is some evidence that individuals are more aware of the dangers posed by excessive drinking than has been the case in the past and that levels of underage consumption are reducing.[10]

But taking responsibility for our health is not simply about abstaining from behaviours that pose a risk. It is also about engaging in behaviours which offset and reduce the risk of poor health – such as seeking to maintain an active lifestyle and ensure a good, balanced and nutritious diet. Levels of awareness about the importance of exercise and diet to long-term health have grown significantly over the past decade or so – accompanied by well-resourced governmental campaigns to persuade British people of the evidence.

A question that emerges, though, is to what extent this greater knowledge and awareness has impacted upon our expectations of where responsibility for risk management lies and what effect, if any, this has on our attitudes to our public health service.

### What's the NHS for?

At first glance, the cliché of the NHS as Britain's 'national religion' appears as robust as ever. In 2011, levels of satisfaction with the NHS were at an all-time high of 70 per cent[11] - with the vast majority of British people feeling that they get a good deal from nationalised healthcare. What's more, British people invest a level of patriotism and pride in the NHS that places it alongside the monarchy, our National Trust and the Army as one of our most significant and respected national institutions. Polling for Demos in 2011 revealed that 69 per cent of British people agree that the NHS makes them 'proud of Great Britain' – a statistic reflected, even, in the Olympic opening ceremony where it featured heavily.[12]

However, these figures may mask a more subtle series of divergent factors in public attitudes to state healthcare, which help to highlight how public attitudes to risk and responsibility might have shifted as we have felt more empowered over our own health. There are strong and growing indications that satisfaction with the NHS may have peaked, and that the current favourable public views of the NHS's type and level of service provision may prove to be rather transient. For instance, over the last decade support for tax-rises explicitly to pay for increased health provision has halved, from a high of 63 per cent to just 31 per cent.[13] As the 2010 British Social Attitudes Survey observed in its conclusions:

*There are some signs that the positive trends in attitudes towards the NHS seen in the last decade may be stalling.*[14]

This suggests not only that any decrease in the NHS's perceived standards, relative to high public expectations of service, will lead to declining satisfaction—but also potentially that the public do not believe that the NHS ought to do more than it currently does – that it fulfils its mission and that proposed additional expectations should not be placed upon it.

Second, the current satisfaction masks a pronounced degree of realism among the public regarding the future state of the NHS.[15] 44 per cent accept that growing demand on NHS services may lead to future rationing of treatments, against 36 per cent who disagree; and a resounding 80 per cent believe that the NHS will eventually experience sufficient funding problems to have to cut out certain treatments altogether.

This implies that the public see themselves as lucky to be able to benefit from high-quality NHS provision at the moment, and might be amenable — to a certain extent — to the argument that assessment of need may not always be the only factor in determining healthcare availability.

Third, the high levels of support for the NHS are underpinned by even higher support for the ideal of state involvement in healthcare provision.[16] Around 88 per cent see public healthcare as a right, which suggests that changing the popular view of the state as – at least – a 'health guarantor of last resort' may prove very difficult. Overall, the public:

*acknowledge [...] the limits of what governments can do for people's health but also [feel] that there is much that can be done by government (alongside local councils and private and voluntary organisations) to encourage and enable people to make healthier choices.*[17]

## An enabling NHS?

In general, public support is higher for state involvement in 'enabling' or 'encouraging' measures that inform, advise, and bring about the social conditions for healthy behaviour[18] - rather than 'restrictive' or 'stigmatising' measures aimed at preventing or extirpating unhealthy behaviour.[19] There are also clear socioeconomic differences in public attitudes to the NHS's preferred role: higher-income respondents favour a preventative role for the state, while lower-income respondents are more concerned about services to treat those currently in ill health. [20] [21]

Significantly, public attitudes towards individual responsibility for personal health are not only strongly favourable, but increasingly so.[22] The King's Fund has found that:

*People do not instinctively equate health with the National Health Service and tend to think about the two separately, acknowledging that most action to prevent illness must come from outside the NHS.*[23]

Public preparedness to take personal responsibility for a healthy (or otherwise) lifestyle has risen past 70 per cent, and the view that doctors fulfil an advisory rather than a principal-agent role has risen to 62 per cent. Such a grounding for some form of shift in approaches to risk in public healthcare is bolstered by slowly rising doubt about the unequivocal need for a governmental role in healthcare provision — although support for some state involvement remains stable at around 98 per cent.[24]

What the 'doubt' more plausibly indicates is a growing view that state provision of healthcare should not be unconditional—only 27 per cent believe that there can be no justification for limiting access to the NHS.[25] When asked about the circumstances under which it might be justifiable to do so, a significant proportion of the public favour linking responsibility for health to individual behaviour—but more for knowingly risky activities, rather than 'socially useful' lifestyle choices. For instance, 25.5 per cent favour limiting access for heavy smokers and drinkers,[26] while those who support limitations on the grounds of low tax contributions due to either bringing up children or long-term unemployment stand at only 4.5 per cent[27] and 9.5 per cent[28] respectively.

