

A future fair for all



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big issues need a **big conversation**

Please let us know your views on the way forward for Britain.

Email your responses to bigconversation@new.labour.org.uk or send them to FREEPOST Big Conversation. Or text* 84402 with your top priority for Britain.

For more information about the big conversation visit www.bigconversation.org.uk

This document was launched at the Labour Party National Policy Forum in Newport on 28 November 2003. All responses will be fed into the National Policy Forum and will be used to help shape Labour's next election manifesto.

For more information about the work of the National Policy Forum visit www.labour.org.uk/policyforum

* Text cost 25p plus your usual text charges.

Most of the future challenges outlined below are common across the UK. However, while the document reflects our shared values and aspirations for the people of Britain, in those areas where responsibility has been devolved to Scotland and Wales, specific proposals will be developed and taken forward by the policy making processes of the Scottish and Welsh Labour Parties.

The use of an image of an individual or organisation does not necessarily imply support for this document or the Labour Party.

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Big conversation

This document is about the future. Our aim is to open a conversation with the British people about the challenges Britain faces and how together we can meet them.

We have made progress in the last six years towards our goal of social justice but we can't rest. The quickening pace of change makes the case for New Labour - for bolder reform, for our vision of a future in which all, not just a few citizens have opportunity - even stronger.

Realising that vision means facing up to new challenges.

- The economic challenge is to build an economy based on human capital and knowledge, new technology and innovation.
- The challenge for public services is to provide universal services that are also personalised to individual need, in a consumer driven age.
- The challenge for law and order is how to recast the system for a 21st century in which organised crime and anti-social behaviour requires a different criminal justice system to 50 years ago.
- The challenge for politics is how to create a better dialogue between politicians and the people.
- The challenge for families is how to balance work and home responsibilities.
- The international challenge is how in an interdependent world collectively we tackle global threats rather than hide from them.

And we won't have a fair society in the future if we don't face up to these challenges.



This document identifies those areas of opportunity and concern for policy making and then asks some of the key questions that enable us to maximise the opportunities and minimise the threats. Many of the questions will need answers by the time we publish our manifesto.

We offer a renewed idealism about the power of politics to make a real difference to people's lives, but we make clear, too, the realities of government - the need for priorities, for spending choices, for tough, sometimes difficult decisions for the long-term common good.

Our future success as a society and a country requires a new

emphasis on spreading opportunities more widely, for that is the route to success in today's economy.

We have to ensure all our children get a decent start in life. Extend the choice which is now a monopoly of the well-off to all parents and patients. Increase support so people can better balance work and family life. Provide more ladders of opportunity through better education and assets for all. Empower local people so they can take more control over their own lives.

This acceleration in opportunity will only happen if we have the courage to recast the 1945 welfare state, which was right for the time, replacing a "one size fits all" system with one of individual aspiration backed up by strong communities. It needs a new partnership between citizen and government: a modern, streamlined, empowering government on the one hand and more active, responsible citizens on the other.

It means New Labour must inspire people once more about our values - social justice, opportunity for all - but be bolder about the means for achieving them.

Facing up to difficult challenges should not frighten either the party or the country. After all it has been the key to the successes we have had so far.

Economic stability required Bank of England Independence and tough rules on spending. Primary school standards rose because of the literacy and numeracy strategies. Reforms including new treatment centres are reducing waiting in the NHS. Our street crime initiative reduced crime dramatically. The Minimum Wage, according to the Tories, was going to cost two million jobs. The New Deal required us to levy a windfall tax on the privatised utilities. Devolution we were told would paralyse Parliament for years. Investment in the health service required national insurance to be raised. Lifting 600,000 children out of poverty required us to redistribute our national wealth.

Now, together we must go further and faster. And I believe that New Labour is equipped to do so. The party changed once dramatically in opposition. We got rid of outdated ideology when we changed Clause 4. We have built a new Labour Party that has proved competent and credible in government. Now having laid the foundations in the first term, having set in train deep and long term public service reform in the second term, we can have the confidence to move forward again.

Our challenge is to shape the future around a modern progressive agenda. The public don't want us to stand still nor want a return to the past and a government who left people at the mercy of global forces to sink or swim.

We have come so far since 1997 that it is easy to forget what happened to Britain under the Tories. Opportunity was denied to too many people. The uncertainty created for families and business because the economy lurched from boom to bust. The misery of unemployment over three million, of sky-high mortgages, negative equity, and house repossessions. Neighbourhoods torn apart by crime which doubled in eighteen years.

It is also easy, too, to forget the pessimism and cynicism which dominated the country. Selfish individualism displaced community and mutual responsibility. More children grew up in poverty. Sections of society who did not fit in to a pre-ordained Tory model – single mothers, ethnic minorities, gay people – were targeted. The Tories stood opposed to basic measures of fairness like the Minimum Wage.

