

“We need a new  
settlement between the  
state, the individual and  
local communities...”

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## CONTROL SHIFT

Max Wind-Cowie



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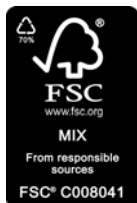
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First published in 2013  
© Demos. Some rights reserved  
*Magdalen House, 136 Tooley Street,  
London, SE1 2TU, UK*

ISBN 978 1 909037 34 2  
Series design by modernactivity  
Typeset by Chat Noir Design, Charente  
Printed by Lecturis, Eindhoven

Set in Gotham Rounded  
and Baskerville 10  
Cover paper: Flora Gardenia  
Text paper: Munken Premium White



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## Contents

Acknowledgements	7
Foreword	9
1 Introduction	13
2 Public health	27
3 Communities	41
4 Personal finance	59
5 Shifting control	71
Appendix 1 Roundtable summary: public health, risk and responsibility	77
Appendix 2 Roundtable summary: communities, risk and responsibility	81
Appendix 3 Roundtable summary: personal finance, risk and responsibility	87
Notes	91
References	107





## Acknowledgements

I would like to thank Marius Ostrowski and Katherine Stevenson for their contributions to this work – both were invaluable and I am very grateful. Also at Demos the advice, support and wisdom of David Goodhart, Claudia Wood, Duncan O’Leary, Ralph Scott, Sophie Duder, Josephine Brady and Rob Macpherson have been vital to this project. Thank you all.

This report is the final output of a long-running collaboration with Zurich – whose in-house experts have been generous with their time and insights. In particular, I am very grateful to Sophie Spink, Matthew Connell, David Swaden, Mary Bradbury, Andrew Jepp, Jim Wilkes, David Lowe and all the members of their various teams.

Finally, and most importantly, Demos is grateful to all those who participated in the expert focus groups that are analysed as part of this report and which shaped the conclusions and proposals of this report. While I can’t imagine any one of them will agree with every single conclusion of this work – they have been instrumental in its development. They included: Caroline Abrahams, Iain Anderson, Hilary Benn MP, Christine Berry, Jonathan Carr-West, Samuel Dale, Cllr Rowenna Davis, Claire Fox, Lord Freud, Lord Glasman, Duncan Goodfellow, Deputy Peter Harwood, Emily Holzhausen, Richard Humphries, Erica Jobson, Baroness Judith Jolly, Mark Littlewood, Tom McPhail, Alun Michael MP, Jesse Norman MP, John Pugh MP, Matthew Reed, William Robbins, Ben Stafford, Dave Taylor, Otto Thoresen and Baroness Claire Tyler.

Max Wind-Cowie  
March 2012



# Foreword

As a leading insurance provider to individuals, businesses and public services, Zurich has a broad perspective on the risks faced by society.

Risk is often widely misunderstood and certainly should not be viewed as a negative. Simply put, if we do not take risks, we do not progress. Insurers support this progression by enabling individuals and organisations to transfer their risks into a wider risk pool or take steps to manage their impact. It is a function that only becomes real for people when insurers deliver on their promises after critical events such as an accident, a serious illness or bereavement.

However, while transferring the risk does not necessarily mean abdicating all responsibility, this has become a growing – and worrying – trend.

In the insurance industry, we experience this in a number of ways. For example, as individuals take less responsibility for their future wellbeing, so levels of take-up in pensions and savings products have fallen. We have also borne the brunt of an increasing tendency towards a compensation culture. This has led to a significant reduction in risk appetite among businesses and within the public sector, resulting in missed opportunities for growth and innovation, which are more essential than ever in straitened economic times. But the impact of this behavioural shift goes far wider than just insurance.

Within human nature, there is a predisposition to focus on the here and now, rather than what may lie ahead. However, while it may be tempting to make choices about our lifestyle, finances and community involvement with only the short-term in mind, the reality is that the long-term effects of those decisions will create unsustainable conditions for society. For example, as people live longer, it will become more important for us to

manage our health actively, and to provide for ourselves when illness takes away our ability to work.

As individuals cede responsibility for the risks they face, so the onus falls upon the state to pick up the tab. But the combination of a challenging economic environment and pressures such as high youth unemployment and an ageing population, means that state resources are stretched to the limit and will continue to be so in future. An alternative risk balance between the state and citizen must be found.

Zurich, along with other insurers, has long campaigned for legislation to address the compensation culture. The newly-passed Legal Aid, Sentencing and Punishing of Offenders Act contains measures which will go some way to achieving this. Equally, we welcome the introduction of auto-enrolment as a first step towards encouraging prudent financial planning.

But, ultimately, state action alone cannot suffice. The long-term treatment and management of risk and responsibility is a problem that is of equal concern to government, businesses, communities and individuals and needs a collaborative approach that transcends the short-term drivers of political and profit gain. We need to create the right incentives to foster personal responsibility. It is no coincidence that political parties of all colours have already threaded strategies to address the issue into their policies and will no doubt continue to do so going into the next General Election.

We are, therefore, delighted to have supported this important report from Demos. Throughout the partnership, we have shared a mutual interest in the long-term impact of responsibility for risk in our society which is reflected in the level of involvement and consultation afforded to us during the project.

The balance of risk in society is fundamental in determining the future success of the UK. The path to change may last for many years and unearth deeper questions, such as why our society has become more dependent and risk averse and what lessons we can learn from the past. However, it is our joint hope that this report serves as a call to action to begin rebalancing responsibility for risk. It identifies key areas of concern and draws upon the expertise of leading figures from

politics, industry, academia and the media. Most importantly, it contains innovative and collaborative solutions that we believe can make a real and lasting difference.

Steve Lewis  
CEO Zurich UK General

Gary Shaughnessy  
CEO Zurich UK Life



# 1 Introduction

What would it mean to have a more ‘responsible’ population? That is the question which this paper addresses – building on desk-based research, engagement with expert roundtables and work with in-house experts at Zurich.

We sought to look at this question in order to try to identify what success might look like for the Coalition Government (and its successors) in their ambition to build responsibility – which featured as one of its key themes, alongside ‘fairness’ and ‘freedom’. And it is a question that sparks substantial controversy and argument merely in its asking, as it probes the very foundations of the modern welfare state.

This report is the final output of a project designed to reach some consensus over what ‘responsibility’ can mean for public policy. It looks, primarily, at three vital areas of public and political intersection – public health, community resilience and personal finance – in order to attempt to identify what gaps in appropriate responsibility exist, why they have developed and what might be done to solve them.

This report grows out of a provocation paper – *Rebalancing Risk and Responsibility* – published in September 2012,<sup>1</sup> and discussed at roundtable debates at 2012 party conferences. It asked a series of questions about the extent to which we as a society are really prepared actively to promote ‘responsibility’ through public policy – suggesting a number of potential avenues for reform, which are included here as illustrations of what a pro-responsibility agenda might look like. It was then thoroughly discussed, debated and – naturally – criticised in roundtables with policy makers and experts from a variety of education, consumer and commercial organisations, as well as by experts at Zurich. Zurich also engaged with its employees from across the UK to debate the issues raised in *Rebalancing Risk and*

*Responsibility* via online discussion forums after the party conferences, and has fed in views to this final paper. What has emerged, and is laid out below, is a cautious set of interventions and policies that focus on responsibility while striving to safeguard fairness and freedom. These proposals are designed to promote the rebalancing of risk and responsibility, focusing policy on shifting control from the state to individuals and communities.

## Recommendations

### Establish a risk commission

It has been clear from our engagement with experts, policy makers and political figures that misunderstandings about risk and responsibility among the public, in business and in public services contribute to a culture of confusion about risk. Individuals can feel disempowered over their health by a mass of contradictory, sometimes fear-mongering and often decontextualised information about risks and behaviour. Many public services are criticised for their risk aversion – and retort that scaremongering and a developing ‘compensation culture’ makes risk taking difficult. Many have developed unhelpful levels of financial caution in the wake of the financial crisis and, as a result, have begun to hoard cash reserves. Conversely, some of the public are under-informed about and unresponsive to financial risks in their own lives.

We recommend that the Government establish a risk commission to help collate, analyse and communicate knowledge about risk. This commission would bring together leading policy makers, academics and representatives from across industry to explore the evidence about risk across a range of public policy areas – with the explicit aim of encouraging individuals, businesses and society to assume greater responsibility for the management of risk.

The commission would produce research and provide a forum for policy debates aimed at overcoming the ignorance and misunderstandings of risk in society – helping to establish policy solutions that will better share responsibility for risk management throughout society.



It would also have a remit to carry out ‘responsibility audits’ – looking at specific pieces of legislation in order to try to ascertain their likely long-term impact on Britain’s culture of responsibility and attitudes to risk. The purpose of such audits would be to establish potential unintended consequences of new laws. This would offer lawmakers insight into the long-term, cultural consequences of new legislation – in much the same way as the Office for Budgetary Responsibility aims to do on the fiscal consequences of new spending or tax changes.

### Embrace ‘nudge-plus’

The policies that found favour across our expert policy roundtables were those that enable responsible self-government by individuals and communities by providing a framework in which responsible choices are promoted and rewarded but in which individuals are still free to refuse. Such policies differ – in strict terms – from the ‘nudge’ philosophy of libertarian paternalism as laid out in Sunstein and Thaler’s original book of that name.<sup>2</sup> Rather than restricting itself to structuring choice, as advocated by Sunstein and Thaler, a ‘nudge-plus’ approach seeks actively to promote responsibility and make appropriate choices easier and more rewarding while maintaining the liberty to dissent.

In each of the policy areas examined in this report, examples of ‘nudge-plus’ policies are identified.

### Incentivise healthy behaviours

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 actively to encourage healthier lifestyles, for example by reducing premiums (a classic means by which insurance companies reward responsibility in customers) and, increasingly, encouraging clients to live a healthy lifestyle – for example by discounting membership of gyms.

At the same time, it is estimated 23 per cent of UK households buy their groceries online;<sup>3</sup> the UK therefore has the

most highly developed online grocery market in the European Union and the sector grows annually. 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. The 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 explained 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. They could take current loyalty card and voucher schemes a step further by reminding customers to include fresh fruit and vegetables in their shop, or highlight the health risks of purchasing larger than recommended quantities of alcohol and saturated fats. This would reflect a wider, ongoing trend in the offer supermarkets make – with Tesco and Sainsbury's already allowing their customers to use clubcard points to buy gym membership.