The King's Fund has found more nuanced results — their respondents certainly 'expressed concern about the cost to tax-payers of people who take risks with their health' but 'did not generally impose a civic responsibility on people to maintain their health'.[29] Not many of their respondents 'would go as far as limiting access to health services for those who take such risks and when participants put forward these views, they were strongly challenged by others'.

There is also ongoing research that suggests that the dichotomy between state and individual responsibility in health debates so far ignores a potentially rich seam of alternative risk-sharing relationships. There is a large degree of support for a 'national-communitarian' element in public responsibility for health, with around 45 per cent in favour of restricting the access of recent migrants and temporary visitors to the UK[30] - implying a limit to many people's perception of healthcare as a 'right' and bringing access to the NHS back into line with views on the desirability of reciprocity in other public services.

The King's Fund found overwhelming agreement for primary parental responsibility for the health of minors, which has also been gaining theoretical traction.[31] The ongoing Understanding Society longitudinal study, conducted by the Institute for Economic and Social Research at the University of Essex, also finds that the presence of informal systems of social support —partners, friends, family — acts as a 'buffer' for personal shocks, including poor health,[32] picked up on by recent increased theoretical focus on the role of networks in reaching 'at-risk groups'.[33]

## Rebalancing risk and responsibility in health

It is clear that attitudes to risk and responsibility in healthcare have developed – and that, for a significant number of us, the pooled risk represented by the NHS must, increasingly, be met by higher levels of personal responsibility.

In seeking to achieve such a rebalancing, Government should focus on enabling and supporting positive behavioural choices, rather than on explicitly seeking to punish 'risky' behaviour – in doing so it is possible to potentially reduce the burden on the state, promote good public health and meet the expectations of the public. Most of us balance differing views concerning healthcare, responsibility and risk – maintaining both that healthcare is a right and that it is necessary for the NHS to reduce the number of treatments it offers.

## ALIGNING INCENTIVES

### Bonuses for behaviour

One source of potential inspiration for policy is the insurance industry. Several health insurers have moved beyond the reactive measuring of the health of their clients and have begun to actively encourage healthier lifestyles. This can include reductions in premiums (a classic means by which insurance companies looks to reward responsibility in customers) but also increasingly also means proactive encouragement to live a healthy lifestyle – such as discount membership to gyms.

Government can learn lessons from this approach – especially as changes to the welfare system and improvements in both government and private sector use of data make active monitoring less problematic or intrusive. People receiving the new Universal Credit could, for example, be rewarded with cash top-ups if they attend the gym regularly. This would not only encourage people in low socio-economic groups (who are at most risk of leading sedentary lifestyles and developing obesity related health problems) to become more active but would help to ensure that Government is seen to be encouraging high-risk groups to take responsibility to ensure that the risk they pose to NHS resources is less disproportionate.

### Managing the queue

There is scope for the NHS to provide its non-emergency services in a way that takes account of responsible behaviour. It is possible – for example – to fast-stream non-emergency appointment requests for those who register to share data on their responsible behaviour – by sharing information from private sector providers such as their supermarket, gym etc – in order to demonstrate added value for those NHS users who are taking steps to lower their risk. Such a move would undoubtedly be controversial – public attitudes to data sharing are highly sceptical – but could help to begin demonstrating a more active engagement with the concept of risk (and more active support for those who actively manage their risks) in line with emerging public perception.

## EMPOWERING RESPONSIBILITY

### Involve the private sector

23 per cent of UK households buy their groceries online.[34] This represents the most highly developed online grocery market in the European Union and is a year-on-year growth sector.[35] This provides a proactive Government with a huge opportunity to promote responsible, risk-reducing behaviour in UK citizens without running the risk of alienating individuals from the state's healthcare infrastructure.

Government could work with online retailers to encourage better and personalised information about the relative health of choices made – giving shoppers a tally for their weekly shop that explains whether or not it is likely to reflect a healthy diet over the course of the coming week. Supermarkets could also be encouraged to 'nudge' consumers into making healthy choices – choosing to include fresh fruit and vegetables in their shop, for instance – and remind customers of the health risks of purchasing larger than recommended quantities of alcohol and saturated fats.

Not only would such efforts be about encouraging responsible behaviour amongst consumers – without actively limiting their liberty to make choices – it would involve making a plea for greater corporate responsibility. It is true that large grocers sell what their customers want and that this is core to their business model. But it is also true that there is a great deal more that they could do to educate their consumers about the relative risks of various choices.

