



# Newsletter

## Jan/Feb highlights

*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 remit of the market and the state, that the work of the Social Market Foundation is principally devoted.*

For further information please contact the editor, Laura Tomlinson on [ltomlinson@smf.co.uk](mailto:ltomlinson@smf.co.uk) 020 7227 4407

To be added to or removed from the newsletter distribution list please send a request to [contact@smf.co.uk](mailto:contact@smf.co.uk)

### **Social Market Foundation**

11 Tufton Street  
Westminster  
London  
SW1P 3QB  
020 7222 7060  
[info@smf.co.uk](mailto:info@smf.co.uk)  
[www.smf.co.uk](http://www.smf.co.uk)

### **Welcome to the first SMF bi-monthly newsletter of 2009.**

This will be a significant year for those who believe in the social market philosophy. The recession, the government's attempts to stimulate the economy via government spending, and the Conservatives' arguments against this course of action, are reshaping the political landscape.

The terms of the current debate are distinctly social market. The two main political parties both seek to position themselves as the true social marketeers while denying their opponents' claims to occupy the same ground. The government says the Conservatives' failure to support discretionary fiscal stimulus exposes them as free marketeers who do not care about the long-term social or economic impact of recession. The Opposition claim that Labour's plan to spend its way out of recession will fail to limit the recession and push the public sector net debt to levels not seen for decades and act as a drag on growth for many years to come.

Meanwhile debate rages about how to alleviate the proximate cause of the current crisis: the credit crunch. Stimulating lending in an environment of collapsing asset prices and partial nationalisation of the banking sector is challenging – especially on the scale needed to fill the hole left by fleeing foreign lenders. Is the government's ingenious (if vague) insurance scheme the best way to get credit flowing again, or might full risk transfer to the public sector balance sheet through nationalisation be the only solution?

Both parties claim the social market territory and in that context the SMF will have a key role throughout 2009, and in the run up to the general election, establishing where the real social market path lies and why it is the right philosophy for these turbulent times. In connection with this, Director Ian Mulheirn looks at the priorities for tackling unemployment in this newsletter's article "Two kinds of unemployment"

### Upcoming Publication

The SMF's latest report, "Assertive Citizens: New Relationships in the Public Services", will be published on 4 February. This research addresses the increasing confidence of individuals to insist on their requirements from public services. It makes recommendations as to how this assertiveness can best be harnessed in order to improve public service delivery. Although the report focuses on health and education services, the issues it addresses are pertinent to all public servants, who will be trying to deliver improvements in services at a challenging economic time. For more information, see page 5.

### Events

Building on a successful pre-Christmas events programme - including a speech from Home Secretary Jacqui Smith announcing the next phase of ID cards and a roundtable session held in conjunction with the Equality and Human Rights Commission at which business representatives discussed the potential impact of the Equalities Bill - the start of 2009 sees the SMF continuing to stimulate debate with a broad range of debates and discussions.

Events the SMF is hosting in the near future include:

- a panel debate looking at the insights that behavioural economics can bring to the personal financial services industry;
- a seminar examining new polling research into public expectations of the health service;
- a highly topical roundtable discussion about the feasibility of private unemployment insurance schemes; and
- two welfare-to-work expert roundtable discussions looking at the roles of providers and employers in achieving sustainable employment outcomes for jobseekers.

For more details see pages 8 to 10, or visit [www.smf.co.uk/events](http://www.smf.co.uk/events).

### Party Conferences 2009

Planning for the Social Market Foundation's fringe programme for each of the three main political party conferences 2009 has now begun in earnest. For information on how to get involved this year please contact Laura Tomlinson at [ltomlinson@smf.co.uk](mailto:ltomlinson@smf.co.uk) or on 0207 227 4407.

### Other News

The SMF is pleased to announce that in December its Deputy Director and Director of Research, Natalie Tarry, gave birth to a healthy baby boy named Jonas.

## Note from the Director

*Ian Mulheirn*  
Director

### Two kinds of unemployment

Amid daily headlines counting the rising toll of unemployment it pays to have a look behind the numbers. More people moved off unemployment benefit last November than did so in any November since 1998. Most people moving back into work are doing so faster than ever: the median length of time spent on Jobseeker's Allowance (JSA) among those finding work has fallen rapidly to what is now the shortest ever, less than 8 weeks, on data going back to 1983. None of this means that the unemployment prognosis is anything other than dire. But it does mean that there are complex dynamics at play under the surface of the headline unemployment figures, which give strong pointers as to how policy should respond.

