



# Newsletter

## August highlights

### The Social Market Foundation

*The Social Market Foundation is an independent public policy think tank. It holds seminars and conferences and publishes pamphlets and books, all of which aim to elucidate the idea of the social market and explain why it is a fruitful source of solutions for public policy problems. Market economies must be social in two senses. First, no sophisticated economy can exist without an overlapping network of institutions in the public, private and voluntary sectors. Second, although markets are the most powerful and effective means of allocating resources yet devised, they can have unwanted social consequences which necessitate public action. It is to this question, defining the proper remits of the market and the state, that the work of the Social Market Foundation is principally devoted.*

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### Social Market Foundation

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Despite the Parliamentary Recess, the Social Market Foundation is as busy as ever. We are currently putting the finishing touches to our conference programme, which includes over 40 events covering topics from climate change to skills and the economy, as well as keynote events at the Labour and Conservative conferences. At the Labour keynote event we will be discussing how much inequality we should tolerate as a society, and at the Conservatives' event, the degree to which being a party of low taxation should remain a central plank of its positioning.

These keynote events will also mark the launch of a 'new SMF look', complete with a new logo, website and newsletter.

As well as the events at party conferences, in September we will be holding a debate entitled 'Choice – Illusion or Solution?' with Liam Byrne, Minister of State at the Home Office, Professor Julian Le Grand, Richard Titmuss Professor of Social Policy and SMF Chair Lord (David) Lipsey. At this event Julian Le Grand will launch his new book *The Other Invisible Hand: Delivering public services through choice and competition*

We will also be launching a report by Paul Dolan, Professor of Economics at Tanaka Business School, which challenges the methodology used by NICE to determine the cost-effectiveness of medical treatments.

Also in this month's newsletter we have three essays on politics, policy and research:

- Ann Rossiter, Director of the SMF, considers the government's Housing Green Paper.
- Vidhya Alakeson, 2006/2007 Fellow in Healthcare Policy, US Department of Health and Human Services, explores the potential for introducing individual budget holding into the NHS.
- Stephen Evans, Chief Economist, SMF argues that we need a commitment to narrowing the skills gap disabled people face.

## Note from the Director

Gordon Brown's new target of 3 million new homes by 2020 is excellent news. As the Housing Green Paper points out, housing supply has failed to keep up with demand for a generation. Spiralling house prices are fast becoming one of the biggest social justice issues facing the country, and threaten to create a split between the housing haves and have-nots. While the beneficiaries of high and rising prices are able to hoist their children onto the housing ladder behind them, the prospects of homeownership are receding rapidly from the less fortunate. With the number of households expected to continue rising at 223,000 per year, action is clearly required.

As well as an increase in the overall target for new build, the Green Paper contains several other welcome measures. It not only reaffirms the obligation on local planning authorities to identify land to meet their targets for the next 15 years, but also states that planning inspectors will overturn decisions of authorities that jeopardise the achievement of national targets by refusing to grant sufficient planning permission. This has the potential to be a useful weapon, particularly in areas where the planning process is dominated by the nimby-ism of local homeowners. Its importance is underlined by the fact that under current regional plans, house building wouldn't reach even the previous target of 2.75 million by 2020. As well as the stick of intervention, the Green Paper also proposes a carrot for local authorities in the form of a new grant to be paid to those that meet their targets, and additional infrastructure funding for those selected as new Growth Points.

There has been much speculation about whether meeting demand will mean having to build on the Green Belt. The government has stated its desire to have at least 60% of new homes built on previously developed land (PDL), but this would leave 1.2 million to be built on greenfield sites – whether on the green belt or further outside our cities. However, fresh research by the SMF suggests that even 60% on redeveloped sites may not be achievable. Calculating future supplies of PDL is an inexact science, but since much of the current stock is a legacy of de-industrialisation, we are unlikely to benefit from sizeable new windfalls.