## POWERFUL GROUPS

### Pool risks

There are more radical, structural reforms that could be made to the way in which we re-accommodate risk and responsibility in our healthcare provision. Private medical insurance has a relatively low uptake in the UK – around 7 million of us are insured against medical costs.[36] If we were to try to encourage greater take-up of health insurance, in order to both reduce the risks pooled in the NHS and to encourage greater links between the cost of healthcare and the relative risks posed by different lifestyles and choices, Government could look to do so via encouraging the shaping of new types of product.

Such products should build on what we know about the impact of social networks on the relative health and behaviour of individuals. The creation of shared insurance accounts – for couples, family groups, friendship networks and local communities – could help to tie insurance costs closely to relative risk and responsibility. The price of such products would be tied to the relative health, risk and responsibility of members of the group protected and – because of the interconnected nature of the price and the fact that there is a pre-existing relationship between members – the impetus for increased health and co-support in responsible behaviour would be high.

Such products would function, in form, in much the same way as the welfare mutuals to which men and women like Frank Field's parents once belonged – using the power of small groups and mutual interdependency to drive positive, responsible, risk-managing behaviour. Such innovations would allow users of state healthcare to formally share risk with others in their personal network on whom they would rely informally for help in situations of urgent need already.

## CARE FOR YOUR COMMUNITY

The role of 'communities' in regenerating and renewing themselves, for the sake of residents and collective wellbeing, is one of the hot topics of our political age. For the Labour movement – steered by thinkers and policy makers such as Lord Glasman, Jon Cruddas and former Secretaries of State such as Hazel Blears – the need to re-establish a left-wing narrative about what is directed from the bottom up has been recognised in the years since the 2010 election, whilst the Conservative Party fought that election on the community-centric narrative of the 'Big Society'.

But there remain significant gaps in policy to drive the cultural change that would deepen and expand the collective community responsibility that would be required to meet some of the loftier rhetoric about the potential role of 'bottom-up' solutions in meeting pressing policy challenges.

As in public health and personal finances (explored elsewhere in this piece) a first principles look at how we might encourage communities to take more responsibility requires us to accept a fact – if we are to reward those who take responsibility we must accept that this penalises those who do not. Many have attacked the 'Big Society' on the basis that it is likely, in the short term at least, to be easier for more affluent communities to take the lead and take over services and provision.

There is an argument that this will entrench inequality. This may be true. But to suggest that those communities who take risks to improve their collective lot should not be able to benefit from that decision is to resign ourselves to a model that actively discourages effort. Instead, we must try to understand what inhibits some communities from taking responsibility and seek to promote (and in some cases to enforce) more active engagement from those communities that require additional support.

One of the key challenges facing those who have ambitions for the role of grassroots, community-led solutions to problems such as regeneration, crime and cohesion is the needs-first delivery of public services. For example, there is strong evidence that effective and well-organised Neighbourhood Watch programmes can substantially reduce the risk of burglary in a neighbourhood – and improve the outcomes of both preventative policing and responsive investigation. A major, 2008 meta-analysis by Trevor Bennett – who is a criminologist based at the University of Glamorgan – found that the presence of a Neighbourhood Watch scheme reduces crime, on average, by between 16 per cent and 26 per cent.[37] This is a considerable impact for a minimal cost intervention led by the community in service of the community. And yet many communities enjoy little or any support from central or local government in organising and providing this vital service – nor does the presence of a well-functioning Neighbourhood Watch within a community necessarily bring with it additional advantages in terms of that community's say in how it is policed.

Indeed, in April 2012 one of the few planks of central Government support for Neighbourhood Watch schemes – the funding of public liability insurance for participant groups – was withdrawn and is now the responsibility of the national umbrella charity, the Neighbourhood and Home Watch Network.[38] It is hard to see how this approach is likely to improve Neighbourhood Watch coverage – and the associated benefits in terms of cost savings and better use of police time. There are currently 150,000 schemes, covering an estimated 5 million UK households.[39] This leaves an estimated 21 million UK households without Neighbourhood Watch coverage – and implies a huge number of crimes capable of prevention if take-up of Neighbourhood Watch were higher.[40]

Neighbourhood Watch is an example of a successful and popular community-led approach to tackling a major public policy issue – 76 per cent of people who do not have a Neighbourhood Watch in their area say they would join if one was available.[41] And yet our capacity to encourage and develop these schemes suffers from a profound lack of imagination – and, even where support has previously been available, it has suffered from the withdrawal of Government support.

In a future of more limited resources it is likely that successful Local Authorities will be those that reach out to their communities and engage in open, frank conversations about where responsibility ought to lie. Experiments like Lambeth's 'Co-operative Council' and Barnet's commissioning-out model are examples from across the political spectrum of what this might look like. But, in truth, many Local Authorities are yet to adapt and to evolve – meaning that active and transformative community-led change is being stifled.