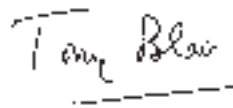
Our public services were not just short of money or doctors, nurses, teachers or police. The public sector was given the clear message that it was second best, didn't matter and the private sector ruled.

Today the same Tories offer the same people, with the same brand of politics. But Britain has changed. The country has moved beyond the values of the 80s. There is more optimism about the future. A different set of values – solidarity, community, opportunity – provides the country with a new compass. It is these values - our Party's enduring values – which will guide us as we discuss with the whole country the challenges ahead and the choices we face.

Over the coming months I will be visiting many parts of the UK discussing the questions posed in these pages; so will ministers, MPs, MEPs, our councillors and other representatives. Indeed, many Labour MPs have already developed new and innovative ways of engaging with local people. This document is about the issues that will shape our future but it should also be a chance for us to develop new forms of engagement, linking the policy challenges facing government with the issues that most concern ordinary people. The dialogue will frame the thinking for our next manifesto, helping to enrich and feed into the Party's Partnership in Power process.

It's time for a grown up discussion. Big issues need real debate, a big conversation between politicians and the people.

Let the conversation begin.



Rt Hon Tony Blair MP

Facing the challenges of the future

Britain is changing fast. Each shift in the composition, characteristics, needs and attitudes of the population has important implications for the way government works.

Taken together the scale of change is immense:

Life expectancy is rising rapidly but we are having fewer children than a generation ago. The number of people over 60 already outnumber those under 16. An ageing population inevitably increases the costs of pension provision and care, raising questions about the retirement age and the division of responsibility for care between individual, families and the state.

We are a nation of net immigration. Many of our major urban centres display a rich diversity of cultures and peoples. That is a great strength but it can also bring tensions. It requires us to respect and honour difference while maintaining cohesion and the solidarity that must underpin universal services and a healthy society.

Despite the significant progress of the last six years, our country still suffers from glaring social inequality. Inequalities between rich and poor widened in the 1980s and are greater than other European countries. The gap is evident as early as 22 months and gets wider as children grow older. The rate of social mobility

has not improved in recent decades.

There are profound changes in



our household structure with major implications for where and how we live. Thirty percent of households now consist of one person, a quarter of couples live in households without children and two million children live with only one parent. Over the next twenty years it is estimated there could be an additional 8.5 million households.

There are signs of some long run trends coming to an end. Divorce rates are no longer increasing. Birth rates are no longer falling.

But new worrying trends have emerged. Smoking may be in decline, but alcohol and drug abuse have been rising steadily as have obesity levels. More and more ailments presented to the NHS reflect our lifestyles. The lowest income groups are most likely to smoke and least likely to exercise.

We are getting more affluent with disposable incomes rising by more than two thirds in the last fifteen years alone. We are spending the money on ever more consumer goods and services. We are better educated with the proportion of young people going onto higher education rising from 6% in 1965 to 43% by 2003. It is neither surprising nor discouraging that with a

better education, more affluent people with rising expectations have become less deferential and more critical of those in authority. The Strategic Audit has also revealed the fall in trust in the political process. While trust in the professions including teachers and doctors remains high, those believing that the Government will act in the public interest fell to a record low of just over 15% in 2000.

While public concerns about the economy, inflation and

unemployment have receded with the achievement of economic stability, new concerns have surfaced, like the quality of the local environment and the level of anti-social behaviour. On transport and the environment, the Strategic Audit shows that congestion is higher than in most other European countries, and shows it will be tough to meet our target to reduce the level of CO2 emissions.

Perhaps the most intriguing evidence is that despite rising affluence and expanding opportunities, the people of the UK along with most others in developed nations do not feel themselves to be any more content with their lives. One of the challenges of the future may be to rethink the very goals of public policy.

21st century world

Two major forces are rapidly reshaping the world around us. One is individualism, the other interdependence.

Our world is getting bigger and smaller at the same time. We share our planet with six billion people with the population forecast to grow by a third within twenty years. Ninety five per cent of this population growth will occur in the developing nations. In contrast the population of the developed world will become older and less economically active. One impact of this change will be a further increase in migration.

Migration can be an important driver of economic development. But it can create social and economic pressures in the countries that receive migrants

and strip developing nations of skilled workers. It can also alter the way we think about politics and power.

Even for those who stay at home the digital revolution will bring the world into their workplace and home. Computers have doubled in power every 18 months since 1965. We make more phone calls in a single day that we did in all of 1984. Half of all UK households now have Internet access. It's an essential part of everyday life. But the speed and impact of this communications revolution will only increase. By 2020 computers will be several thousand times more powerful than today.