While people are moving off JSA in large numbers and quickly, others are of course, moving onto the benefit at an even quicker rate. The stock of unemployed people has started rising rapidly since the summer as a result. But fixating on the level of unemployment, rather than the underlying flows, risks obscuring the real dangers. While the median length of unemployment appears to be falling, the mean length of an unemployment spell typically increases in a recession. Indeed, SMF analysis suggests that in past recessions, the mean length of an unemployment benefit claim lengthens by around two weeks for every one percentage point increase in the unemployment rate.

To save you having to reach for your statistics primer, what that means is that the pain of the recession is far from evenly distributed across all claimants. In fact, strong polarisation is underway between the fast-moving majority of unemployed people, who spend just a few weeks without work, and a proportionately small but numerically large minority who were on the fringes of the labour market in the boom years. It is this latter group on whom the recession threatens to bite hardest and indelibly.

Governments should not try to hold back the necessary adjustments that a recession entails, the unfortunate implication of which will be higher unemployment. This is not least because they will ultimately fail in a far more devastating way if they try. But government does have at least two key roles to fulfill in recession in the simultaneous pursuit of fairness, efficiency and social cohesion. First, it must prevent a self-fulfilling spiral of negative sentiment leading to economic depression. Second it should try to limit the scarring effects on individuals of long-term unemployment, so that the whole workforce is in a position to capitalise on the economic up-swing when it comes.

**“Strong polarisation is underway”**

In the context of pursuing the second of these aims, the polarisation of unemployment experiences we are beginning to see is very alarming. A few weeks of unemployment is very bad news for all who experience it, but it is not the life-distorting tragedy of long-term unemployment that now threatens the large minority of unemployed. This is where policy attention should now focus.

The Government's employment subsidy package, recently unveiled by Lord Mandelson, offers employers a 'golden hello' of up to £2,500 when they hire people who have been claiming JSA for over six months. The offer, which incidentally looked quite similar to the Conservatives' suggestion last November, may be a promising way to tackle the polarisation now underway. Without appealing to 'lump of labour' arguments, it is likely that the dominant effect of the bung, far from inducing firms to hire *more* people overall, will be to cause them only to change the *kind* of person they hire. The likely response is that employers will just take JSA claimants who've been unemployed for over six months in preference to those more recently made unemployed who they would have hired in the absence of the cash incentive. Far from hiring many additional people and reducing the unemployment rate, it might be argued, firms will simply shuffle the unemployment pack at substantial cost to the taxpayer.

But the rationale for a policy that induces such substitution is stronger in recession than in happier economic times and may be exactly what's needed to reverse the polarisation of the unemployment experience.

Viewed in this way and while modest in scale, 'golden hellos' are, in effect, a redistributive policy: pushing the median length of unemployment up in favour of bringing the mean length of unemployment down – sharing out the unemployment pain a little more evenly. In doing so, the government's aim is to keep as many people as possible in touch with the labour market through the downturn, by encouraging regular spells in employment. Only by retaining people's connection to employment can we hope that they will retain the skills to take advantage of a buoyant labour market when growth returns. It's impossible to know whether the strategy will work, but the government is right to take action to redress the uneven effects of the recession.

## Forthcoming Publications

---

### Assertive Citizens: New Relationships in the Public Services

**Dr Simon Griffiths, Beth Foley and Jessica Prendergrast**

People demand more from their public services than ever before. The rising prosperity and greater social freedoms of the post-war period have led to the rise of the 'assertive citizen'. Public service users are now more aware of their rights, expect a better service, and defer less to established sources of advice such as professional opinion. This creates profound challenges for public services, particularly for the relationships between users and providers. This research examines how the public services, and those who work in them, can adapt to fit these changing expectations. It examines two public services as case studies for these changes: health and education. However, the changes it documents and many of its findings have wider applicability.

The report's recommendations focus on the appropriate direction of choice-based reforms, the future role of professionals, and the concept of co-production, which seeks to promote greater cooperation between citizens and professionals in the production of public services. It argues that strengthening the personal relationships between professionals and service users is vital to meeting the challenges posed by assertive citizenship.