This lack of dynamic engagement with communities that take responsibility for limiting and tackling the risks that afflict them - and the state via the increased costs of reacting to problems – runs much deeper than merely malaise concerning Neighbourhood Watch schemes. In 2010, as the Conservative Party campaigned with the message that the 'Big Society' of improved community leadership and volunteerism would help to rejuvenate Britain, the communities of Castle Vale and Balsall Heath were vaunted as examples of how this could work. Demos researchers undertook extensive qualitative research within those communities – alongside meta-analysis of evaluations conducted into their regeneration and rejuvenation – in order to identify what factors may have led to their success and learn what barriers lie in the path of communities seeking to emulate them.

Our subsequent report *Civic Streets* used evidence from evaluations, qualitative research and polling to explain the crucial principles that need to underpin a community-led approach to regeneration and cohesion. This work evolved into a series of conclusions and recommendations that remain central to any serious attempt to encourage collective, community responsibility:

- **Time is money:** one of the reasons that we are able to look at Castle Vale or Balsall Heath and see success is because they have been part of a process of regeneration that spans two decades. Government needs to ensure that its investment in communities is attached to, and reflective of, the long-term nature of community regeneration.

- **Government needs to get out of the way:** money must continue to be provided to community groups but it must not be used to co-opt civil society in areas that are already deprived.

Too often the attitudes and approaches of primary care trusts, local authorities and other state actors get in the way of communities. What is more, funding that comes from government is often used to exercise unhealthy levels of control over third sector organisations – new funding and standards of cooperation are needed.

- **Democracy works:** communities that come together, establish a plan of action and consult the wider community (as happened in Balsall Heath and Castle Vale) have already demonstrated collective efficacy and commitment to improving their neighbourhoods. This is a vital first step, and should be a prerequisite for the kind of radical devolution of funding and power that this report promotes. A fundamental principle of any new approach to community regeneration should be the demand that community groups and activists demonstrate wider support from within their communities before gaining privileged access to assets, support or commissioning.

- **Help people to help themselves:** community groups and charities that work hard to improve the lives of their neighbours require evidence to demonstrate their success. This evidence allows them to make the case for their work, secure funding and keep residents onside. Castle Vale and Balsall Heath have both benefited from the Be Birmingham surveys that demonstrate soft outcomes such as resident satisfaction and engagement, but there are still problems because of the lack of baseline evidence on health, worklessness and crime.

How could these principles be applied to policy? What can be done to rebalance risk and responsibility in order to foster and encourage community-led responses to pressing social and policy issues?

## EMPOWERING INDIVIDUALS

### Introduce endowment funding

An important problem for those community groups that possess the will and vision to take charge of their local area is that funding for their attempts to regenerate and develop their communities is often complex to secure, unreliable and unpredictable. Government should build on the success of the Adventure Capital Fund, and other sign-posting and funding services that promote endowments. By transferring existing pots of money into single endowment funds, and operating them away from the centre, government can ensure that funding has the longevity needed to make a real success of regeneration.

This is an important lesson from the case studies and from wider experience of regeneration – it needs to be fully learned by government and translated into policy – the money must be secure and accessible, and must follow agency; only when a community has demonstrated its collective efficacy and responsibility by coming together, developing a plan and consulting itself should assets begin to be transferred.

### Establish evidence bases

There is a significant problem with the lack of reliable, localised data made available to communities. It is always important that recipients of state money are able to demonstrate their successful application of this money to solving the problems for which it was intended. In our current era of immense spending constraint it is all the more vital that charities and third sector organisations (such as those involved in community regeneration) are able to show what they have achieved.

What is more, the provision of detailed local data may help to inspire further involvement and engagement in communities – realising the disproportionate levels of criminality, poor health, anti-social behaviour or even littering in your area may well act as a spur to the formation of exactly the kind of local activism groups that have had such a profound impact in Castle Vale and Balsall Heath.

The provision of local information and data needs to become the reflex of local government and its agencies – the default position. Data on crime, health statistics and worklessness levels are already recorded by the state and traceable to the neighbourhood level. This data should be updated in real-time and made available through the internet so that communities can understand what is happening in their area and how resources are being used.

In addition to real-time, total place data for communities, available to all, local government should be given targeted resources for use in detailed polling of attitudes, resident satisfaction and perception. This polling is undertaken in Birmingham and enables charities and housing associations to identify areas of concern and demonstrate the success of particular approaches and schemes.

If we are able to improve the evidence basing for community regeneration we can better help communities to access private sector funds. The development of innovative tools such as social investment bonds is an exciting new means of leveraging private money into the public sector – community regeneration groups and local activists would be well placed to benefit from them if they were in a better position to demonstrate their success and establish a baseline of cost and outcome on which they could improve.

## ALIGNING INCENTIVES

### Introduce community cashback

In part, the purpose of gathering and making available the information above is to enable community groups to begin to demonstrate real savings on the cost of public services in their neighbourhoods. Aside from the obvious benefit for community groups in being able to demonstrate success to potential funders there should be a tangible, economic incentive for the community itself.