Scientific advances will have immense impact right across our lives. Perhaps the most significant progress will come in the area of medical science. Over 4000 diseases are caused by defects to single genes. Individuals can inherit diseases as varied as heart conditions, diabetes and dementia. As the Human Genome Project identifies all the genes in human DNA, our understanding of the function of genes, and our ability to manipulate them, will improve dramatically. Within a decade, genetic screening will be widespread. By 2015 the practical use of gene therapy may be able to treat one in three life threatening diseases. But this progress could also threaten our longstanding belief in sharing the risk of sickness and the cost of treatment across the population.

The medical establishment's monopoly on knowledge will be challenged as self-diagnostic techniques become more widespread. Cumbersome

equipment will become portable or accessible through a remote connection, bringing the hospital to the home. Personal information systems and profiling will become highly sophisticated, enabling doctors to share information at the touch of a keyboard. In health as in other areas, technology will make more possible but also raise expectations and demands. Keeping up with change while maintaining universal services will be a core challenge in the decades to come.

Whether we can fund high quality universal services will depend in large part on our success in the global economy. Trade has increased dramatically with global exports reaching around £4 trillion in 2001. Trade as a portion of world GDP has risen by 50% since 1975. Businesses operate across national boundaries with increasing ease and they will continue to place work where it can be undertaken most competitively. Adult literacy and school enrolment across the developing world is providing an increased pool of skilled and motivated labour. By 2020 the graduate population of the world will be two billion. China and India are emerging as world economic powers. Despite a GDP per head of \$4,400 China is, on some measurements, the second richest country on Earth. India with its increasingly well-educated, English speaking workforce is becoming a significant competitor in the high value added sector.

Our future as a trading nation must lie in the high value high skill route.

The UK is home to strong science based industries such as

aerospace and pharmaceuticals, as well as being a leading centre for opto-electronics, computer games and mobile telephone software and services. One in thirteen of our workforce are in ICT industries, the second highest in the OECD. We are a world leader in promoting e-commerce. But we can do more to turn our ideas into investment and profit. UK R&D fell as a proportion of GDP in the 80s and 90s and only now is the decline starting to reverse. Some high tech sectors do well, but overall new and improved products generate 23 percent of UK turnover compared with 43 percent in Germany.

Despite this global growth in trade and wealth, the gap between the richest and poorest looks set to grow. Billions of people remain desperately poor. Nearly three billion people live on less than \$2 a day. More than one billion on less the \$1. Thirty thousand children a day die of preventable illnesses. Poverty and oppression are both cause and consequences of the security challenges the world now faces.

One of the greatest challenges facing the poorest is the disproportionate effect climate change is having on their lives. Globally 7 of the 10 warmest years on record were in 1990s. By 2100 sea levels could rise between 10cm and 90cm. The social, environmental and economic costs associated could be huge and could threaten future sustainability of the planet.

The number of people killed in conflict between states in 1990 fell by two thirds on the previous decade. But conflicts within countries have become

more savage killing 3.6 million people during the 1990's, half of them children.

Integration brings opportunities but also threats. The international drugs trade is now worth as much as \$300 billion. The international security environment has grown more unpredictable as several nations – including Iran, North Korea, India, Pakistan, have sought to develop and extend not just nuclear weapons capabilities but the systems for delivering them. International terrorism is an increasing reality for all nations. While technology can be a great force for good it also offers opportunities for crime, sabotage and terrorism.

Our strategy for a future fair for all

This is the new world. A world of new freedoms and new prosperity. But also a world of opportunities and threats, from trade to terrorism, from scientific breakthrough to environmental peril. It is this analysis that directs us to the defining dilemma of the modern age: as we become ever more individualistic so we become ever more interdependent. The realities of interdependence make our social democratic values of fairness, mutual responsibility and democracy more relevant, and more necessary to people's needs and hopes. But the realities of a changing world mean that radical new thinking is needed to help us translate those principles into practice. We need to think in fresh ways about how to match the desire for choice and autonomy with the need for family, friends and society.

Our goal remains social justice. But the changing world requires us to rethink our strategies to create a fairer society. We have done much to lift people out of poverty, to give children a fresh start in life, to improve the quality of schools and hospitals in poorer areas. Now we must go much further, in new and imaginative ways. This means looking hard at the evidence; what factors - like support for mothers and young children - are most important to giving people the best opportunities? How can we ensure that every child gets the schooling that meets their needs, that every bright young person can enter higher education? And how do we tackle new dimensions of inequality such as the way so many poorer people have turned away from politics?

