

Compensation Culture Challenged

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Looking back - to 2004. Have we moved?

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In Full: POLITICS can make for strange bedfellows. Last week two MPs joined forces in the House of Commons to ensure the second reading of a backbench Bill to promote volunteering. Julian Brazier, briefly a shadow minister under Iain Duncan Smith, and Frank Dobson, equally briefly his party's London mayoral candidate, came together to steer this Bill through to the next stage of its parliamentary process. The Promotion of Volunteering Bill has even gained the tacit support of the government.

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Mr Brazier's Bill may become law. If it does it will be a small but significant contribution in the fight back against the erosion of social values brought about by the growth of the compensation culture. As this law to protect volunteers was being debated Stephen Byers picked up the theme being whistled by Mr Brazier and Mr Dobson and developed it. Since he left the government Mr Byers has become kite-flyer in chief for the Prime Minister, and along with his other ex-Cabinet colleague, Alan Milburn, has been speaking about issues that a third term Labour government will need to address. Mr Byers tackled the compensation culture head-on. Echoing the sentiments in Julian Brazier's Bill he claimed that it has led to playgrounds being fenced off, hanging baskets being taken down as health hazards, and teachers being advised no longer to supervise school outings. Expanding his theme, he argued that money was being taken away from schools and hospitals to pay for lawyers and claims managers.

Stephen Byers and Julian Brazier are responding to a growing malaise in society; the rise of the compensation culture. To put it more crudely, blame for gain. The growth of this phenomenon has been put down to the import of US-style litigation and "ambulance-chasing". But many of the symptoms are home-grown, and reflect a darker side to the successful economic liberalisation that the UK has enjoyed over the past two decades. The public perception, reflected in a series of recent surveys, is that we are now far more likely to seek compensation for perceived injuries than we were a decade ago. One recent poll showed that 96% of those who were asked replied that people are more likely to claim today than 10 years ago. Asked why they thought this was the case the same respondents identified the decline in self-responsibility, community spirit and respect for others, and the rise of a self-centred, money-orientated and stressful society. As if to reinforce this image of contemporary living, when asked what they thought was the main reason that people sought compensation, 40% responded "financial gain".

As a society we enjoy better access to justice than in any previous generation. We have almost unlimited access to consumer and market information. We can find out what is the best car, the best bank, the best holiday resort and the best mortgage. It is true that we might struggle to identify the best school or the best hospital, at least in Scotland where government remains unwilling to trust us with this information, but across a range of issues we are better informed, better educated and more "rights-aware" than our parents. This has all been the result of economic and social reforms carried out by both the Conservatives and Labour over the last 20 years. Yet behind this is a realisation that these reforms have led, in part, to the growth of a culture that encourages us to reach for our rights before we examine our responsibilities. What is the impact of this trend on society?

Last year business and government paid out almost 10bn in compensation. Local authorities' share of this bill amounts to 150m, or 25 on every council tax bill. For motorists, the first 35 of our annual premium is taken up by funding the cost of claims against those who drive without insurance. Between 2001 and 2003 the annual litigation costs incurred by the NHS rose from 450m to 500m, roughly equal to the extra funds announced by the Chancellor in the Budget for the Scottish Executive over the next three years. In the survey that asked people to identify what they thought was the main reason for seeking compensation, the second highest response, after "financial gain" was "no win-no fee TV ads". In any free market there must be a reluctance to ban advertising. But, that presumption is based on an understanding that a consumer has access to all necessary information to allow him to make an informed judgment before he comes to make a purchase. In the case of the claims culture, that is clearly not the case. When someone considers suing the local authority when they have tripped over an uneven paving stone, they are unlikely to consider the effect that their action will have on the level of their council tax and household insurance bills the next year. They are more likely to consider that it is easy and normal to claim, having been led to that conclusion by the saturation advertising for claims management companies. There is a temptation to play down these trends. It is a good thing, apparently, that people have an understanding of their rights. They should be encouraged to take a stand against employers, insurance

companies and government. We are told that people should be allowed to live their lives as they see fit, and not as their neighbours might consider fit. But this extrapolation of economic liberalism into the social sphere - the argument that says that giving people more control over their own lives means giving them licence to do what they want, even if the rest of us find it obnoxious - is a false and corrosive one. Without reminding people of their responsibilities, encouraging them to exercise their rights will be dangerously one-sided.

The modern cult of celebrity and "me, first" has nothing to do with economic freedom, and everything to do with what John Hayes MP described in an article last week as "the ubiquitous banality and crude selfishness of modern life". Big government has encouraged people to abdicate personal responsibility. Someone else will pick up the pieces. Giving people control over their own lives and devolving powers from government to local communities should reverse that trend, and encourage volunteering and social cohesion. A society where "government is small, and people are big" is one in which people take responsibility for their own actions and participate in civic society. It is a culture where when someone is injured in an accident they seek rehabilitation before they seek compensation, or even retribution. There is a wider perspective to this issue. Scotland badly needs to encourage a rising generation of risk-takers and entrepreneurs. Our economy is overweight in the public sector. The rise in the culture of blame and gain threatens to undermine risk-taking in the private sector and innovation in the public sector. Ultimately, we all lose.