Take the example of Balsall Heath's activism in moving prostitutes from the estate. There was a solid benefit for the state – in the form of the savings generated by the closure of the police force's vice squad premises on the estate – as well as the benefit to the wider community of creating a safer and less threatening neighbourhood. We argue that where communities are able to demonstrate a tangible, financial saving for the state they should be able to retain a percentage of that benefit for use within the community. This 'community cashback' would incentivise activism at the neighbourhood level and help to ensure the longevity of successful activist groups – providing them with continued investment as they continue to achieve.

## Declare independence

Communities like Castle Vale and Balsall Heath have been phenomenally successful at involving residents in their neighbourhoods. Castle Vale Community Housing Association and Balsall Heath Forum run an array of services that are vital to the social capital and overall improvement of the areas. But there are real frustrations. Although they have good relationships with local government they are not able to assume control of local services even when they are confident of their ability to do so more successfully. This sometimes means that charitable organisations run services in parallel with the state without any compensation or cost recovery.

Local groups such as those operating in Castle Vale and Balsall Heath should have a right to bid to run local services like Sure Start, employment services, preventative health services, parks and environmental services. If they are able to demonstrate a high level of local support – through referenda similar to the one that Castle Vale undertook (with 75 per cent participation) – they should be able to assume control of particular local services in order to pursue a remit of local control. This relates directly to the ongoing struggle to make local authorities take their contacting obligations seriously.

Local authorities are supposed to ensure that third and private sector suppliers are treated equally to in-house providers in supplying a range of public services, but all too frequently this fails to happen. This report recommends that where the levels of local support have been identified in the manner laid out above, and the cost can be demonstrated to be comparable to that of in-house provision, third sector providers should be able to establish themselves as the 'preferred' provider. Such a measure would be similar, in practice, to the 'Right to Challenge' that is already in place – but switched in presumption so that, unless the Local Authority can provide overwhelming evidence of the need for their involvement, communities have a semi-automatic right to deliver.

## POWERFUL GROUPS

### Introduce 'micro mayors'

There is a real need for a more genuinely 'local' strata of local government in communities that are struggling to regenerate and renew themselves. In Birmingham (where Castle Vale and Balsall Heath are located), for instance, the Council has suggested that there ought to be annual elections for 'micro mayors' for units of 1,000-5,000 people.

This would go some way to resolving the problems of political representation in the UK – we have the least elected representation of any nation in Europe and our local authorities typically represent far greater numbers of people – and a greater diversity of issues, problems and demographics – than their peer institutions in Europe and elsewhere. 'Micro mayors' should be elected to work on specific, neighbourhood-level issues (such as litter or anti-social behaviour) and be able to gather together resources available to the neighbourhood to achieve those aspirations – be it policing, NHS services, refuse collection or community support officers. Their funding could be provided through a small local levy, designed to raise funds to pay for the time of the 'micro mayor'.

This simple mechanism would provide a clear avenue to political legitimacy for residents who are concerned about specific problems in their area. It would also give communities a clear sense of leadership in their community if there was someone who was visibly and tangibly working for them. Unlike existing parish or local councillors, micro mayors would exercise semi-executive authority for a limited period of time – empowering them to make quick, active decisions and demonstrate impact swiftly.

### Responsible communities

It is easy to imagine how such an approach might begin to make initiatives such as Neighbourhood Watch schemes both more attractive and more rewarding to communities. The potential for communities and neighbourhoods with particular areas of concern – such as high-levels of truancy and anti-social behaviour – would be empowered to aggregate resources already available to them through micro-mayors. They would be able, then, to steer policy and practice within their community to fit with their needs, to demonstrate the success of local, community-led interventions via robust and rolling evidence and able to demonstrate the benefits to the community via the clawing back of a proportion of any savings produced. In short, individuals within the community would see the rewards of their responsible and collectivised behaviour.

But such an approach is, of course, not without controversy. For a start it means – by necessity – that society would have to come to terms with the notion that services, policing and provision will be different not simply between municipalities but within them too. We would be a country of 'postcode democracies' rather than 'postcode lotteries' but this would mean that what some communities earned through their responsible behaviour and engagement would simply not be available to communities too atomised or too transient to do the same.

In the same way that a healthcare system that rewards and encourages personal responsibility must – by definition – offer less to those who refuse to modify their behaviours so a community-led approach to regeneration and crime will benefit those communities that lead more than those that do not. The extent to which we are comfortable treating risk-managing, responsible communities differently to others is a political question – one that is central to any serious attempt to devolve both power and responsibility to neighbourhoods.

