

# Social Contexts and Responses to Risk Network (SCARR)

## Final Project Report:

## “Public Understanding of Regimes of Risk Regulation”

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# Public Understanding of Regimes of Risk Regulation

## Context

Economic developments, technological advances, globalisation and other societal changes together shape contemporary approaches to the management of risk in an ever-shrinking world. One response is the shift from state regulation to various forms of self- and co-regulation, with new regulatory bodies being established which expect people to take increased responsibility for insuring themselves against risks.

Exemplifying these changes, in the domains of financial services regulation and media and communications regulation, new regulatory bodies have recently been formed: the Financial Services Authority (FSA) in 2000 and, following in this model in 2003, the Office of Communications (Ofcom).

## Aims and methods

The project aimed to understand how complex risk-related challenges faced by the public are being addressed, focusing on how the regulator in each domain seeks to represent the interests of the public, undertake consumer education, engage with stakeholders and influence wider policy formation.

Thus the project asked, on the one hand, how the public is represented within the new culture of regulation and, on the other hand, how the public understands its changing role within communications and financial service regulatory regimes, this potentially influencing personal responses to communications and financial risks.

## Methods

To understand the changing role of regulation in the personal risks people face, two research questions were formulated as follows:

- (i) How is the public represented (consulted, researched, engaged, reported to) by the regulatory regime and associated multi-stakeholder deliberations?
- (ii) How do diverse segments of the public understand and engage with their role in relation to the regulation of risk, and what is the role of the media in shaping public understanding?

For each domain, a multi-method case study approach was taken, triangulating different data sources:

- **Key actor interviews** (N=34) with senior personnel in FSA and Ofcom responsible for public-facing services, including both Consumer Panel Chairs and, additionally, selected industry stakeholders and civil society representatives. Questions focused on regulatory continuities and changes compared to legacy regulators, the meaning of self-regulation, issues arising from statutory obligations, policy and operational agendas, responses to government expectation, public accountability and consultation, consumer representation and the role of market research in evidence-based, principled regulation. Interviews were transcribed and coded with Nvivo.

- **Focus group interviews** (N=16) with members of the public (N=116). Groups included a balance of men and women and were stratified by socio-economic status and life stage ('young adults', 'new families', 'mid-lifers' and 'recently retired'). Questions focused on how people understand 'rules and regulations', good and bad regulation; consumer protection, individual rights and responsibilities, vulnerable groups, and awareness of the FSA and Ofcom. All interviews were transcribed and coded with Nvivo.
- **Analysis of media representations and public policy documents.** Seventeen UK national newspapers were sampled using Lexis Nexis, including all articles which mentioned FSA or Ofcom in February, May, August or November 2007. This produced 246 articles on FSA and 181 on Ofcom) for analysis (using qualitative analysis software). A purposive sampling of public policy documents for both case studies was sustained throughout the research process, informing the construction of interview schedules, media analysis, interpretive data analysis and article preparation.

### **Key findings**

#### **(i) Representing and engaging with, the public in the work of the regulator.**

- The changing regulatory regime is generating significant tensions and unresolved issues in both financial services and communications sectors. These focus, among other critical questions, on the degree of responsibility for risk regulation that can be expected of individuals, how to address the needs of particular vulnerable groups, and what kind of safety net provision is required for the majority.
- Regulators in both sectors have developed substantial programmes of consumer-facing activities, including consumer policy toolkits, the work of the Consumer Panel, financial or media literacy policies, complaints procedures, public education and awareness initiatives, open consultation processes etc. There is a strong sense, however, that take-up is disappointingly low, that the reach is uneven and unequal, and that responses to consultations can be skewed by niche interest groups.
- In financial services, key issues persist regarding the public's competence to understand and protect themselves against technically difficult financial risk decisions. In communications, a key unresolved issue concerns the nature and importance of the citizen (as opposed to the consumer) interest in media and communications regulation.
- Civil society bodies tend to be frustrated with the scale and imperviousness of the regulators' activities, but they also struggle to justify how they represent the interests of the general public, and they also have difficulties in capacity that challenge their ability to respond critically to the mass of public consultations. Thus, although the shift towards a public facing regulatory regime is widely supported, in practice this is less inclusive or transparent than hoped by many, and increasingly 'managed' by the regulator in organisational terms.