*This publication is made possible by the kind support of PricewaterhouseCoopers LLP and will be published on 4 February 2009.*

*For details of the launch event please see events listings on page 8.*

### Anglo-Flexicurity: Insuring Against Unemployment in the UK

**Dr Henry Kippin, Associate Research Fellow**

Over the past decade, increased home ownership, higher mortgage costs and the greater availability of credit and loans (until recently), have all played a part in making the cost to individuals of losing regular employment greater than ever. In response to the growing sense of insecurity amongst UK workers, the SMF published *Anglo-Flexicurity: A Safety Net for UK Workers* in March 2008, which explored whether the expansion of privately provided unemployment insurance offered a solution.

Since then, the global economic deterioration has only reinforced the sense of insecurity and the serious upturn in unemployment has made the question of how best to manage risk for the UK workforce even more pressing. In this context, the UK Government must find ways to maintain fiscal stability and at the same time protect livelihoods, and to facilitate appropriate market-based solutions while ensuring effective regulation.

With this in mind, the SMF has undertaken a second stage of research into the potential of unemployment insurance to provide a solution. It explores how an *Anglo-Flexicurity* scheme

might look in practice; asking what it would mean for individuals, employers and the state. The report looks at design, pricing and costing, and will propose a range of ways in which the scheme could be practically implemented.

Initial findings suggest that a social market approach to unemployment insurance may be able to provide real benefits to individuals and employers. It could offer the UK Government a policy alternative that contributes to macroeconomic stability in the long term, and provides a safety net for UK workers in the short term.

*The project is made possible by the kind support of Genworth Financial, and will be published in the spring of 2009.*

---

## Securing sustainable employment outcomes

**Ian Mulheirn, Rena Menne, Jessica Prendergrast**

Most of the public and policy debate around unemployment focuses on how to help job seekers back into work. There is less emphasis on keeping people in work once they have found a job. Yet, from both a social and fiscal point of view, job retention matters. 'Revolving door employment' – people cycling between employment and benefits – reinforces financial insecurity and has a detrimental impact on quality of life for individuals. Financially, increasing job retention could reduce the burden on the Exchequer (and so the taxpayer) in paying for repeated benefit claims and financing employment programmes.

Reflecting this, policy outcomes need to be reframed around helping job seekers into 'sustained jobs' and with this in mind, the Social Market Foundation is undertaking research examining ways of achieving these. The project will investigate the scale of the problem; the relationship between employers, employees and providers; and what the policy framework should look like to enable best practice.

*The project is made possible by the kind support of Remploy, and will be published in the spring of 2009.*

---

## The SMF Health Project: Final Reports

**David Furness and Barney Gough**

Over the past months the SMF has been undertaking a major piece of research focusing on the future of the NHS. With an ageing population, new medical technologies, changing consumer expectation and an uncertain economic outlook, it is certain that the NHS of the future will look very different from today. Six publications examining a range of issues in health policy have already been published, and more will emerge as the project reaches its final conclusions.

In the coming months the SMF Health Project will be publishing work on how the health system of the future should look, and the interim steps that will take us there. At the heart of

these policy recommendations are the views of patients and the public who will be presented with some stark choices about healthcare in the years to come.

For more information about the SMF Health Project email [dfurness@smf.co.uk](mailto:dfurness@smf.co.uk)

*The SMF Health Project is kindly supported by BUPA, NHS Connecting for Health, Pfizer and Standard Life Healthcare and will be published in the first half of 2009.*

## Forthcoming Events

---

### Assertive Citizens: New Relationships in the Public Services Launch Event

Date:	10.00 - 11.30	4 February 2009
Venue:	Room 134, No.2 Millbank, Westminster	
Chair:	Ian Mulheirn	Director, SMF
Speakers:	Dr Simon Griffiths	Senior Researcher, SMF
	David Willetts MP	Shadow Secretary of State for Innovation, Universities and Skills
	Dr Tim Wilson	Partner, Health Advisory, PricewaterhouseCoopers LLP
	Prof. Julian Le Grand	Richard Titmuss Professor of Social Policy, LSE

This is the launch event for a new SMF publication – details of which can be found in the forthcoming publications listings on page 5.

*The project and event are kindly support of PricewaterhouseCoopers LLP.  
For more information please contact [events@smf.co.uk](mailto:events@smf.co.uk)*

---

### Behavioural Economics and the Financial Services Sector

Date:	10.30 – 12.30	9 February 2009
Venue:	1 Birdcage Walk, Westminster SW1H 9JJ	
Chair:	Ian Mulheirn	Director, SMF
Speakers:	Rt. Hon. Stephen Timms	Financial Secretary to the Treasury
	Otto Thoresen	Chief Executive, Aegon
	Lord Lipsey	Chair, SMF
	Martin Lewis	Money Saving Expert
	Greg Davies	Hd of Behavioural Finance, Barclays Wealth

This seminar continues the SMF's innovative work on behavioural economics; in this instance investigating what insights behavioural economics can bring to the field of personal financial decision making. Following the Turner Commission on pensions, behavioural economics has found its way into long-term savings policy. But it is less clear how behavioural analysis has influenced other elements of policy.