The question of where we choose to build is closely tied to that of how densely we choose to build. While building new homes at high density avoids many difficult choices about where to find additional land, it is not a panacea. The quality of life of residents of new homes matters as well as that of current home-owners, and patterns of market demand show clearly that demand is for low density developments; most people do not want to live in flats. Under any reasonable assumption about density we will need to build on some greenfield sites.

This leaves open the really interesting question - which greenfield sites? Should we loosen the green belt, or build on other green land, or both? And should developments expand pre-existing towns and cities, or villages, or form a second generation of new towns? To deliver the homes we need, unpalatable choices will need to be made between competing priorities – the challenge for the next stage of the SMF's internal commission is to find a fair, workable resolution of these conflicts.

**“Spiralling house prices are fast becoming one of the biggest social justice issues facing the country, and threaten to create a split between the housing haves and have-nots.”**

**Ann Rossiter**  
*Director*

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## Forthcoming SMF events

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### Debate – Choice: Illusion or Solution?

**Tuesday 11<sup>th</sup> September, 6.30 - 8pm**

**Speakers:** Liam Byrne, MP, Minister of State, Home Office  
 Professor Julian Le Grand, Richard Titmuss Professor of Social Policy, London School of Economics  
 Lord (David) Lipsey, Chair, Social Market Foundation  
**Chair:** Ann Rossiter, Director, Social Market Foundation  
**Social Market Foundation, 11 Tufton Street, Westminster, London SW1P 3QB**

For more information please contact Myriam Ben Ammar on 020 7227 4412 or email [mbenammar@smf.co.uk](mailto:mbenammar@smf.co.uk)

This debate marks the publication of *The Other Invisible Hand: Delivering public services through choice and competition* by Professor Julian Le Grand, with an afterword by Lord Lipsey, chair of the Social Market Foundation.

Discounted copies of the publication will be available for sale at the event.

This event is currently oversubscribed. If you would like to place your name on the waiting list, please contact Myriam Ben Ammar on [mbenammar@smf.co.uk](mailto:mbenammar@smf.co.uk) or call 020 7227 4412.

The Social Market Foundation is currently looking for a sponsor for this event, which will enable us to hold it in a larger venue. If you would like more details, please contact Valerie Johnson on 020 7227 4401.

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### Party Conference

For the SMF, the party conference season is one of the key points in our year. We have been building up our programme over the last few months and are now putting the finishing touches to the 42 events that we will hold across the Liberal Democrat, Labour and Conservative conferences in autumn 2007.

The programme content covers many of the issues that are likely to be dominant over the coming Parliamentary year. In particular we are looking at climate change, issues around community and cohesion, and skills and the economy. Other features will be consumption and human behaviour, welfare reform, pensions policy, financial inclusion, and corporate social responsibility.

As usual, we will be hosting a keynote debate at the Labour and Conservative conferences. At Labour, we will be discussing how much inequality we should tolerate as a society and at the Conservatives, the degree to which being a party of low taxation should remain a central plank of its positioning.

For more information, please contact Kirstine Roberts on 020 7227 4404 or email [kroberts@smf.co.uk](mailto:kroberts@smf.co.uk)

Our reception at the Labour conference will be held on the Sunday evening this year. We will be joined by comedian and BBC Radio 4 presenter Jeremy Hardy for a fantastic evening of networking and entertainment.

We are delighted to have secured the participation of a number of top politicians, experts and journalists and we look forward to what promise to be some of our most dynamic and engaging debates ever.

Our full programme will be circulated in a few weeks.

We are all very much looking forward to the 2007 conferences and hope to see many of you there.

## Forthcoming SMF publications

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### Finding a NICEr way to value health: From hypothetical preferences to real experiences

**Paul Dolan, Professor of Economics, Tanaka Business School, Imperial College London**

Following recent controversies over the availability of expensive drugs on the NHS, NICE's work in allocating the NHS's spending on medical treatments is coming under increasing scrutiny. In this essay, Professor Paul Dolan challenges the methodology used by NICE to determine the cost-effectiveness of different treatments.