Consumers could then be encouraged to register their purchases – in exchange for rewards – after which, their data would then be made available to public servants. The registered individuals whose purchases suggest they live a responsible, healthy lifestyle could then be rewarded with further incentives to maintain their healthy behaviour, such as discounted gym membership.

This would not only encourage people in low 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 the Government is seen to encourage high-risk groups to take responsibility to ensure that the risk they pose to NHS resources is less disproportionate.<sup>4</sup>

### After automatic enrolment

The Government's introduction of automatic enrolment plus the National Employment Savings Trust (NEST) scheme to support this alongside existing private pensions providers will

undoubtedly improve levels of pension saving and protection among the UK population. However, the incentives to take the next step and become actively involved in managing exposure to risk are limited. The Government should seek to reward those who progress from an auto-enrolled default product to taking active, responsible financial planning decisions. Levels of state dependency among those who are actively involved in planning for their retirement are significantly lower than for those who rely on a company default or state scheme.

One means of ‘nudging’ greater personal responsibility would be to provide individuals who progress from basic auto-enrolment to wider savings and protection for their future with incentives, with additional flexibility on National Insurance. As part of the Progressive Conservatism Project in November 2010, Demos published *Of Mutual Benefit*,<sup>5</sup> in which we addressed welfare coverage across the UK, the cost to the state and the need for personal responsibility. We found that by encouraging individual responsibility and engaging with the insurance industry, the UK could simultaneously lift the level of financial protection available to the ‘squeezed middle’ while reducing the cost to the state through income protection. The cost benefit analysis taken at the time demonstrated that welfare reform measures such as statutory sick pay and providing incentives to those who opt to protect themselves could save over £2 billion of taxpayers’ money a year without any additional reform to the welfare system.<sup>6</sup>

Through this concept of ‘reciprocating responsibility’, we recommended that the Government should recognise the personal responsibility (and savings to the Exchequer) underpinned by income protection. We suggested that an incentive of £100 per policy – paid from National Insurance to those individuals who purchased an income protection plan – could save the state as much as £2.4 billion a year in unemployment benefits.

National Insurance rebates could be developed further; for example, individuals could be given a small proportion of the National Insurance contributions back – as a rebated voucher – to be invested in their chosen pension and boost their private

protection. Such a scheme would demonstrate the rewards of taking greater personal responsibility – acting as a ‘nudge-plus’ to take responsibility for financial risks – and help to reinforce the state’s commitment to reciprocity.

### Community cash-back

Enhancing our understanding of what is happening at the neighbourhood level is key to revitalising community autonomy and cultivating resilient neighbourhoods. Generating data – and making them publicly available – is absolutely central to this purpose. It is important to distinguish between types of data which it is important are shared. ‘Armchair auditing’ – the notion that public spending transparency may prove helpful to bringing down waste – is only one small aspect of the transparency agenda. It sometimes leads to a decontextualised use of data, which can be unhelpful and hinder public service delivery. Generating – and publicising – data on performance and impact, however, is vital to helping communities to see what is happening in their area and how their services are responding to need.

Community initiatives need to be able to produce evidence of success, and such evidence should be used to build in economic incentives for communities that look after themselves. Communities that embrace Neighbourhood Watch schemes reduce crime by an average of 16 per cent. There is a clear, solid benefit for the state in the form of the savings generated by the reduction in policing costs of communities that participate in such schemes – 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 cash-back’ would incentivise responsibility at the neighbourhood level and help to ensure the longevity of successful community groups, providing them with continued investment as they continue to demonstrate local results.

### Why risk and responsibility?

In order to develop an adequate understanding of how responsibility relates to policy it is important to consider how responsibility relates to risk. Whether or not someone can be considered truly, personally responsible depends on the extent to which they have control (and knowledge) of associated risks. Driver A who drives when drunk is responsible for any injury or death that he causes because he has taken a risk with his ability to control his car properly. On the other hand – in the minds of most people and the eyes of the law – if Driver B injures or kills a pedestrian while driving because she has to swerve to avoid an oncoming drunk-driver on the wrong side of the road, she is not as responsible as Driver A. The excessive risk that led to the pedestrian's death is not in Driver B's control – ergo, she is not responsible.

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

There is an abundance of evidence that our society has become less personally 'responsible' over time. More of the risks that we face as individuals – to our health, property and financial wellbeing – have been nationalised over the course of the twentieth century. In many ways, the passing of responsibility to the state can be seen as a collectivisation of responsibility: the existence of the NHS ensures that individuals are not solely responsible for meeting their own and their family's healthcare needs, and the nation takes responsibility for our wellbeing too. The shift from the entirely personal to the national and centralised has mostly been welcomed by a society that recognises its 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 an incentive for the responsible and risk-managing consumer. What is more, it is not the case that before the NHS or introduction of centralised welfare those living in the UK had no protections. As Frank Field MP, the Labour member of Parliament for Birkenhead, recounted at a Demos event in 2012:

*My father didn't have access to the welfare state, but he was a member of the mutual. And on 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.<sup>7</sup>*

Nonetheless, we live in a society that has chosen to nationalise risk – and one in which more and more of us feel that responsibility is insufficiently rewarded. In these circumstances, the combination of declining individual responsibility and a state with fewer resources is potentially toxic. Long-term trends such as our ageing population, demands on national health and social care services, youth unemployment and increasing public health risks such as obesity will place ever-greater strain on the public purse. A greater public understanding of the risks that face us is needed in order to encourage closer working between these three parties. The ability of the state to meet expensive challenges is already being tested and we need to find a better way to share responsibility between the state, the individual and communities.

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

These questions are all the more pressing because, over the past 20 years or so, public perceptions of the way in which risk

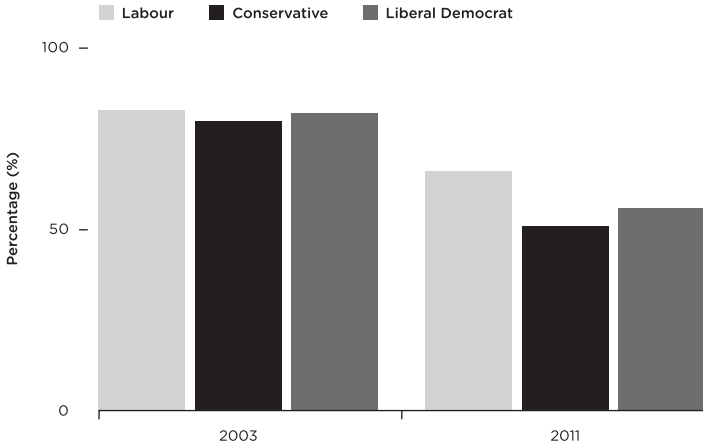
and responsibility are distributed have shifted considerably. As cause and effect are increasingly better and more widely understood in economic and social areas, it sometimes becomes difficult to justify the nationalisation of responsibility where individuals and groups have knowingly refused to be responsible for their own behaviour.

Although 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), research suggests that increasing numbers of people resent expensive drugs and treatment being freely available 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 should have no bearing whatsoever on their access to treatment on the NHS, while a similar proportion of us (25.5 per cent) believe the state should expressly limit access to healthcare for those who persistently abuse substances such as alcohol and tobacco.<sup>8</sup> Political polling research by YouGov and others demonstrates that risk-sharing institutions like the NHS (which has a 70 per cent approval rating) remain phenomenally popular and that the collectivisation of risk is understood, accepted and supported by the British public. It is also clear that many of us believe that the sharing of risk involves taking some personal responsibility, too. There is a growing perception that individuals and families who take risks such as smoking are less welcome in our shared risk pool because they have refused to take responsible steps to protect themselves.

This is not just 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. For example, YouGov polling conducted in 2012 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 nearly half of those surveyed thought the principle more important than the overall size of the pie.<sup>9</sup>

While most voters resist the idea of a wholesale dismantling of the welfare state, reforms targeted at those who are perceived not to have 'taken responsibility' – by doing their utmost to find

Figure 1 **Proportion of voters who think government should be the main provider of support to the unemployed in the UK, by mainstream parties, 2003 and 2011**



Source: Rogers<sup>11</sup>

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 whom believe that the Government’s welfare reform measures are moving in the right direction.<sup>10</sup> What is more, the proportion of the UK population who think it is the state’s responsibility to provide support to the unemployed has got smaller between 2003 and 2011 (figure 1). In 2003, there was a broad consensus of more than 80 per cent that the state should pay – but the proportion has slipped to a slim majority for Conservative and Liberal Democrat voters and from 83 per cent to 66 per cent for Labour supporters in 2011.

It is clear that politicians across the political spectrum now believe that non-state actors must take more responsibility. 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 un-earned entitlement among some at the economic bottom.<sup>12</sup> 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 devolved from Whitehall.<sup>13</sup> 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’.<sup>14</sup>

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 we do so becomes all the more pressing. What is required to shift our relative expectations about risk, and about our role in shaping our destinies and the quality of our communities and services?

So far, most attempts to redistribute responsibility have concerned 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 review of health and safety legislation, *Common Sense, Common Safety*:

*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.*<sup>15</sup>

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 identified 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.

*Common Sense, Common Safety* – published soon after the Coalition Government took office – demonstrated how a culture of litigation has resulted in risk-averse institutions and employers. It observed that in 2009 more than 800,000 compensation claims were lodged – leading to damages being paid out by the NHS alone of almost £300 million. The report argued that these claims were in part driven by an excessive boom in the number of aggressively marketed ‘no win, no fee’ legal services – enabled under the Access to Justice Act of 1999. This boom in damages litigation represents a legal system where the 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, argued 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:

*And 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.*<sup>16</sup>

Lord Young's report – and the proposals contained therein – is to be praised for its efforts to tackle the compensation culture and its cyclical impact on our perceptions of risk and personal responsibility. The hope is that repealing legisla-

tion 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.

However, 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 Government and the Labour party alike recognise is necessary. To achieve such sweeping changes in perception, we 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, while it may well be true that risk has been excessively nationalised – so that individual responsibility has been reduced – it also is the case that merely rushing back the other way may prove counterproductive and unfair. While the story of the twentieth century was largely one of ever more nationalised responsibility, the story of the twenty-first century is in danger of becoming one of excessive burdens of risk being placed on the heads of individuals. What is needed is policy developed with firm risk management principles that seeks to identify the appropriate level at which the responsibility for risk management lies. This could be with the individual, the state and – increasingly – networks and communities that lie somewhere in between.