*This event was made possible by the kind support of Aegon.  
For more information please contact [events@smf.co.uk](mailto:events@smf.co.uk)*

---

### Anglo-Flexicurity: Insuring Against Unemployment in the UK

Date:	11.00-13.30	11 February 2009
Venue:	Social Market Foundation, 11 Tufton Street, Westminster	
Chair:	Ian Mulheirn	Director, SMF
Speaker:	Dr Henry Kippin	Associate Research Fellow, SMF

This roundtable will provide an opportunity for those working on the next phase of SMF's flexicurity research to share their initial conclusions and to gather responses to them.

*This event was made possible by the kind support of Genworth Financial.*

*For more information please contact [events@smf.co.uk](mailto:events@smf.co.uk)*

---

## Strategic Commissioning

Date: 10.00 – 11.30 12 February 2009  
Venue: Social Market Foundation, 11 Tufton Street, Westminster

Chair: Ian Mulheirn Director, SMF

Speaker: Dr Simon Griffiths Senior Research Fellow, SMF

Over the coming lean years of public spending, the government's challenge will be to improve services while cutting costs. Strategic commissioning will play a central role in meeting that challenge. This expert roundtable discussion will focus on what all levels of government need to be doing to get the maximum value out of the commissioning process.

*This event was made possible by the kind support of Avail and the Learning and Skills Council.*

*For more information please contact [rmenne@smf.co.uk](mailto:rmenne@smf.co.uk)*

---

## Securing Sustainable Employment Outcomes – provider roundtable

Date: 13.00 – 14.30 18 February 2009  
Venue: Social Market Foundation, 11 Tufton Street, Westminster

Chair: Ian Mulheirn Director, SMF

This roundtable discussion will explore job retention from the employment service providers' perspective, examining the impact of the recession, the role of education and training as well as the current policy framework.

*This project and event was made possible by the kind support of Remploy.*

*For more information please contact [rmenne@smf.co.uk](mailto:rmenne@smf.co.uk)*

---

## Local Control and Local Variation in the NHS: What do the Public Think?

Date: 14.00-16.00 24 February 2009  
Venue: Social Market Foundation, 11 Tufton Street, Westminster

Speakers: Jonathan Nicholls IpsosMORI  
David Furness SMF  
Don Redding Picker Institute

The National Health Service is becoming ever more local. Primary Care Trusts are central to delivering effective local services, and must work with their local population to meet specific local needs. Might this result in unpopular "postcode lotteries" or will patients prefer the

benefits of locally tailored services? And how much involvement do people want to have in decisions about local health services? With Ipsos-MORI, we have explored these questions with the general public and uncovered some fascinating results. This event is one of a series of events held as part of the SMF's two year Health Project.

*The SMF Health Project is kindly supported by BUPA, NHS Connecting for Health, Pfizer and Standard Life Healthcare.*

*To reserve a place please contact [bgough@smf.co.uk](mailto:bgough@smf.co.uk)*

---

## Securing Sustainable Employment Outcomes – employer roundtable

Date: 13.00 – 14.30 26 February 2009  
Venue: Social Market Foundation, 11 Tufton Street, Westminster

Chair: Ian Mulheirn Director, SMF

This second roundtable in the project will examine what job retention means for the employer, how employers work together with employment service providers and why retention matters to employers in the current economic climate.

*This project and event was made possible by the kind support of Remploy.*

*For more information please contact [rmenne@smf.co.uk](mailto:rmenne@smf.co.uk)*

---

## What does the future hold for the NHS

### David Furness

For many, the closure of Wedgwood china has been one of the most shocking episodes of the recession. That a company with such a strong place in British culture should hit the wall seems somehow wrong; just as our high streets will not be the same without a Woolworths spilling 'pick and mix' from its doors. But however strong the emotional pull of these famous brands, they are as nothing compared to the hold of the NHS in our national life. Any government that presided over the demise of the NHS would find itself shortly out of office.