## MANAGING YOUR MONEY

The last five years have highlighted the dangerously short-termist approach to money that has come to define many of our institutions as well as the attitudes of too many individuals. As the Kay Review of equity markets highlighted – we are collectively too short-termist and too short-sighted when it comes to managing our resources. What is worse, this is a culture that has to some extent been encouraged by policy.

Nothing sums up the UK's paradoxical and incoherent approach to individual financial responsibility better than the way in which our public services interact with individuals' savings. In a range of areas, savers – those who have taken long-term, financially-responsible decisions and have chosen to mitigate their financial risk by building a cash asset – are actively punished for their prudence. This is most obvious – and most problematic – in our welfare system.

Demos qualitative work with average earners over the last two years has highlighted significant resentment, dissatisfaction and feelings of disappointment towards our welfare system. Many middle-earners believe that the welfare system is geared towards irresponsible behaviour – feeling that those who choose not to work are advantaged over those who, against their wishes, are temporarily out of work. What is more, many feel that they have been penalised for their previous responsible behaviour and that – in attempting to offset risks through savings – they have exposed themselves to new, state-manufactured risk.[42]

In 2011, focus group participants believed, overwhelmingly, that the £16,000 means test rules – whereby savings over £16,000 must be used by claimants before full benefits can be accessed – was unfair and counterproductive. Many – rightly – expressed a belief that there has been an erosion of Britain's savings culture and argued that this was, in part, as a result of the way in which in a difficult and unstable financial climate there are little or no incentives and rewards for those who make sacrifices in order to continue behaving responsibly. This attitude has been exacerbated as more and more middle-earners have experienced some form of unemployment over the course of the last three to four years – bringing the reality of savings-based means tests home for many.[43] It is worth noting that, for many savers, the implications of reform to the welfare system are not positive – it is likely that they will receive even less and be more harshly penalised for their responsible, risk-managing behaviour.[44]

Mike Brewer, the former Director of the Institute for Fiscal Studies, has claimed that the adjustment to the already punitive rules 'gives families an extremely strong incentive to keep financial assets below this level' – this policy is a clear disincentive to save.[45] The rules are much the same for direct out-of-work benefits but also impose a means test for tax credits, leaving families with savings – on average – worse off again.[46]

Obviously, the means test enables the state to save money by focusing resources where they are most 'needed' – but it also acts as a disincentive to responsible, risk-managing behaviour in individuals – offering an incentive not to save and encouraging low savings rates.[47] What is more, the £16,000 rule exacerbates the financial shock of unemployment to average earners and makes it harder for them to recover even once they return to work.

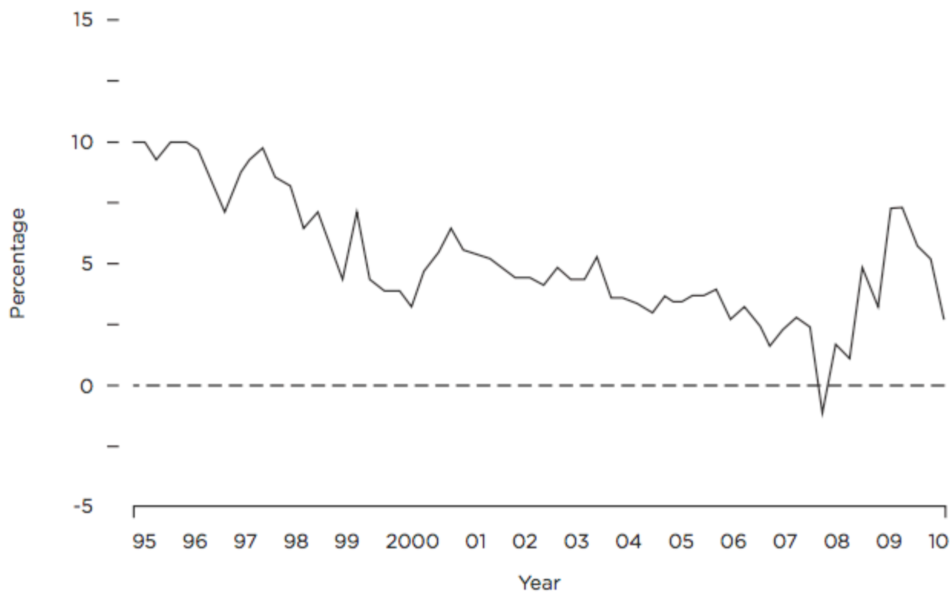
Levels of debt in the UK, linked to high house prices and cheap, affordable credit, have had a profound impact on individuals' and families' ability to recover from economic shock. Long-term financial irresponsibility on the part of millions of families – encouraged and enabled by elements of the financial services industry and by a historic lack of concern for savings rates by government – has rendered the UK population less resilient and excessively at-risk.