How the Government can promote and reward responsibility is a much debated question. It demands that we identify the appropriate level at which responsibility for various risks should lie and make judgements about the behaviour, values and lifestyles of others. Furthermore, attempts to reward and encourage responsibility can also be seen as ‘punishment’ for those who fail to take responsibility. An incentive to behave well is worth nothing if it is also given to those who have not demonstrated the required behaviours.

*Rebalancing Risk and Responsibility* sought to test the political appetite for allowing those who fail to make ‘responsible’ choices to ‘suffer the consequences’.<sup>17</sup>

Understandably our political and expert engagement raised fears

about the consequences of any such approach, and this engagement – across all three political parties and with external experts – led to an evolving understanding of ways in which the devolution of responsibility need not be built on the state absenting itself. Discussions suggested that partnership with individuals and communities – ranging from the patient–doctor relationship to co-production of public services to using auto-enrolment to start real conversations about financial wellbeing – is the way forward. Rebalancing risk and responsibility must be seen as a function of the state, not as an attempt by the state to absolve itself of its role. These are classic political dilemmas – to be debated and discussed between parties and ideologies and decided on with the public.

This report is an attempt at a first stage in that discussion. We took a provocative set of ideas and proposals to expert roundtables and to sector experts at Zurich to understand what might work, what might be seen as fair or unfair, and what role policy has to play in shifting culture.

What follows is an edited and updated precis of *Rebalancing Risk and Responsibility*, incorporating the views expressed by the experts at our roundtables and others we have canvassed.

## 2 Public health

The information below gives details of some of the attitudinal and statistical data relating to risk and responsibility in public health. It draws on and updates *Rebalancing Risk and Responsibility*:

*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 link between certain behaviours and certain health problems are not only well established but also well known.*<sup>18</sup>

It appears that campaigns such as Change4Life – that raise public awareness of risk, and attempt to change behaviour – have in part succeeded 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 falls in consumption were 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.*<sup>19</sup> *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 relatively 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.*<sup>20</sup>

*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 to long-term health of exercise and diet have grown significantly over the past decade or so – accompanied by well-resourced governmental campaigns to persuade British people of the evidence.*<sup>21</sup>

Two questions emerge: what impact has this greater knowledge and awareness had on our expectations of where responsibility for risk management lies? And what effect, if any, has it had on our attitudes to our public health service?

### What is the NHS for?

At first glance, the cliché that the NHS is 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<sup>22</sup> – with a substantial majority of British people feeling that they get a good deal from nationalised healthcare. British people invest a level of patriotism and pride in the NHS, which places it alongside the monarchy, the 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' – and the Olympic opening ceremony in summer 2012 gave an important role to the NHS.<sup>23</sup>

*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.*<sup>24</sup>

The 2011–12 edition of *British Social Attitudes* observed: 'There are some signs that the positive trends in attitudes towards the NHS seen in the last decade may be stalling.'<sup>25</sup>

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 does not believe that the NHS ought to do more than it currently does – it fulfils its mission and proposed additional expectations should not be placed on it.

Second, the current satisfaction rate masks a pronounced degree of realism by the public about the future state of the NHS: 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.<sup>26</sup> This suggests that members of 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.<sup>27</sup> Around 88 per cent see public healthcare as a right, so changing the popular view of the state as at least a 'health guarantor of last resort' may prove very difficult. Clearly, public sentiment on these essential questions of the purpose and fairness of the NHS can be confusing, internally contradictory and a problematic guide to policy change.<sup>28</sup>

Overall, the public acknowledges:

*the limits of what governments can do for people's health but also [feels] 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.*<sup>29</sup>

### 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<sup>30</sup> – rather than ‘restrictive’ or ‘stigmatising’ measures aimed at preventing or extirpating unhealthy behaviour.<sup>31</sup> 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.<sup>32</sup>

Significantly, public attitudes towards individual responsibility for personal health are not only strongly favourable, but increasingly so.<sup>33</sup> 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’.<sup>34</sup>

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.<sup>35</sup>

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.<sup>36</sup> 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,<sup>37</sup> 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<sup>38</sup> and 9.5 per cent<sup>39</sup> respectively.

The King’s Fund has found more nuanced results – their respondents certainly ‘expressed concern about the cost to taxpayers of people who take risks with their health’ but ‘did not generally impose a civic responsibility on people to maintain their health’.<sup>40</sup> 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 which suggests that the dichotomy between state and individual responsibility in health debates appears to have



*so far ignored 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<sup>41</sup> – 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.<sup>42</sup> 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,<sup>43</sup> picked up on by recent increased theoretical focus on the role of networks in reaching ‘at-risk groups’.<sup>44</sup>*

## The provocations

We provided participants in our expert roundtable with a series of policy provocations concerning risk, responsibility and public health, which were designed to promote discussion and debate and to test participants’ beliefs about the relative desirability of interventions to rebalance risk.

### Align incentives

#### *Give bonuses for good 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 actively to encourage healthier lifestyles. This can include reductions in premiums (a classic means by which insurance companies look 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-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.*<sup>45</sup>

### Manage the queue

*There is scope for the NHS to provide its non-emergency services in a way that takes account of responsible behaviour. Is it 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.*<sup>46</sup>

### Empower responsibility

#### *Involve the private sector*

Nearly one-quarter (23 per cent) of UK households buy their groceries online.<sup>47</sup>

*This represents the most highly developed online grocery market in the European Union and is a year-on-year growth sector.*<sup>48</sup> *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 among 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.<sup>49</sup>*

## Create 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.<sup>50</sup> 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 development 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.*<sup>51</sup>

## The discussion

We consulted an expert roundtable at the Liberal Democrat 2012 Autumn Party Conference on the above proposals – seeking to understand what policy makers, health service analysts and politicians believe amounts to appropriate levels of risk and responsibility in health.

Those at the roundtable broadly agreed that we need to look closely at risk and responsibility in healthcare, some further forms of rationing are likely in the NHS and there should be a rational and clear underpinning for any treatments that are restricted further due to constraints on resource.

Overall, however, contributors agreed that in healthcare the appropriate levels of responsibility were not as clear as in some other public policy areas – we are not always directly, personally responsible for the risks we face. Rather than punitive measures to punish behaviours that some perceived to be riskier than others, they preferred to encourage positive decision making, collaborative sharing of responsibility by clinicians and patients and ‘nudge-plus’ measures designed to reward responsible decisions.

## Who is responsible for health decisions and services?

Roundtable participants were concerned that the compact between citizens and the state that forms the bedrock of the NHS could be in danger of becoming over-simplified in the political discourse. On the one hand, there is a sentimentality about the health service – and its professionals – which can serve to obstruct reform. On the other, there was a general discomfort about attempts to reduce health inequalities and differentials primarily to matters of personal choice.

There is a danger that an overemphasis on individual responsibility for health can mean – ironically – a stripping out

of individual autonomy. As we seek to ‘punish’ those who are considered to engage in more risky behaviours than others through the systems of the NHS we reduce the choices available to those individuals. Instead, their relative willingness and/or ability to conform to the expectations and demands of clinicians could risk becoming a deciding factor in their access to treatment.

However, it is clear that some individuals need to be empowered and given greater responsibility for their health – which can only realistically be achieved by providing them with powerful incentives to make active, positive choices. Ensuring there is a balance between clinical judgement and individual autonomy was a key theme of the roundtable discussion – participants thought that the state should build a culture in which risk is better understood rather than presume that decisions that negatively impact health are taken already. Such an approach would necessitate a shift in the way that public health messages are communicated – with a greater emphasis on ‘nudge-plus’ approaches, which are designed to make it easier to make better choices, and less on the simple provision of information, which can be internally contradictory, overwhelming and, sometimes, actively disempowering.

The NHS is a compact between members of society and so both have a responsibility in ensuring it runs efficiently. Therefore, healthcare decisions should not just be led by consumer choice: healthcare professionals such as doctors should take responsibility for telling people what they need rather than giving them what they want.

There is a broad political consensus that there are internal contradictions in many debates about public health policy. On the one hand, it is clearly not the role of the NHS to ‘police’ and, therefore, it should not seek actively to disadvantage those who fail to respond to clinicians’ advice. On the other, it is clear that allowing ‘on demand’ access to treatment – no matter what level of the ongoing lifestyle choices of patients – could be unsustainable and potentially clinically irresponsible.

However, viewing healthcare as simply a matter of resource can lead to perverse decisions being taken. For example,

statistical evidence shows that smokers tend to die younger than non-smokers, so arguably they save the taxpayer resources that would otherwise be spent on their long-term health and social care. Furthermore, because we tax tobacco, it has been argued that many smokers ‘over-contribute’ to the NHS. It is clear that a public health agenda that seeks to promote healthy behaviour cannot be inextricably linked to resources.

There is also a valid concern that the current emphasis on ‘lifestyle illnesses’ may be a product more of snobbery than of a genuine engagement with risk. For example, skiing is a high-risk occupation that can result in severe injury, and have significant costs for health providers and a negative impact on the economy. Why is it that many focus on smoking or over-eating rather than on higher-risk adventure sports as activities to be discouraged and penalised?

Overall, there was broad consensus at the roundtable at the Liberal Democrat 2012 Autumn Party Conference that decisions about treatment should be made mutually between clinicians and patients.

### The role of the state as a holder of responsibility

The state is responsible for health at many levels other than simply funding the NHS. Through public education (inside and outside schools), regulation of industry and the promotion of active, healthy lifestyles the state has an enormous impact on our perceptions of and decisions around health. But the state and the broader community can also be viewed as responsible for affecting our health dramatically in other ways.

One example is the way in which resource inequalities – of wealth and income – are heavily correlated to health inequality. In a society where your level of affluence is directly correlated to your overall health, there is a real danger that well-intentioned interventions designed to promote personal responsibility will inadvertently entrench and increase the health gap between rich and poor.

Furthermore, the link between wealth and health fundamentally challenges the notion of personal responsibility.

*Rebalancing Risk and Responsibility* explained the relationship between risk and responsibility as follows:

*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.<sup>52</sup>*

It is true that the evidenced correlations around socio-economic class and health might mean that the correct allegory for many whose lifestyles may lead them to ill-health is that of the swerving driver rather than the drunk-driver. Some individuals and families have been pushed into sickness by circumstances beyond their control.