It currently values different states of health using a 'preference-based' method. It asks respondents to imagine themselves in different hypothetical states of health, such as with mobility problems. They then have to decide how many years of life they would give up, or what risk of death they would be willing to accept in order to be in full health rather than in the hypothetical state of ill health.

Dolan argues that preferences such as these are not a good guide to future experiences and as such, NICE's current practice can lead to a misallocation of resources. For instance, mental health services are likely to be under-valued and under-funded relative to treatments that improve physical functioning.

A more suitable way to value health, according to Dolan, is to ask people in different states of health how they think and feel about their lives. He proposes to ration healthcare according to real experiences rather than according to hypothetical preferences.

The publication will be launched on 9<sup>th</sup> August.

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## Essay

### Putting patients in control

**Vidhya Alakeson, 2006/7 Harkness Fellow in Healthcare Policy, US Department of Health and Human Services and Associate Fellow, Social Market Foundation**

60 percent of adults in the UK have a chronic health problem. The successful treatment of chronic conditions is 95 percent dependent on what patients rather than doctors do. Supporting patients to become experts in the day to day management of chronic diseases such as diabetes and serious mental illness is one of the biggest priorities for the NHS and one where it has been found wanting. A 2005 report by the Kings Fund, for example, found that some patients with long term conditions would like to be more involved in their care but the services on offer were not flexible enough to allow this. *Putting Patients In Control* argues that these failings could be addressed by the introduction of individual budgets into the NHS.

**“An individual budget gives them control over the different dimensions of service delivery – the who, what, where and when.”**

Rather than directly providing services to individuals, an individual budget provides service users with the financial resources that would otherwise have been spent on their care and allows them to develop their own package of services. The real value of the approach is that it recognises service users as experts in the day to day experience of their condition and hands control over to them. An individual budget gives them control over the different dimensions of service delivery – the who, what, where and when. This allows them to tailor care to meet their specific needs, overcoming the inflexibility and inappropriateness of standardised services. For example, a patient with diabetes could choose to join weight watchers instead of being sent to a hospital-based nutritionist or pay a neighbour to help him manage his different medications instead of relying on a community nurse.

This kind of individualised funding approach has existed in social care since 1996 when direct payments were introduced and has a strong track record. It is popular with service users, has improved satisfaction, increased independence and reduced costs to local authorities. Several states in the US, including Florida, Michigan and Oregon, are piloting this approach for adults with serious mental illness and early evidence illustrates the range of benefits that could be seen for this and other chronic conditions in the NHS. It has been shown to significantly increase satisfaction with services and lead to greater use of routine care and early intervention rather than acute, crisis-related services. There is no evidence that money is misspent or that personalising care imposes greater costs on the healthcare system. On the contrary, there appears to be significant scope for savings in the reduced use of acute care.

Individual budgets are currently legally prohibited in the NHS and critics are keen for them to remain so. One of their main concerns is that they will exacerbate inequality in the NHS. *Putting Patients In Control* argues that the introduction of individual budgets must be accompanied by investment in support services. This did not happen with direct payments and has been shown to have held back take up. There are two types of support service that are important in this context: an information and advice service that will help patients make informed decisions about how best to meet their health needs; and a management service that can take over the paperwork and financial transactions. All patients who choose to direct their own services should be guaranteed access to support services and local authorities and primary care trusts should invest in the capacity of the voluntary sector, peer networks and Independent Living Centres to make this happen.

For more information, please contact Barney Gough on [bgough@smf.co.uk](mailto:bgough@smf.co.uk) or on 020 7227 4403.