It is little wonder that savings levels are both worryingly low and falling: at the same time there is increased awareness – in government and the financial services industry – that levels of financial and economic literacy are poor in the UK. Demos' work on financial capability, asset-based welfare and economic literacy over the past 12 months has highlighted the very real need for a concerted approach to improving the financial security, and awareness, of individuals and families in the UK.[48] The lack of understanding makes it all the more difficult for individuals to adopt responsible, risk-managing behaviour in their financial affairs – this is most evident in the UK public's long-term attitudes to (and behaviour on) savings.

On average, the UK public is now setting aside 6.25 per cent of their monthly take-home income. This figure is at its lowest level since summer 2007 (6.22 per cent) but is actually higher than it has been for most of the last two decades.[49] The lack of financially responsible behaviour amongst UK households is a long-term deficit and not a direct result of the recession.

Average monthly savings in the UK have fallen from £90.12 in winter 2008/09 to £81.94 in winter 2010/11. In addition, the average monthly income has fallen to £1,310, from £1,384 last quarter and is at its lowest level since spring 2008 (when it was £1,306).[50] This collapse in individual savings is an extension of a pre-existing downwards trend in personal saving. In 2008 (before the collapse of the banking sector in the UK) savings fell to -0.8 per cent, making UK families net borrowers for the first time in nearly 60 years (figure 1).[51]

## Figure 1 – The UK household savings ratio



The lack of risk-managing, financially responsible saving behaviour in the UK is a major policy issue for government. And it is perverse to enforce rules that actively disincentivise savings among those on average earnings who may be at risk from unemployment and then decimate what savings those people have if they become unemployed. The Government is deserving of huge praise for merging the State Second Pension and Basic State Pension – giving greater certainty to those approaching retirement and drastically reducing the impact of means testing – but there is more to do.

## ALIGNING INCENTIVES

### Don't punish long-term savers

Claimants who can demonstrate that their assets are being kept in long-term savings vehicles – and are not able, therefore, to use them as income – should not face any means testing of their existing assets for the first six months of unemployment.

As we have already seen, that six-month period is indicative of what the likely overall period of unemployment is for an individual – those who fail to re-enter the workforce in that period are likely to require extensive intervention over a longer period to enable them to do so. This change to the current rules would allow individuals and families who suffer the financial shock of unemployment time to re-enter the workforce without suffering an additional, and excessive, financial shock from having their savings used to restrict their benefits.

## EMPOWERING INDIVIDUALS

### Reciprocate responsibility

There is a recurring theme – in qualitative work with middle-earners and in polling – of resentment about the way in which the welfare system (and Britain's approach to household finances in general) is perceived to lack reciprocity and regard for responsibility. From unemployment benefits to long-term social care, those who save or who invest in risk-managing insurance products often feel that they end up being penalised and 'paying twice'. This sentiment is not simply an impediment to encouraging greater personal, financial responsibility in the long-term (a key objective for any Government seeking to rebalance the risk posed by financial shocks) but is a threat to the welfare state itself. As Peter Kellner – the President of polling firm YouGov – has argued:

*People are turning against welfare, other than help for the elderly and disabled, doubtful that politicians give money to the right people for the right reasons.*[52]

For many, the concern that the state will either not be able to – or will refuse to – properly support their family in a time of financial need is not, on its own, enough to incentivise more responsible financial risk-management. Qualitative work with middle-earners has highlighted the strong feeling amongst many that, if they are to be expected to take more responsibility, Government must reciprocate with some form of incentive – both to encourage and to compensate for the 'paying twice' phenomenon. One solution would be for government to recognises the personal responsibility – and savings to the Exchequer – that underpins certain forms of savings and insurance products.

Income protection – for example – covers individuals against their loss of earnings in the case of disability and ill health and can ensure that the financial shock of a severe accident or sickness is mitigated. Demos research has shown that if the UK market in income protection were grown to the same proportion as that in the US – a growth from 9 per cent to around 30 per cent – the state could save the state as much as £3.1 billion a year. Offering an incentive of £100 per policy – paid from National Insurance to those individuals who purchased an income protection plan – would cost the state around £860m a year – leading to an aggregate saving for the state of around £2.24 billion a year in unemployment benefits.[53] Not only would schemes such as these help to rebalance the risk of financial shock but they would also encourage and reward personal financial responsibility and demonstrate reciprocity on the part of the state.

## POWERFUL GROUPS

### Rewarding financial responsibility – the difficult choice

The argument against such efforts is often largely premised in the idea that it may lead to a 'two-tier' welfare state. But, to some degree, this is not only inevitable but desirable.

Current welfare settlements in the UK – for everything from JSA to long-term social care provision – suffer from an excessive reliance on needs-based measures for access. This means, inevitably, that many hard-working and diligent families – who have taken the responsible actions of saving, insuring and asset building – fall through the cracks. The welfare available is often reduced via means tests, implying a punishment for responsibility, and what there is does little to offset the financial shock of, say, losing a job that pays £30,000 a year.