The state surely has a clear and ongoing role in promoting good public health, but that responsibility is shared with individuals, families and communities – and should ideally focus on prevention and the promotion of responsibility and risk awareness.

### **The role of civil society**

The current distinction between state and individual responsibility may well be too limiting as a means to understanding public health. There are many other actors at play – including the private sector, which could have a role in promoting positive behaviour in relation to health. Much more could be done to ensure that public health education is central to the way in which companies approach their consumers – aligning the corporate sector to the Government’s agenda around personal risk and responsibility.

Companies can, and should, do more to play a part in rebalancing risk and responsibility between individuals and the

state. An example that moves beyond the standard arguments about food labelling or ingredients is that of carers, who take on a huge amount of responsibility for family members who suffer long-term illness and disability. Carers not only provide the type of care that most of us say we would want in the event of severe illness – in the home, at arm's length from professional nursing establishments – but they save the NHS vast economic resources by making long-term stays in hospitals or residential social care environments unnecessary.

There is a strong case for carers to be recognised more fully as a key component of the health debate – and for employers to be more attuned to the importance of care provision as part of their responsibility for employees. As the debate over the Dilnot review becomes central to the second half of the Coalition Government's term, these issues will rise up the public agenda.<sup>53</sup>

Finally, the general role of families as actors in public health is central to any debate about risk and responsibility – in particular, parents are responsible for their children's health and must be the primary focus of any long-term attempt to improve public choices around risk in health. There is a need to ensure that we involve parents in public health in a more proactive, helpful and – sometimes – less judgemental way. The provision of information and active support is key to this. There is a danger that some of the current messaging and work with parents in public health risked putting parents – particularly low-income or vulnerable parents – off engaging with clinicians and health services. There is a real need for policies that work with families rather than those that are perceived as working against them.

## Conclusion

The expert roundtable broadly agreed with the public's preference for an enabling, rather than punitive, approach to public health. There is agreement that pressure on resources and growing evidence of the links between lifestyle and health will lead to rationing and further devolution of responsibility, and it remains the case that no one chooses to be ill.



How then to promote greater responsibility around health risks without punishing those who become ill? The roundtable broadly endorsed the idea of a state that builds the framework for responsible decision making – and actively makes healthy choices easier for individuals and families – while maintaining the safety net of providing treatment that is accessible to all. It is clear that not only are the links between choice and health more complex than is sometimes argued but also a narrow focus on resource can lead to perverse, but logical, outcomes.

Instead, the Government needs to focus on ‘nudge-plus’ – an approach that builds the capacity and awareness of individuals to risk and then actively steers them towards the decisions most likely to protect their health. Of our provocations, options such as promoting healthy choices online and providing behaviour bonuses to encourage gym take-up found some favour. Ideas such as preferential treatment for those who have made active, healthy choices were seen as going too far.

One contributor suggested that in healthcare, at least, it is not the case that we need to punish irresponsibility if we are to promote responsibility – it is possible simply to encourage and reward good choices. On this, the public and our experts are in agreement.



### 3 Communities

This chapter describes some of the attitudinal and statistical data relating to risk and responsibility in relation to community resilience and autonomy. It is drawn from *Rebalancing Risk and Responsibility*:

*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 since the 2010 election, while 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 be required to deepen and expand the collective, community responsibility necessary 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 ambitious of 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.<sup>54</sup> This is a huge impact for a minimal-cost intervention led by the community in service of the community. And yet many communities enjoy little or no 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.<sup>55</sup> 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.<sup>56</sup> 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.<sup>57</sup>*

*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.<sup>58</sup> 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. Pilots like Lambeth's 'Co-operative Council' and Barnet's commissioning-out model – one based on spinning out services as mutuals, the other on commissioning private contractors – 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.<sup>59</sup>*

Demos researchers have undertaken extensive qualitative research with many communities that have won praise for their civic action – 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.

Coming out of that work were a set of principles that we have argued should underpin any serious attempt to encourage collective, community responsibility:

- *Time is money.* Successful regeneration often spans decades and requires work over time. Government needs to ensure that its investment in communities is attached to and reflects 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 should 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, and 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 have already demonstrated collective efficacy and commitment to improving their neighbourhoods. This vital first step should be a

prerequisite for the kind of radical devolution of funding and power that this report promotes. Community groups and activists should be required to 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 on-side.<sup>60</sup>

### Community security

Public order is an area of policy that excites traditionalist reactions and responses in respondents to the survey by British Social Attitudes Information System<sup>61</sup> – indeed, it is often seen as the ‘primary duty’ of government – which suggests that there is likely to be very little appetite for radical policy experimentation if the need for it is not clearly and immediately apparent.

Nonetheless, there are some signs that dissatisfaction with the *status quo* is increasing. In 2006, almost 50 per cent of the UK public declared themselves unconvinced that government is generally successful in controlling crime and disorder.<sup>62</sup> Likewise, in the 20 years that preceded the 2006 edition of *British Social Attitudes* concern at the resources that law enforcement has at its disposal has risen steadily, with 96 per cent of those surveyed stating that state funding for law enforcement should be maintained or increased.<sup>63</sup> In 2009 about two-thirds of the public (67 per cent) of respondents had faith in the police’s competence<sup>64</sup> – although the data were gathered before most of the recent policing scandals took place, including the phone-hacking scandal, the death of Ian Tomlinson, and the handling of the 2010 student protests.

The overwhelming impression gleaned from these data is that, over the long term, the UK public firmly believes that state security provisions are still well placed to fulfil the tasks required of them – or that they would be, if only the Government prioritised its strategy and funding of law and order adequately.

This trust in the police's ability – and intentions – may well have been shaken in light of the 2011 riots, and indeed scandals such as the News International saga and allegations about Andrew Mitchell, but the long-term trends point to the public having a robust faith in the police.

However, there is also significant evidence to suggest that policing and the criminal justice system alone are inadequate in dealing with the security and anti-social behaviour problems currently facing the UK. In voicing such strong support for policing, the UK public has repeatedly expressed a preference for prevention over retribution as a way to reduce future misdemeanours. In particular, public attitudes lean much more towards aspects of individual nurture for which state solutions either have questionable effect or are largely unavailable. Parents and families, schools and colleges, and the media are the three specific groups in society seen as being both responsible for affecting behaviour, and most effective at improving it – with parenting winning out by an exceptionally strong margin, and over 40 per cent of respondents favouring concerted society-wide action to the same end.<sup>65</sup> Curiously, the effectiveness scores are all rather lower than the responsibility scores – especially for wider society, at barely 20 per cent – which ties in with well-documented pessimism about the possibility of 'bad behaviour' being improved or eliminated.<sup>66</sup> It is noticeable that the solutions favoured by the public are relational rather than redistributive: the influences of peer groups, education and parenting are rated significantly higher than those of income, background wealth and privilege, which are accorded negligible impact<sup>67</sup> – which suggests that state welfarism and public investment on their own are an incomplete solution to law and order problems.

So what role does the UK public think communities can play in meeting the requirements for social stability for which the state is an inadequate guarantor? Fundamentally, there is extensive popular confidence in local community solidarity, and a fairly strong belief in widespread social decency, which reinforces the logic that preventative solutions need be targeted only at the problematic minority that is at the root of social misdemeanours.<sup>68</sup> However, at the same time, most respondents

are traditionalist when it comes to law and order – they are risk-averse to concerted non-state preventative action not sanctioned or supported by the state.<sup>69</sup> There is considerable admiration for the ‘have-a-go heroes’ who step in to mitigate or admonish anti-social behaviour, but also an underlying perception that ‘public answers’ to social problems should take priority.<sup>70</sup>

One of the major prerequisites for localising public protection and prevention of criminal behaviour towards more local provision is that residents feel a certain pride and affinity for the areas and communities of which they are a part. There is significant potential here: some 85 per cent of the UK population feel some degree of pride in the locality with which they identify most strongly,<sup>71</sup> and a similar proportion are sufficiently satisfied with the quality of life in their locality that any threatened decline might spur them to act to keep standards high.<sup>72</sup> Intriguingly, as yet, cities appear to have overlooked the potential to act as ‘communities’. There is an opportunity for more meaningful public administration and provision than has been recognised so far. The importance of cities and local areas to most people suggests that pressing concerns for UK citizens are best addressed locally rather than nationally.<sup>73</sup>

However, public enthusiasm for community responsibility and action remains stubbornly low, with only a few select exceptions. Civic groups, cultural affiliation and party identification invoke a fairly muted response among the public,<sup>74</sup> with religious and sporting affiliation only slightly more popular.<sup>75</sup> This suggests that it may be difficult to find appropriate trial communities for collective responsibility, or initial mechanisms designed to kickstart an upward trend in citizens’ reliance on associations other than state structures for public service provision. More significantly, there must remain serious questions over the desirability of separating law and order from the ‘universal’ structures of national control. Worryingly, there is significant evidence that the UK public sees criminal or anti-social behaviour as endemic to particular groups, which raises the spectre of inter-community tensions and ghettoisation over any attempts to devolve policing to the most local administrative levels.<sup>76</sup>



Overall, this suggests that the UK public remains steadfastly in favour of the state providing law and order, preventative security and criminal justice. There is significant community spirit among the public, which implies that there may be potential to explore additional administrative and delivery roles for local communities, and potentially some civil society communities as well.<sup>77</sup> At the same time, it seems that the use of ‘social pressure’ – through parenting, education and popular intervention – to keep anti-social behaviour in check could offer useful alternative avenues for public policy on law and order, given current funding and strategy constraints on existing state resources. However, the integral role of social cohesion to the state’s ability to meet its other political responsibilities makes community-based policing a potential double-edged sword: it threatens to become characterised by near-stereotypical ‘fear of the other’, and suffers from high individual risk aversion, leading to a classic collective action problem, or worse, the institutionalisation of local systems of discrimination and oppression.

Ultimately, while there are dangers and barriers to greater community-led law and order initiatives, there is also a strong public desire for preventative action. In a period of austerity that desire will be best met by a broader range of interventions and actors – bringing the public back into partnership with the police by allowing and encouraging community responses such as Neighbourhood Watch.

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?

### The provocations

We provided participants in our expert roundtable with a series of policy provocations concerning risk, responsibility and community security, resilience and regeneration, which were designed to promote discussion and debate and to test participants’ beliefs about the relative desirability of interventions to rebalance risk.