## **(ii) Public understandings of changing regimes of risk regulation.**

- Public understandings of risk and regulation are complex. People express strong principles regarding risk and regulation, grounded in personal experience and often differing from one person or group to the next. They tend to confuse different forms of regulation (state vs. self-regulation, UK or European, laws and codes, etc), and they are silent on some key issues - the relation between regulators and the market, regulators' work in ensuring consumer-facing practices within firms, possibilities for consumer representation.
- People understand that regulation balances self-regulation by firms and individual personal responsibility, welcoming the choice this brings but also critical that the individual burden of responsibility of risk is too great for some. People judge there is too much regulation in some areas while not enough in others, that regulation is insufficiently accountable or grounded in common sense, this despite regulators' claim to have become more open and 'public-facing'.
- People are comfortable positioned as consumers but are critical of how consumer needs are met; they have little interest in participating as citizens in public consultation and engagement processes, presuming their views will not be heard. Indeed, a shared public agenda of dilemmas and concerns about risk and regulation foregrounds problems of trust, participation, self-efficacy and institutional legitimacy; people judge that real societal problems are neglected while faceless bureaucrats develop elaborate rules to constrain people's freedoms.
- There are some paradoxes in how the public understands regulation and risk. People endorse a strong ethos of personal responsibility but also want protections and backups in place. They want more choice but recognise that they may struggle to understand complex information regarding the decisions they face. They worry about the vulnerable yet attack regulation for being intrusive. They see themselves as outside the regulatory process yet pass up opportunities to become engaged, especially in forms of collective action but in relation to complaints.

## **(iii) The role of the media and public debate in shaping public understanding.**

- The above analyses point to a continuing task for the regulators in managing public expectations. People prefer traditional regulation based on supervision, enforcement and consumer protection, they worry about taking on the burden of risk management themselves as a cost of increased consumer choice, and their perceptions are coloured by a wider agenda of lack of trust in institutions and disaffection with routes to participation.
- Perceptions are shaped significantly by media representations, with stories and images from the news frequently cited in both stakeholder and public interviews. Main topics of media reporting are financial or other regulatory crises, problems of consumer behaviour, the behaviour of the market, and the activities of the regulators.

- The public are not mentioned in most articles and, when they are included, the framing is that of harm, risk, vulnerability and (problems of) literacy. Further, public information is often disseminated in a context of discussions of social control, 'the nanny state' and the burdens of regulation.
- Reporting about regulation is concentrated in the broadsheets rather than the tabloids, potentially producing inequalities in information about regulation. The FSA is reported more in *The Times* and Ofcom in *The Guardian*. Ofcom is seen as representing the public interest more than the FSA. Regulation is often presented in terms of the public vs. industry interests, with little attention to government. Most stories concern the activities of regulators or reports on the market; there is little discussion of regulatory policy.

### **Outcomes and impacts**

The research team has sought both to engage throughout the course of the project and to disseminate findings within academic and public policy forums. In addition to conference presentations, policy seminars and other outputs, key project publications are as follows:

Livingstone, Sonia (2008): 'Engaging with media - A matter of literacy'. *Communication, Culture & Critique*, 1(1), 51-62.

Lunt, Peter, Livingstone, Sonia, and Malik, Sarita (2008) Public understanding of regimes of risk regulation: A report on focus group discussions with citizens and consumers. *Social Contexts and Responses to Risk Network (SCARR) Working Paper series (WP26)*. Available at <http://eprints.lse.ac.uk/21445>

Livingstone, Sonia (2008): 'Media Literacy: Why is it on the agenda now?'. *MeCCSA Newsletter*, September.

Livingstone, Sonia, Lunt, Peter and Miller, L. (2007): 'Citizens, consumers and the citizen-consumer: Articulating the citizen interest in media and communications regulation'. *Discourse and Communication*, 1(1): 63-89. Available at <http://eprints.lse.ac.uk/993/>

Livingstone, Sonia, and Lunt, Peter (2007): 'Representing citizens and consumers in media and communications regulation'. *The Politics of Consumption/The Consumption of Politics, The Annals of the American Academy of Political and Social Science* 611 (1): 51-65. <http://eprints.lse.ac.uk/996/>

Lunt, Peter and Livingstone, Sonia (2007): 'Regulation in the public interest'. *Consumer Policy Review* 17 (2): 42-47.

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- Lunt, Peter, Livingstone, Sonia and Kelay, T (2005): 'Risk and regulation in financial services and communications'. *Social Contexts and Responses to Risk Network (SCARR) Working Paper series. (2005/6)* <http://www.kent.ac.uk/scarr/publications/Risk%20&%20regulation%20Lunt%20Wk%20Paper6.05doc.pdf>
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- Lunt, Peter, Miller, Laura, Korting, Johanna and Ungemah, Joe (2005): 'The Psychology of Consumer Detriment: A Conceptual Review'. London: Office of Fair Trading.
- Lunt, Peter (2005): 'Choice and Financial Services'. *Consumer Policy Review*. 15, issue 1. January/February 2005.
- Livingstone, Sonia (2005): 'On the relation between audiences and publics'. In S. Livingstone (Ed.), *Audiences and Publics: When Cultural Engagement Matters for the Public Sphere* 17-41. Bristol: Intellect Press. <http://eprints.lse.ac.uk/437/>

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### **Social Contexts and Responses to Risk network (SCARR)**

<http://www.kent.ac.uk/scarr/>

### **Economic and Social Research Council (ESRC)**

<http://www.esrc.ac.uk/ESRCInfoCentre/index.aspx>