In the speech launching his leadership campaign, Gordon Brown described the role he wanted the state to play as that of a servant, responding to the needs and wishes of citizens. But the Labour government has so far shied away from transferring power over the different dimensions of public services to users in a meaningful way, keeping individual budgets on the margins, in social care. By extending individual budgets into the NHS, the new government under Gordon Brown has a real opportunity to engage citizens and demonstrate a belief in the capacity and creativity of individuals, with the right support, to develop solutions to improve their health and their lives.

*The publication ‘Putting Patients in Control: The case for extending self-direction into the NHS’ was launched in July. If you would like an electronic or hard copy, please email [info@smf.co.uk](mailto:info@smf.co.uk).*

## Essay

Disability, skills and work: Why we must aspire to do better

**Stephen Evans, Chief Economist, Social Market Foundation**

There has been much talk recently of the need for politicians to reconnect with people's aspirations. But there has also been a less noticed recognition that low expectations of people can reduce their aspirations and so both cause and result from disadvantage. Take the 10 million disabled people in Great Britain. While their chances of finding a job have improved, their employment rate remains 25 percentage points below the national average. Disabled people earn less than the average and they and their children are more likely to live in poverty. It is clear that, while the Disability Discrimination Act was a huge advance, there is more to do to make its vision a reality for all disabled people.

The continuing labour market disadvantage of disabled people is partly a result of poor skills. Today, one quarter of disabled people have no qualifications at all. Poor skills have a greater impact on disabled people: only 20% of unqualified disabled people are in work, compared to 60% of unqualified non-disabled people. Even worse, disabled adults are less likely to take part in apprenticeships or skills development that might change this or aid their career progression. These entrenched inequalities too often drive down the aspirations of disabled people and compound this disadvantage.

This is a scandal and one that anyone aspiring to equality of opportunity would seek to address. But it harms national prosperity too. In the changing global economy, no country can afford to let the talents of any of its people go to waste. Yet disabled people represent one fifth of the UK's working age population and remain cut off from skills and employment opportunity.

A new report by the Social Market Foundation shows what the UK is missing. It estimates the UK economy would be boosted by £13 billion if we achieved employment equality for disabled people. Closing the skills gap disabled people will face by 2020 would deliver a net boost to the economy of £35 billion over 30 years, equivalent to 18 months additional economic growth over that period.

But we can only deliver that prize if all of us – government, employers and individuals – raise our ambitions. The first step would be to commit to tackling skills disadvantage. We already have a government target to narrow the employment gap between disabled people and the average. We now need a similar commitment to narrow the skills gaps that disabled people face.

But we also need a firm plan to deliver this commitment, based on a shared partnership:

- government, committing to making the participation of disabled people in skills programs a key measure of success and making far greater use of skills as a route back into work;
- employers, taking more responsibility to ensure disabled people benefit from employment and progression opportunities; and
- Individuals, raised expectations of them from society, translating into a new culture of aspiration.

This is an ambitious prescription, but it builds on what we already know. For example, the best employers are already ensuring they make the most of all of their potential workforce and programmes such as Access to Work (providing financial support for workplace adjustments) and Workplace Health Connect (providing advice to small firms) help them do this. But these programmes remain relatively small-scale and outdated attitudes remain.

We need significant expansion of successful programmes like Access to Work in the forthcoming Spending Review. But if, even with this increased support, equality is still not seen as a core duty by *all* employers, we should not be afraid to *require* it to be so. The time has come to consider compulsory equality audits, requiring firms to report on the make-up of their workforce and access to skills and development opportunities.

The size of the challenge we face in improving the opportunities of disabled people is daunting. But the scale of the prize is huge and the cost of inaction mounting by the day through wasted talent. Over the next ten years, we need to raise our ambitions, agreeing a shared national mission that realises that equality is not just about fairness, it is about our economic prosperity too.

**“The continuing labour market disadvantage of disabled people is partly a result of poor skills. Today, one quarter of disabled people have no qualifications at all.”**

For more information, please contact Stephen Evans at [sevans@smf.co.uk](mailto:sevans@smf.co.uk) or on 020 7227 4409.

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