## Empower 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 signposting 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 the 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 within 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. While spending data has been made transparent there remains a stark absence of what are arguably much more useful – contextualised – data about effectiveness, experiences and impacts. These data will equip the public to respond to challenges in their community and to make appropriate demands on their public services. It is always important that recipients of state money apply this money to the problems for which it was intended successfully. 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 some of the flagship communities held up as examples of the ‘big society’.*

*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. These 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 base for community regeneration we can help communities to access private-sector funds better. 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.*

### **Align incentives**

#### **Introduce community cash-back**

*In part, the purpose of gathering and making available the information described 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. A community that cuts crime through Neighbourhood Watch is a prime example. There is a solid benefit for the state – for example in the form of the savings generated by the closure of the police force's vice squad premises on the estate – as well as a benefit to the wider community of creating a safer and less threatening neighbourhood. 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 cash-back' would incentivise activism at the neighbourhood level and help to ensure the longevity of successful*

*community groups – providing them with continued investment as they continue to achieve.*

### **Declare independence**

*Some communities have been phenomenally successful at involving residents in their neighbourhoods. Many community groups, for example, 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 should have a right to bid to run local services like Sure Start, employment services, preventative health services, and parks and environmental services. If they are able to demonstrate a high level of local support – through referenda – 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. The right of local groups to bid to run local services would be similar to the right to challenge, which 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.*

### **Create powerful groups** **Introduce ‘micro mayors’**

*There is a need for a more genuinely local strata of local government in communities that are struggling to regenerate and renew themselves. In Birmingham, 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 in policing, NHS services, refuse collection or community support. 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.*

### Create responsible communities

*It is easy to imagine how a ‘micro-mayor’ approach might begin to make initiatives such as Neighbourhood Watch schemes more attractive and rewarding to communities. 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’. Then they would be able 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 demonstrate the benefits to the community by clawing back 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 not without controversy. For a start, 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 what some communities earned through their responsible behaviour and engagement would simply not be available to*

*communities too atomised or 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 would benefit those communities that lead more than those that do not. Whether we are comfortable treating risk-managing, responsible communities differently from others is a political question, which is central to any serious attempt to devolve power and responsibility to neighbourhoods.*

## The discussion

We consulted an expert roundtable at the Labour Party Conference on the questions of risk and responsibility in community security, resilience and regeneration. The discussion focused on two main themes – the role of communities in self-policing and self-regenerating (and how we can seek to reward and encourage such endeavours) and the place of public bodies in facilitating more collective efficacy and autonomy in communities.

### Community and local authorities

The sense that communities and local government too often work against one another is central to the question of how risk and responsibility can be rebalanced at the local level. It is also clear that the idea of rewarding responsibility by ‘punishing’ irresponsibility is uncomfortable both politically and practically – as with the debate in healthcare, there are significant externalities that can produce less resilient communities through no fault of those communities’ members.

During the discussion, one contributor raised an example from Peckham, arguing that social problems were caused by macro-economic factors such as the lack of jobs and structural problems such as chronically poor credit ratings. However, the existence of very strong, cohesive and active communities in areas of socio-economic deprivation should not be ignored – and it is far from impossible for poorer communities nonetheless to be exceptionally strong and dynamic. More research on what

drives some communities to higher levels of participation and action than others is desperately required.

While stronger, more resilient communities are able to solve many problems on their own, simply expecting them to solve these problems is unlikely to result in such resilience and may, in fact, entrench and exacerbate inequalities between communities. Local authorities, therefore, must continue to have a role – even if that role changes substantially over time; it should be focused, in the longer term, on enabling rather than always delivering.

A central problem is the historic breakdown in community relations. In many communities, the lack of neutral space has led to there being an effective deadlock in attempting to make progress – highlighting a particular role for public bodies as arbitrators of public space.

There is a question – particularly in a period of relative austerity – as to whether public bodies should focus their role on co-producing services and solutions alongside communities. Such an approach can create a hybrid form of devolution that both solves issues facing communities and helps to build bridging social capital. It is an opportunity to devolve responsibility without – in the process – creating new risks.

There is a real concern that the ‘compensation culture’ – alongside the threat of political and media outrage – has made local public services problematically risk averse. This can spark reluctance on the part of local authorities to take risks in order to improve services and facilities; arguably many local authorities prefer simply to replicate previous policy in order to avoid controversy. Over time, this may have had the effect of reducing willingness to participate and volunteer among some sections of the public.

The legal concept of vicarious liability – where the service commissioner can still be held liable for the actions of its outsourcing partner – can be problematic for local authorities, charities and voluntary organisations. It can encourage risk aversion – the very opposite of what is required to encourage local initiatives.

This risk aversion has also led to ‘defensive’ services – local public services designed to insulate themselves from the

public and bereft of innovation. Research by Zurich demonstrates that individual risk circumstances and location affects the calculation of the level of risk councils are willing to take each time in decision making. Roughly 50 per cent of councils were willing to take risks over public spaces such as parks but were much less inclined to take risks over services, for instance those for the elderly.<sup>78</sup>

There are particular areas where public bodies and local authorities can feel heavily and increasingly exposed to risk – sometimes via policy. One example is data transparency, which many public servants view primarily as a threat, despite its capacity to render innovations that improve their offering. Bringing public servants on board when introducing data transparency – and encouraging them to view the risks as relative to potential rewards – should be central to pushing this agenda forward. And such an approach should demonstrate the way to develop other areas of devolution and risk taking.

There is clearly a continued role for local public services – even as we seek to build more robust, responsible and resilient communities. Indeed, it is a false dichotomy to argue that public presence and community autonomy always work against one another. The appropriate capacity for risk taking – and an approach based on driving towards devolution – can enable communities via public service engagement. Co-production, community cash-back schemes and respect for autonomous decision making are crucial, and they require local public services that are flexible in their methods and can respond to the risks posed by greater openness.

### Policing and community security

The British approach to policing is one of partnership. Police and the public are traditionally supposed to work collaboratively rather than in conflict with one another – however, in many communities this sense of shared responsibility has been eroded. In addition, there is a real concern that the notion of policing as preventative may be lost as austerity begins to bite.



The UK riots of August 2011 demonstrated both good and bad practice – and were signals of the way forward when attempting to engage communities more effectively in self-policing. The failure of traditional institutions such as the police force to show sufficient control during the disturbances was a symptom of and a contributing factor to a collapse in trust among the public in the effectiveness of the state at guaranteeing their security. One example was the apparent inability of residents to make contact with police liaison officers in Tottenham during the London riots. This not only contributed to the erosion of trust within the community but also denied the police the intelligence and community connections they needed in order to return order.

It is possible that these riots demonstrated the need to re-evaluate traditional approaches to community engagement. Under the Labour Government, millions had been spent establishing and enabling community representatives, but when the time came for that investment to be used, these representatives proved poor at galvanising communities into helping re-establish order.

In light of these failings, the suggestion in *Rebalancing Risk and Responsibility* that community relations should be focused on individuals and groups who have established, pre-existing or proven sway within communities was broadly endorsed by the expert focus group. One contributor at the roundtable gave the example of shopkeepers in Hackney who had protected their own premises and the wider community in the face of widespread rioting and looting. An effective community engagement strategy on issues like security and resilience must work through those who hold authority within the area.

The causes of the collapse in widespread community self-policing are complex, and one key problem has been the residualisation of housing. The council estates of the 1950s and 1960s had substantively lower rates of crime and anti-social behaviour – in part, at least, because these council estates housed holders of everyday authority, such as police officers and teachers. As public housing has become more residual there has been an erosion of communities' capacity to self-police.

As noted above, Neighbourhood Watch, as a form of self-policing, has been proven to cut crime by around 16 per cent<sup>79</sup> – it is an example of the ways in which strong communities provide a means of crime prevention, which used to be recognised by the Home Office. Government policy can be contradictory in its efforts with regard to community policing and resilience, with those communities that take responsibility sometimes feeling abandoned by the services that they have reduced the need for. The idea of ‘community cash-back’ – providing an obvious and tangible reward for communities that boost their capacity to solve social problems and thereby save the Exchequer money – can therefore play a role in reassuring communities that their efforts will not be undermined.

For many people – particularly in economically deprived areas – crime statistics do not convince. When crime falls, individuals will often express disbelief in the measures used to display it. This can serve to undermine the relationship between communities and law enforcement further. Therefore, a means needs to be found to demonstrate objectively the relative levels of criminality in society as a whole. Indeed, there is a public rage that is related to crime and a general feeling that the public lacks protection, but politically this can be a particularly difficult issue to debate. This disconnect can be exacerbated by an establishment taking a ‘liberal’ approach to rehabilitation and punishment that can feel out of touch in high-crime neighbourhoods.

This is particularly problematic when it comes to questions of punishment. Many roundtable contributors felt that communities need to be encouraged to play a part in the punishment and rehabilitation of offenders. One suggested that the public should be invited to play a role in probation hearings – in a similar way to the public service performed by jurors – ensuring that local communities have a voice in what happens to offenders and giving insight into processes that can seem opaque and distant to communities.

## Conclusion

Members of the expert roundtable reached broad consensus on the need for an enabling approach to community resilience and security, built on supporting communities to take more responsibility. Using schemes such as community cash-back, it was felt that government and local public services could reinforce the need for greater participation and resilience without disadvantaging those communities that – for whatever reason – are unable to follow suit. What is more, contributors felt strongly that there remains much more work to be done to encourage co-production with communities – both as an immediate means to an end and as a means to building resilience and social capital.

Contributors agreed that while it is true that many socio-economically deprived communities appear to be less resilient and possess less social capital than those of less economically deprived areas it is patronising and incorrect to assume that poorer communities are somehow incapable of taking more responsibility. Instead, they felt that more research was needed to assess what characteristics enable some communities to encourage participation irrespective of socio-economic factors. A major barrier to innovation and better community participation was felt to be the risk aversion of public services – it was argued by many that local authorities feel overly constrained by the threat of media and political outrage and the perception of a ‘compensation culture’ among the public. This also entails the tailoring of rewards to match the needs and likely motivators of individual communities.

Contributors were clear, too, that communities need to be involved in more difficult areas of public policy such as the criminal justice system. Encouraging communities to take responsibility for the rehabilitation of offenders was seen as a means to achieving better trust between communities and criminal justice services.