The NHS has been a central feature of British life since 1948, and there is a great deal of affection for its values and structures. However, the world is changing and the NHS must change too. The SMF has been conducting a major project examining the future of the health service in a world of technological change, an ageing population and rising consumer demand. With Ipsos-MORI, we have conducted some opinion polling to try to understand what people might want from the NHS in the future, and some interesting results have emerged.

We hear a great deal about public anger over "postcode lotteries". When a patient is denied a treatment available in another part of the country the public response can be almost overwhelming. National standards remain of central importance to the general public. However, recent reforms to the NHS mean that some power over how the health service is run has been devolved to a local level, with the possibility that this will result in greater variation in provision between localities in the future. Our polling revealed that a surprisingly high 23% of all people felt that treatments should be based on local need rather than being uniform across the country. And there were some groups where this figure was even higher: 32% of people from an ethnic minority supported a local approach. While this leaves a clear majority in favour of a national approach, there is clearly some public appetite for a truly local health service.

**"There is clearly some public appetite for a truly local health service."**

Primary Care Trusts are now charged with identifying the health wants and needs of their local population, and designing a range of services to match. But how much control do local people want over the decisions that are made? There is a clear majority in favour of some form of public involvement – 74% of people want a say, with only 20% saying that decisions about what is available on the NHS should be made by professionals alone. We also uncovered some potentially interesting contrasts, with 30% of people described as "hard pressed" saying that the public should be much more actively involved in decisions about what treatments should be available, compared with just 19% of the "comfortably off"<sup>1</sup>.

<sup>1</sup> "Hard pressed" and "Comfortably off" are categories used in the ACORN classification

And, in an environment where there is a great deal of pressure on the public finances, we asked about how priorities should be set if there is a shortfall in health funding. Unsurprisingly, we found that there was not widespread support for significant increases in taxation, with over 59% of respondents saying that the shortfall should be addressed through some form of prioritisation rather than an increase in taxes or the introduction of top-ups. However we did find that there was a roughly even split about whether it should be the government or the NHS who takes the lead when it comes to making tough decisions about what is available to patients using the health service.

The SMF Health Project team are following up many of the most interesting strands emerging from this data through a series of focus groups. In an NHS that is attempting to resolve entrenched postcode biases, whilst allowing local innovation to flourish, where local people must be encouraged to give their views on local services, but where cost pressures may threaten our ability to offer everything to every patient, we will be probing beyond the responses elicited through opinion polling to understand just how patients relate to the NHS, and how their views might change with time. This understanding can help us ensure that the health service remains a British institution for many years to come.

*For full details of the SMF/Ipsos-MORI poll please contact David Furness at [dfurness@smf.co.uk](mailto:dfurness@smf.co.uk) or on 0207 227 4410. Please see event listings on page... for information on an event SMF is holding on this topic.*

## The Social Market Foundation

### Board Members

Lord Lipsey (Chair)  
Viscount Chandos  
Gavyn Davies  
David Edmonds  
Daniel Franklin  
Martin Ivens  
Graham Mather  
Brian Pomeroy CBE

### Policy Advisory Board

Lord Adebawale  
Wendy Alexander MSP  
Professor Nicholas Barr  
Liam Byrne MP  
Dr Vincent Cable MP  
Philip Collins  
Simon Crine  
Don Cruickshank  
Lord Dahrendorf  
Ed Davey MP  
Evan Davis  
Alan Duncan MP  
Daniel Finkelstein  
Liam Halligan  
Lord Haskins  
Nick Herbert MP  
Sir Peter Lampl  
Dr Oliver Letwin MP  
Maria Miller MP  
George Osborne MP  
Lord Parekh  
Trevor Phillips OBE  
Lord Plant  
Sir Stephen Sherbourne  
Sue Slipman  
Lord Stevenson  
John Tizard  
Lord Turnbull  
Stephen Twigg  
Andrew Tyrie MP  
David Willetts MP

### Staff

Ian Mulheirn  
Director

Sally Dobson  
Director of Communications

Beth Foley  
Researcher

David Furness  
Health Project Leader

Barney Gough  
Researcher

Dr Simon Griffiths  
Senior Research Fellow

Dorothea Hodge  
Director of Conferences and Events

Will Hoyles  
Events Officer

Rena Menne  
Researcher

Claire Newman  
Business Manager and Company Secretary

Jessica Prendergrast  
Senior Research Fellow

Natalie Tarry  
Deputy Director and Director of Research  
(On maternity leave)

Laura Tomlinson  
Events Assistant