Of course, the universal alternative (in the form of benefits such as the Winter Fuel Allowance) are no more attractive, their unaffordability making them impractical and the inherent waste being fundamentally unforgivable. But there is a middle ground – one that allows us to tailor welfare provision more appropriately while also ensuring that the burden of risk does not fall too excessively upon the state. This can be achieved by encouraging and rewarding risk-management – through the purchasing of insurance, the acquisition of savings and financial resilience building.

Giving a little back from the state in order to set people free from dependence on it – while encouraging them to behave responsibly in managing their long-term financial risks – would free up the centralised welfare infrastructure to truly concentrate on those who are in need of more than simply a bit of support to tide them over. What is more, such an approach would enable Government to demonstrate that it was meeting both standards of fairness – rewarding the responsible while caring for those in need.

This is controversial. Those who are insured against sickness or redundancy will be better off in the event of either of these occurring than those who are not. Neither would be left to fend for themselves but one would be better insulated against financial shocks and better off in the longer term. But this is, and it is crucial to recognise the inherent nature of this dilemma, the result of *any* consistent attempt to reward responsible behaviour.

If we want to encourage our citizens to manage their financial risks, to take responsibility for their financial wellbeing, we have to show them that there are rewards. Otherwise, and especially if we continue to actively punish those who make the responsible choice, we cannot expect people to actively take on their share of risk.

## REBALANCING RISK AND RESPONSIBILITY

We are a nation that displays some paradoxical attitudes to risk and responsibility. On the one hand, increasing number of us believe that individuals must take greater responsibility for their own health – on the other we almost all believe that healthcare is a 'right'. We say that we want to take more responsibility for our neighbourhoods and 75 per cent of us say we would join a Neighbourhood Watch if one were available in our area – yet more than 20 million households live in areas without such a scheme and we do not appear to be queuing up to set one up. We believe that welfare and unemployment are shared risks – that the state and the individual have to share that risk between them fairly – and yet we have elected serial governments who appear to punish those who engage in risk-managing financial behaviour.

At the start of this paper I outlined the case for understanding responsibility as tied to risk – it is a principle of fairness that it is wrong to hold someone responsible for the outcome of a risk that it was never in their power to take. But the obvious corollary to this is that it is equally unfair not to hold someone responsible if they take a risk – particularly one that impacts upon others without their consent – that has a poor outcome. Political talk of 'responsibility' can give the impression that this value is bland, meaningless and platitudinous – but the reverse is true. Any policy intervention designed to promote 'responsibility' involves both rewarding those who are deemed to have done the right thing and, by necessity, penalising those who have not. If we apply this logic to areas such as health, regeneration and crime and financial wellbeing – as we have tried to do in this paper – you begin to see how difficult and potentially controversial a 'responsibility agenda' might be.

But if we are not to seek to rebalance risk and responsibility – so that we marry more closely and more fairly the implied responsibility for certain outcomes to those that own the risks that impact upon them – then we must accept a different kind of controversy. Lowering public sympathy for the welfare system, increased disenfranchisement from local politics and governance, low savings rates and increasing resentment at 'misuse and abuse' of the NHS: all of these are the product of a growing disconnect between the morality of risk and responsibility and the reality of our public service provision. Inaction carries its own risks – and the responsibility for crumbling public trust in the efficacy and fairness of public institutions must lie, in part, with those who refuse to confront what fairness looks like to the public who pay for them.

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In May 2010 the Coalition Government published the agreement on the basis of which they planned, as two parties, to govern the UK for five years. For all its complexity and diversity the Agreement could, we were told, be summed up in three words – freedom, fairness and responsibility. It is the last of those words that this paper is most concerned with, because how we distribute responsibility affects society profoundly.

This piece – which marks the start of a project that will publish its final report later in 2012 – argues that Government needs to use 'nudge'-style policy instruments to reward individuals and communities who take responsibility for themselves. The paper looks at the relationship between the state and the individual, in three increasingly politically and socially divisive areas of policy – health, community safety and financial wellbeing. It attempts to examine how interventions designed to encourage responsibility and maintain risk at the appropriate level might work for each. It includes provocative suggestions, such as providing cash top-ups if recipients of the new Universal Credit attend the gym regularly, or abolishing savings means-testing in the welfare system to reward those who've taken responsible financial decisions in the past.

This is a difficult and potentially controversial policy area. But if policy makers do not to seek to rebalance risk and responsibility – so that we marry more closely the implied responsibility for certain outcomes to those that own the risks that impact upon them – then we must accept a different kind of controversy. Lowering public sympathy for the welfare system, increased disenfranchisement from local politics and governance, low savings rates and increasing resentment at 'misuse and abuse' of the NHS: all of these are the product of a growing disconnect between the morality of risk and responsibility and the reality of our public service provision. So, the paper concludes, inaction carries its own risks.

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