## 4 Personal finance

This chapter describes some of the attitudinal and statistical data relating to risk and responsibility in personal financial wellbeing. It is drawn from *Rebalancing Risk and Responsibility*:

*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.<sup>80</sup> 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.<sup>81</sup>*

*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.<sup>82</sup> 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.<sup>83</sup>*

*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.<sup>84</sup> 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.<sup>85</sup>*

*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.<sup>86</sup> 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.<sup>87</sup> 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.*

Figure 2 **The UK household savings ratio**



Source: Thompson, 'Savings trends'.<sup>89</sup>

*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.<sup>88</sup> The lack of financially responsible behaviour among UK households is a long-term deficit and not a direct result of the recession.<sup>90</sup>*

The UK public needs to be taking some responsibility towards protecting themselves financially against future risks which may occur in their lifetimes such as period of sickness or unemployment.

*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).<sup>91</sup> 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 2).*

*The lack of risk-managing, financially responsible saving and income protection 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 – which forms the basis of the draft Pensions Bill – giving greater certainty to those approaching retirement and drastically reducing the impact of means testing – but there is more to do.<sup>92</sup>*

## The provocations

We gave participants in our expert roundtable a series of policy provocations concerning risk, responsibility and personal finance, which were designed to promote discussion and debate and test participants' beliefs about the relative desirability of interventions to rebalance risk.

### Align 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... [The] 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.<sup>93</sup>*



## Empower individuals

### *Reciprocate responsibility*

In qualitative work with middle-earners and in polling it is commonly found that there is resentment about the way in which the welfare system (and the approach in Britain to household finances in general) lacks reciprocity and regard for responsibility. From unemployment benefits to long-term social care, those who save or invest in risk-managing insurance products often feel they are penalised and ‘pay 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.’<sup>94</sup>

*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 among 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 recognise 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 £0.86 billion a year – leading to an aggregate saving for the state of around £2.24 billion a year in unemployment benefits.<sup>95</sup> 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.*<sup>96</sup>

### Create powerful groups

The argument against efforts to reward financial responsibility is often largely premised on 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 Jobseeker’s Allowance to long-term social care provision – suffer from an excessive reliance on needs-based measures for access. As a result, many hard-working and diligent families – who have taken the responsible actions of saving, insuring and asset building – inevitably fall through the cracks. The welfare available is often reduced via means tests, punishing responsible behaviour, and what there is does little to offset the financial shock of, say, losing a £30,000-a-year job.

*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 on 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 the 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 shock 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 actively to punish those who make the responsible choice, we cannot expect people actively to take on their share of risk.<sup>97</sup>*

## The discussion

We consulted an expert roundtable at the Conservative Party Conference on the above proposals – seeking to understand what policy makers, health service analysts and politicians believe amounts to the appropriate levels of risk and responsibility when it comes to health.

Participants broadly agreed that levels of personal responsibility and understanding of financial risk among the public remain too low. The roundtable was concerned that attempts to raise these levels had thus far proven worryingly limited in their impact and thought that new approaches are needed. Overall, many felt that more should be done to improve trust in the financial services industry if we are to promote the kind of responsible engagement with the right products and services more widely.

It was also suggested that perceptions of risk – particularly among businesses and entrepreneurs – may have swung too dramatically into over-aversion since the financial crisis.

Overall, the participants at the roundtable agreed that the public's perceptions of the appropriate levels of risk and responsibility are out of kilter with what is needed to ensure a growing economy of financially secure individuals and that much more needs to be done to educate and 'nudge' the public.

### Long-term financial security

Current levels of protection among the British public – against a wide range of financial risks – are too low. The British public is exposed to substantial levels of unnecessary risk because of the gaps in pension provision, savings and private income protection – and the state often ends up as guarantor. This is unsustainable and individuals need to be encouraged to improve their insulation against everyday financial risk – it is unlikely that the state will be in a position radically to improve the financial protection it offers to citizens, therefore the private sector has a central role to play.

However, apathy about private products – from pensions to savings to insurance protection – is a major barrier to promoting responsible attitudes to financial risk. The Office of Fair Trading and Association of British Insurers have both found that apathy (rather than affordability) towards financial protection products is the main barrier to engagement among mid-earners.<sup>98</sup>

Scandals such as the payment protection controversy – and the wider collapse in trust that followed the crash in 2008 – can be major obstacles to encouraging greater personal, financial responsibility. The problems that led to the erosion of public confidence may still be with us – in particular, the issue of over-claiming the effectiveness of products and vehicles. Another major barrier to raising public awareness and understanding of financial risk has been the financial services industry's own lack of clarity and transparency about the inherent risks of the products they sell. In order to build awareness and active decision making among the public the industry must become more active when discussing risk – helping to educate and manage the expectations of consumers and enable financial responsibility.

If confidence in the financial services industry is not restored – and if the public's perception of risk is not improved – then the UK economy faces the danger of mimicking the Japanese economy in the mid-1990s.

The role of auto-enrolment in driving take-up may prove to be doubly positive – in building financial resilience and also in encouraging better engagement with the concept of long-term financial risk. The roll-out of NEST will lift millions into private

pension provision and provide them with active information and incentives about their long-term financial security.

However, there are real problems surrounding auto-enrolment. The fact that auto-enrolment continues to provide individuals with the option to opt out may undermine its effectiveness. While this may be necessary – as to compel enrolment would be illiberal and reduce the positive impact on financial literacy, reducing schemes such as NEST to the level of taxation – it does not address the question of what to do about those who deliberately choose *not* to protect themselves against financial risk.

There is also some political and industry scepticism about the capacity of auto-enrolment schemes to build the public's engagement with their long-term financial security. Around 90 per cent of consumers currently choose their company's default pension option, rather than actively engaging with the products that are designed to protect them. It might be the case that, on top of (and to bolster) auto-enrolment, some form of easily-navigable 'investment platform' might help consumers to make more responsible, engaged decisions.

One barrier to better engagement is a lack of flexibility of the products available to mitigate financial risk. The pension model – which expects individuals to identify financial risk very far in advance and effectively deny themselves access to resources for considerable periods of time – is in itself problematic at a time when many individuals perceive more immediate risks to be more important. As long-term social care becomes more important to the public a more flexible pensions offering (that allows individuals to use some of their endowment to purchase care insurance) might be needed.

As a consequence of the decline in job security – and the stagnation of wages – many people may be making a rational decision when they decline to maximise their pension protection. Individuals are choosing to keep what assets they have acquired flexibly available to them in order to face short-term financial risks at the expense of personal responsibility in the longer term. It is possible that even greater flexibility in our approach to pensions and long-term financial risk – or a 'lifetime savings and

protection' approach – might work better with the grain of the modern workforce. This was a key plank of the evidence given to the Lords Public Services and Demographic Change Committee hearings – with many arguing that the state pension infrastructure ignores the growing divide between those who want to retire at a set age and those who wish to mix ongoing work income with a pension as a backstop.

### The role of the state

The state sometimes acts in ways that crowd out the private sector and reduce public engagement with long-term financial security. For example, many rely too much on the state to protect them against risks because they lack clarity about their entitlements – although the protection available is often insufficient to sustain living standards in the face of financial risk.

State provision can also create perverse incentives against personal responsibility and penalise those who take action to protect themselves against financial risk. For example, pensioners are eligible for indefinite mortgage relief – and there is concern that the increase in interest-only mortgages may result in a massive growth in the number of people who become dependent on the state to fund their homes in retirement – raising the cost of the scheme way above its 2013 level of around £200 million a year. Such a situation actively disadvantages those who have made sacrifices in order to ensure that their mortgages are paid off over their working lives.

However, the Universal Credit will push responsibility back on to the individual in a simple, immediate way and help to build personal responsibility, but many contributors to the roundtable felt that – while simplifying entitlements – Universal Credit risks giving its recipients little incentive to take personal responsibility. Although Universal Credit is an improvement on the current system which imposes a £16,000 means test (savings over £16,000 must be spent by claimants before full benefits can be assessed), current reforms are failing to address remaining

disadvantages for the responsible in the welfare system and lack direct incentives to more responsible behaviour.

## Conclusion

There was broad consensus that financial risk remains a key issue for British society and policy makers. People do not yet have a good enough grasp of the financial risks they face in their personal lives – a problem that participants in our roundtable felt was sometimes exacerbated by public policy. Overall, participants concluded that active measures are required to build a better and broader understanding of risk – and that ‘nudge-plus’ interventions such as auto-enrolment have a central role to play in any solution. Not only do such measures help to address the direct problem, be it a lack of pension provision or under-enrolment in protection products, but they can also help to facilitate better understanding of (and planning for) risk.

The roundtable discussion demonstrated that many contributors believed that – parallel to a worrying lack of concern about financial risk among the public – there is a dangerously high level of risk aversion among businesses, financial institutions and potential entrepreneurs. The problem of ‘cash hoarding’ was raised and there was a clear consensus that government needs to do more to restore confidence and promote a more realistic engagement with risk.





## 5 Shifting control

As a society, we hold some paradoxical attitudes to risk and responsibility. On the one hand, increasing numbers 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 them 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 which appear to punish those of us who engage in risk-managing financial behaviour.

This paper grows out of discussing a set of provocations that were designed to encourage debate and argument about the nature of risk and responsibility in our society – and to test the limits of our preparedness to rebalance the sharing of responsibility. Two overarching lessons are clear from our engagement with experts, policy makers and politicians on these provocations:

- *We should enable, not penalise.* It is true that the nationalisation of risk has led to growing frustration with a perceived lack of personal and community responsibility, but it is also true that there are multiple externalities which make it unfair and counterproductive to take steps that disadvantage those who are unable to assume greater levels of responsibility. Instead, approaches that are centred on providing proactive support and tangible rewards for responsibility are capable of both rebalancing risk and winning political and public consensus.

- *We must hold public conversations about risk.* From our levels of personal exposure to financial risk to the impact of particular foodstuffs on our health, we are confused about risk. This is a problem not simply for individuals but also for institutions – unhealthy risk aversion in business may be holding our economy back from growth while disproportionate risk management in public bodies may be stifling innovation in services. There needs to be a neutral space for the discussion of evidence on risk and the promotion of policies that balance risk and responsibility more appropriately.

On the basis of these principles and our deliberative events and discussions we outline below a series of recommendations designed to help inform the debate about risk and promote a rebalancing of responsibility.

### Establish a risk commission

It has been clear from our engagement with experts, policy makers and political figures that misunderstandings about risk and responsibility among members of the public, in business and in public services contribute to a culture of confusion about risk. Individuals can feel disempowered over their health by a mass of contradictory, sometimes fear-mongering and often decontextualised information about risks and behaviour. Many public services are criticised for their risk aversion – and retort that febrile coverage and a developing ‘compensation culture’ makes risk taking difficult. Many businesses have developed unhelpful levels of financial caution in the wake of the financial crisis and as a result have begun to hoard cash reserves, while the public is, conversely, under-informed about and unresponsive to financial risks in their own lives.

We recommend that the Government should establish a ‘risk commission’ to help collect, collate and communicate knowledge about risk. This commission would bring together leading policy makers, academics and representatives of industry to explore the evidence about risk across a range of public policy areas – with the explicit aim of encouraging

individuals, businesses and society in general to assume more responsibility for the management of risks. This body would place long-term issues and risks above short-term political or profit gain.

The commission would produce research and provide a forum for policy debates aimed at overcoming the ignorance and misunderstandings of risk in society, helping to establish policy solutions that will better share responsibility for risk management throughout society.

### Embrace ‘nudge-plus’

The policies that found favour among participants at our expert policy roundtables were those that enable responsible self-government by individuals and communities by providing a framework in which responsible choices are promoted and rewarded but in which individuals are still free to refuse. Such policies differ – in strict terms – from the ‘nudge’ philosophy of libertarian paternalism as laid out in Thaler and Sunstein’s original book of that name.<sup>99</sup> Rather than restricting itself to structuring choice, as advocated by Thaler and Sunstein, a ‘nudge-plus’ approach seeks actively to promote responsibility and make appropriate choices easier and more rewarding while still allowing people the liberty to dissent.

There are examples of ‘nudge-plus’ policies for each of the policy areas examined in this report.

### Incentivise healthy behaviours

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 begun actively to encourage healthier lifestyles. This can include reductions in premiums for those living healthy lifestyles (a classic means by which insurance companies reward responsibility in customers) and, increasingly, proactive encouragement for customers to live a healthy lifestyle, for example giving discount membership to gyms.

The UK has the most highly developed online grocery market in the European Union, with 23 per cent of households buying their groceries online,<sup>100</sup> and this is a year-on-year growth sector. 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 them of the health risks of purchasing larger than recommended quantities of alcohol and saturated fats. This would develop a trend in supermarket behaviour, as Tesco and Sainsbury's already allow their customers to use 'clubcard points' to buy gym membership.

Consumers could then be encouraged to register their purchases – allowing supermarkets to share information on their purchases in exchange for rewards, in the same way that consumers share data with insurers in return for better rates. Individuals who are registered, and whose purchases point to a responsible, healthy lifestyle could then be rewarded with further incentives to healthy behaviour, such as discounted gym membership.

This would not only encourage people in low-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.

### After auto-enrolment

The roll-out of NEST will undoubtedly improve levels of pension protection in the population, but the incentives to take the next step and become actively involved in managing

exposure to risk are limited. Government should seek to reward those who progress from having an auto-enrolled default product to taking active, responsible financial planning decisions. Levels of state dependency among those who are actively involved in planning for their retirement are significantly lower than among those who rely on a company default or state scheme.

One means of nudging people into taking greater personal responsibility would be to provide individuals who graduate from auto-enrolment with additional flexibility on National Insurance by giving them a small proportion of the National Insurance contributions back – as a rebated voucher – to be invested in their chosen pension and to boost their private protection. Such a scheme would demonstrate the rewards of taking greater personal responsibility – acting as a ‘nudge-plus’ to take responsibility for financial risks – and help to reinforce the state’s commitment to reciprocity.

### Community cash-back

In part, the purpose of gathering and making available the information in this report 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 show success to potential funders there should be a tangible, economic incentive for the community itself. Communities that embrace Neighbourhood Watch schemes reduce crime by, on average, 16 per cent.<sup>101</sup> There is a clear, solid benefit for the state – in the form of the savings generated by the reduction in policing costs of communities that participate in such schemes – 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 cash-back’ would incentivise responsibility at the neighbourhood level and help to ensure the longevity of successful activist groups, providing them with ongoing investment as they continue to achieve.

As discussed at the outset of this report, 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 find ways of rewarding those who actively seek to take responsible decisions about the risks that they face. 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 rewarding those who are deemed to have done the right thing, and it follows that any policy approach that fails to distinguish between those who have taken responsibility and those who have not risks promoting ‘irresponsibility’.

This report marks an attempt to show how the Coalition Government’s commitment to ‘responsibility’ as one of the watchwords of their period in office might be pursued in such a way as to build political consensus. The adoption of ‘nudge-plus’ and the establishment of a risk commission stand a chance of rebalancing risk and responsibility without endangering common perceptions of fairness.

# Appendix 1 Roundtable summary: public health, risk and responsibility

The roundtable discussion on healthcare looked at where responsibilities lay and what rationing of healthcare would entail. A summary of the main themes raised in the discussion is given below.

## Responsibility:

- *There is a need to find out who is responsible for health decisions and services.* The NHS is a compact between members of society, so healthcare professionals and members of the public are jointly responsible for running it. Furthermore, healthcare decisions should not just be led by consumer choice: healthcare professionals should tell people what they need rather than give them what they want.
- *Public health campaigns* have taken responsibility away from people through soft and hard nannying.
- *Conflict between professional and political judgement and where responsibility lies.* Doctors are making the right decisions but it is up to politicians to decide what is the best thing for people.
- *The role of the state as a holder of responsibility.* Should the state penalise bad behaviour by not providing services or can it preach at people to change behaviour and take responsibility in this way? Should state provisions be restricted? Where should the responsibility of risks people take fall? Questions were raised about companies that promote unhealthy materials and what responsibility they had for public health. What level of responsibility should teachers take in tackling issues like obesity?
- *The responsibility of healthcare professionals to distinguish between therapy and treatment.* For example, giving overweight people mobility scooters is not perceived to be dealing with and healing the underlying health problem.

- *Splitting risk between individuals, communities, business and the state.* Is the welfare state sustainable? If the state's responsibility is paternal, isn't this justified because as taxpayers in a joint system we all become part of the same risk-sharing group?
- *People think the NHS is an entitlement and a 'right', which negates their responsibility,* but soon healthcare will be rationed. There needs to be an open conversation with the public about their rights and responsibilities.

#### Lifestyle choices and behaviour:

- *People make lifestyle choices.* People choose profligate lifestyles, but do not choose to have ill-health. If members of the public are given information are they being pestered or provided with important knowledge? For example, there is very little knowledge about child nutrition.
- *Lifestyle choices affect services,* for example, many smokers die young, so cost the NHS less than those who live long lives. Having a statist health system inevitably fosters paternalism in health culture but people who choose to smoke should not be placed at the back of the health queue. One person suggested that it would be possible to work out an individual's cost to the NHS across a lifetime, but others suggested that viewing society in a cost-benefit way would be detrimental. A judgemental culture has emerged with people judging each other's 'bad' lifestyle choices.
- *Self-harming behaviour.* Is it possible to define self-harming behaviour and can the state make a moral judgement about such behaviour? What would be included in the remit? Skiing holidays? Would it be stigmatising to introduce a moral component to behavioural choices? Roundtable participants thought that promoting good behaviour was the best option. It is difficult to blame people for 'bad' lifestyle choices because we cannot define self-harming behaviour and it could be attributed to things like psychological illness. A problem that arises is that the NHS socialises the risk pool by paying for people's fallibility – in smoking, for example.



- *Rewarding behaviour.* If we rewarded ‘good’ behaviour, for example reward people for regular gym attendance, we might not have to go out of our way to punish ‘bad’ behaviour. Punishing people for their behaviour presupposes that illness is caused by ‘bad’ behaviour but that is not the case, as sometimes people who live healthy lives become ill.

#### Labelling:

- *Food labelling.* Food labelling changes over time, so are we capable of deciding collectively what food is healthy? Some participants argued that labelling is absurd and isn’t thought to work in the audience being discussed because if people notice food labelling they are already thinking healthily.
- *Traffic light labelling systems.* Participants favoured these systems as they are easily understandable. It was suggested that we should start doing more to educate children to distinguish clearly between information and education.

#### Carers and responsibility:

- *The role of carers, particularly around responsibility.* People take responsibility for their health and end up becoming carers but then have no support from the state.

#### Public understanding:

- *The importance of public education and doctors changing how they prescribed treatment.* Sometimes doctors should recommend that patients change their behaviour (for example go to the gym) rather than give them medicine. Provision such as vouchers for certain groups, for example travelling communities, would encourage them to take up services such as education and immunisation.
- *Understanding where services come from.* People often don’t understand where services come from or how they are funded. Public education is important but differs between different groups and communities and should be tailored accordingly.

Other important points of discussion:

- *The great strain about to be put on the NHS and how this can be reduced.* More and more people have chronic conditions and need long-term care, not acute care, which the NHS is built to deliver.
- *There is no public support for a morally blind NHS;* people believe that others should choose to sacrifice pleasures for the good of their health.
- *A paternalist system should be designed within the parameters of a liberal system.*

Two main points of discussion:

- *Responsibility and where it falls in healthcare.* It is clear that individuals, the state, companies and institutions all have a part to play in taking responsibility for health. Individuals could be rewarded for making healthier life choices and this can be supported by the way healthcare is delivered and by who delivers it.
- *More needs to be done to change choice in healthcare.* Ways the public can step up to their responsibility through better access to information and education should be investigated so that people can change how they live and their attitudes to health.

## Appendix 2 Roundtable summary: communities, risk and responsibility

The roundtable on communities, risk and responsibility examined how it is possible to rebalance the risks that we take as a society, with particular attention to community responsibility and how states can reward communities. A summary of the main points discussed is given below, broadly categorised according to theme.

The nature of policing and the responsibilities of the police:

- *The role of the police.* Police and public are expected to be united in their wish to prevent crime, but it is perceived that police are diverging from this role. A lack of clarity in the role of the police leads to other problems. Community support officers are effective in communities because they open up a dialogue with local people but their role is different from that of normal police officers.
- *Policing in the riots* was frequently discussed as there is a huge amount of distrust for institutions, and distrust in the police was aggravated during the riots. However, some of the perceived failings of the police during the riots were believed to be caused by matters they had no control of, like the community liaison staff being nowhere to be found in Tottenham, so the police were completely isolated. Furthermore, it was incredibly rare for there actually to be no police at all during the riots; the main problem was that the police did not have the manpower and equipment to deal with riots on such a scale. After the riots the police could not understand how the money that had been poured into communities had not resulted in improving their relations with people in those communities. The riots demonstrated how detrimental cuts to policing could be.

- *Police trust.* Participants commented that there was insufficient trust in the force in areas like race and feeling protected in some areas. For example, there is sometimes racial tension between black African and Asian Afghan shop keepers, and this tension is intensified rather than alleviated by the fact that the majority of police officers are white. In some areas policing was considered to be inefficient and not to deal with some people being terrorised. Some participants supported the use of ASBOs because they enabled neighbourhoods and police to do something to prevent the perpetrators of anti-social behaviour. Trust in the police will fall if the police become more professionalised and many officers with an institutional memory are encouraged into early retirement.

#### Community self-policing:

- *Positive aspects of community self-policing* included the very high degree of self-policing in council estates in the 1950s and 1960s because council estates housed teachers and police living in the area. But when public housing became residual there was erosion in this self-policing. Neighbourhood Watch, a form of self-policing, has been proven to cut crime by around 16 per cent. Participants suggested that strong communities help prevent crime, and this used to be recognised by the Home Office. Examples of where self-policing has been championed in the absence of police are Turkish shopkeepers fighting off a black gang in Dalston, symbolically demonstrating a shift in power between local groups, and Turkish and Jewish shopkeepers enforcing order in a community in Stamford Hill.
- *Problems with community self-policing* include not knowing what your role is if you hear a burglar alarm or screaming. Self-policing blurs the lines of who you tell if you see suspicious activity: the state or the community? If the community has a role in self-policing, should local communities be informed by the parole board when rehabilitated criminals move into the area, in order to prepare them for what to expect and how to act?

Crime and punishment and its effect on risk and rebalancing risk within communities:

- *Issues surrounding crime* sometimes related to the distrust of the police. Some of the best schemes attempting to tackle crime in communities are able to analyse problems and tackle crime at its root and confront issues such as youth disengagement. As many people see crime as a statistic, when it falls they simply don't believe it. There needs to be some way in which falls in crime can be objectively demonstrated in society as a whole. Indeed, there is public rage over crime and a general feeling that people lack protection, but this is a particularly difficult issue to debate in left-wing politics. Also, people simply want crime not to reoccur and the best way for this to happen is to make sure that rehabilitation of criminals is greatly improved.
- *Issues surrounding punishment.* Treatment of victims has improved and is much better than in the past, but many people do not understand some aspects of the modern justice system, like community probation and the fact that there are penalties for crime that do not involve prison. One person suggested that it would help build people's confidence in dealing with crime if members of the public sat in on probation meetings. It seems that being able to see a tangible punishment for crime boosts confidence among members of the public. There is a lack of support for criminals when they leave prison – most support comes from religious groups, particularly in Muslim and black Christian communities. Some participants thought that offenders should be tagged when they left court so they were easily trackable.

Risk, community and local authorities:

- *Community and local authorities.* Issues and problems surrounding communities and local authorities were discussed at length. Some problems cannot be overcome through relational community work; for instance, in Peckham there are problems relating to the lack of jobs and credit ratings. In certain communities there has been a complete breakdown in

community relations, which has led to a deadlock preventing any space for neutrality.

- *There is a need to develop better understanding of the unique networks in a local community and local government.* Also, the preventative work of local authorities is often neglected.
- *The responsibility of weak communities.* Can weak communities really be punished for being weak? They are often weak as a result of external factors, in the same way that strong communities are strong for reasons outside their control. How can you recognise the contribution that some communities make without punishing those which are in a bad way? Some poor areas do better than others because they have a strong sense of community. What we need to do is understand and replicate success that happens spontaneously.
- *The reluctance of local authorities to take risks.* Where risk, communities and local authorities cross paths, local authority managers are reluctant to take risks because they fear factors such as planning rules and have a hegemonic view of running organisations. Research shows that when making decisions involving risk, council managers take into account the amount of risk involved and the area in which it would take place. Roughly 50 per cent of councils were willing to take risks over public spaces such as parks but they were much less inclined to take risks over services, for example those for the elderly.
- *Risk and its role.* Risk is more common in some areas than others, for instance in data sharing and its various models. How can communities help local authorities take risks? Data sharing is being used to identify and help troubled families within communities, which will go some way to rebalance the risk necessary in sharing data. There can be shortcomings in using a purely data-driven approach, however, when they are used instead of using knowledge of the community. For instance, in some communities drug dealers have entrepreneurs helping communities that are stunted by a purely data approach.

Three main points were raised in the discussion:

- *There is an extremely important role for the police in rebalancing risk in communities.* If faith is restored in the institution then communities will be more confident and feel stronger, safer and more confident in rebalancing risk.
- *Local authorities must take a greater role in leadership.* Communities need strong leaders in order to be confident in rebalancing risk, and this must be done through local structures in environments that understand the local area. It is the responsibility of the local authority to provide strong leadership and build stronger communities.
- *The riots provided a valuable example of what needs to be done.* While there were many negative elements of the 2011 riots, they provided examples of strong communities and areas to be examined in order to replicate characteristics of strong communities in weaker communities.





## Appendix 3 Roundtable summary: personal finance, risk and responsibility

The roundtable discussion on personal finance, risk and responsibility examined how people can take more personal responsibility with their finances. It also looked at reasons why the current financial system does not incentivise people to save and take personal responsibility. A summary of the main themes that arose from the discussion is given below:

### Pensions:

- *Private provisions such as pensions and private sick pay are looking very unhealthy* so creating a safety net and maintaining personal responsibility for one's finances in the private sector is particularly difficult.
- *Auto-enrolment* is a good model because it pushes people into financial responsibility, but there are problems, including that people opt out of schemes and employers have joined the discussion about auto-enrolment late. Auto-enrolment would require people to set up a new bank account every time they got a new job, which would be very cumbersome. The point of auto-enrolment is to get people into pension schemes, not to change the culture or make people into savers.
- *National Insurance buys you a state pension, six months of employment support and a year of sick leave.* Maximising returns on pension investment should be very important. What puts people off saving for a pension is that retirement seems to be a long time in the future and pensions are not always guaranteed, so they seem pointless.

### Universal Credit and welfare provisions:

- *The Universal Credit will push responsibility back on to the individual* in a simple, immediate way and can be means tested. However, it could potentially be described as a negative income tax and it remains to be seen whether Universal Credit will make people save or be perceived as a safety net and discourage people from saving. Also, it is difficult to match Universal Credit to the tax system as Universal Credit will be distributed by household and tax is applied to individuals. The fact that Universal Credit removes anomalies – such as taxing people but then returning the tax – could encourage recipients to take more personal financial responsibility.
- *Welfare provisions.* Pensioners are eligible for indefinite mortgage relief, which could discourage people from taking personal financial responsibility because if mortgages become unpayable, liability will fall to the state. Therefore people will depend on the state when they reach pension age. There is a potential that in 2023 an influx of pensioners – a result of the ageing population – may seek mortgage relief. Currently £200 million is spent on mortgage relief each year.

### The financial industries:

- *Financial industries and their role in promoting personal financial responsibility.* State provisions undermine private provisions. Can the financial services industry support individual responsibility? Would simply transferring responsibility for pensions from the state to individuals work? Individuals need a platform to make investment decisions. The fact that 90 per cent of customers in some industries just choose default options demonstrates that customers are not engaged.
- *Encourage more saving* is perceived as less risky than alternatives. Participants raised the example of Japan and its deflationary spiral in the 1990s. As a result companies became zombified, and ran on cash with no growth and no borrowing. The UK could potentially run the risk of similar stagnation if confidence is not restored.

- *Confidence in the sector.* Financial industries have not been good at achieving a promised rate of return, or beating the indices. This is not helpful when people are particularly worried about their savings and how much they save. It seems the best solutions will not encourage people to take financial responsibility. The environment in 2008 of people perceiving an end of the financial world has hugely undermined the financial industries and caused long-term planning to be abandoned.

#### People's saving behaviour and risk:

- *How people save and behave financially.* Participants thought that lifetime savings accounts were good tools for people to use to take financial responsibility as they could contribute to and draw on them throughout their lifetime. Is it realistic to expect individuals to know what to expect from the future financially? Should this knowledge fall to employers rather than employees? Employer-based solutions can be inappropriate because many people don't have a single employer.
- *The result of making the wrong investments.* A report found that Marks & Spencer's retirees were taking retirement much later than they would wish because they had previously made wrong investments and didn't have enough savings for old age. People's outgoings affect whether they save so if they have student loans and other debts they are put off saving. Thinking of debt as a negative asset might also influence decisions about saving.
- *People are adverse to risk* because they do not like putting in a pound and not getting a pound out. Should we encourage people to consider risk when they are younger? If people don't have a humbling experience or see great risk in the future, like pensioner poverty, they don't feel a need to save and their pain will be deferred until they reach old age.

#### Sickness and absence in employment:

- *How to respond to sickness and absence in the workplace.* People can slip out of work and nothing is done. Ideally, sickness and absence should be tackled early on, as in the Netherlands, where

employers are responsible for tackling absences. They can take out insurance for the risk.

- *The danger of passing the buck.* However, giving employers responsibility for employees' sickness absence passes the buck to insurers, when a more efficient way of encouraging people back into work after sickness is through strong line managers. Also, employers might be discouraged from employing people with disabilities or long-term health problems because they are perceived as too risky.

Three main points of interest:

- *The importance of preparing for the future and investing in pension schemes.* It is worth looking at ways to take the risk out of such investments or at least reduce the risks.
- *Find ways to rebuild confidence in financial industries.* This will then slowly help to rebuild people's view of the importance of long-term financial planning and taking personal responsibility for finances.
- *Have more public financial advice services.* This would enable the public to have greater financial understanding and therefore take more responsibility for their finances and to calculate risk.

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This project was supported by:



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We live in a society that has become used to nationalising risk – be it through the welfare state, the NHS or the expansion of universal public services. This shift from the personal and civic to the national has mostly been welcomed by a society that recognises its obligations to other citizens. But recent social attitudes surveys – and a growing political consensus – contribute to an impression that personal and local responsibility and agency are insufficiently rewarded. At a time of austerity, and with demographic changes leading to greater demand on the public purse, the need for a new settlement between the state, the individual and communities is needed.

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ISBN 978-1-909037-34-2 £10

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