At the centre of our strategy for fairness in the future stands a new partnership between citizen and state: a modern ethic of mutual responsibility. We reject a big paternalistic state – the 1945 model; just as we oppose the small state, laissez-faire philosophy of the right. When out of power Labour was guilty of underplaying the issue of our responsibilities to each other. New Labour has changed this, in this document we show how we can go further – to create a truly empowering state, working with people to meet our aspirations for fairness, prosperity and security.

Our strategy for public service reform reflects our commitment to core values and our appreciation of how the world, and how people are changing. New investment is reaping better

outcomes in education, in healthcare, in criminal justice. Where there was decay and disillusion there are now new buildings and new ambitions. But as fast as service improve so expectations rise, fuelled by the creativity of market consumerism, and reinforced by ever-greater knowledge and access to information about performance and outcomes. To those who seek to defend a mythical past of public service uniformity we point to the evidence that only now are we tackling major inequalities in the quality and outcome of public services. So we explore here the next steps in our strategy to make public services fair for all, personal to each.

And responding to changing needs and expectations also means reform to the way we do things in government, opening up, letting go and devolving power. So we ask how government can become truly enabling, not crowding out but drawing upon the capacity of individuals and communities. Because it is at the most local level that people can best see the links between action by government and by communities, and can best get involved in deciding priorities and shaping services, we ask how we devolve power not just to regions and local government but to neighbourhoods themselves.

Whether in economic policy or the failure to invest in infrastructure the people of Britain have paid a heavy price for the short-termism of their political masters. New Labour came to power determined to change that: thus our unswerving commitment to stability and

economic prudence and our investment in transport infrastructure and the most substantial programme of capital investment ever seen. But as we look to the future as a country, we need to address the tough long-term issues – such as protecting the environment or exploiting the potential of genetics - that will shape the prospects of future generations at home and across the globe. These are not easy questions, nor are they just challenges for policy makers. They involve us all in facing up to the challenge and working together on the solutions. Many of these challenges can only be solved by countries working together. So we describe growing interdependence and ask how we can continue to act to safeguard the interests of our country and be a force for good in the world.

After six years of a Labour government we stand poised to tackle some of the deep-seated problems that have bedevilled our country. Because we have delivered economy growth and stability, because we have begun to shift power and resources to the many, because we are investing for the future, we can now have new ambitions for our Party and our people. This document asks how we can fulfil that ambition, how we can face the challenges, take the opportunities and build a future fair for all.

How do we build on economic stability?

Labour's central objective, the heart of our vision for a prosperous Britain, is to promote opportunity and security for all.

To do that we need to entrench our economic stability – the precondition for success in the global economy, to promote enterprise and flexibility as the modern means to full employment and prosperity for all, and to invest more in science and skills. In this chapter we ask how best we can build on Labour's success in creating a foundation of economic stability, extending prosperity and enterprise to every region and every community of our nation.

Economic stability has been one of this Government's most important achievements. Yet since 1997, we have had to achieve our objectives in a global economy that has seen an Asian crisis, an oil shock, an IT bubble, a stock market fall, and a world recession. Now, as we look ahead from 2003, we have to achieve opportunity and security for all in a world of ever faster change, where every good and most services we produce are subject to intense global competition, not just from advanced economies but from China, India, and Eastern Europe and where we cannot and should not compete on low pay but on even greater skills and the quality of our science and technology. What's more, individuals rightly want the goods and services they

purchase, and the public services they use, to be tailor-made for their needs, customised to their requirements, far removed from



the standardised one size fits all provisions of the past. And more than ever the economy and public services will be driven by individuals' aspirations, their needs, requirements and choices. This has major implications not just for how we manage the economy but also how we decentralise and modernise our public services.

All this requires Labour to continue to reform and modernise, to meet our enduring objectives in new times.

In a fast changing global economy, the challenge for a Party that believes in opportunity and security for all is to

implement modern reforms that ensure we can advance towards full employment in all regions and communities; we can ensure fairness at work; we can ensure family prosperity for all by removing child and pensioner poverty; and we can invest in world class public services that meet the people's needs and aspirations.

While the Tory party would leave people isolated and helpless in the face of change, our policies – for jobs, skills and public services – will ensure that people are equipped to meet and benefit from that change.

Building upon strong economic foundations, the challenge for Britain in the years ahead is to meet and master these new global and other challenges.

Building a foundation of stability

Our first obligation on coming into Government was to restore sound public finances and create stability – to reverse the Tories' economic mismanagement that led to the misery of 15 per cent interest rates and home

repossessions, and the harm done to family finances by 10 per cent inflation – and to repair the damage of 18 years of under-investment and neglect in our public services.

Over the past three years, the world economy has suffered the first synchronised global economic downturn since the 1970s, with recession spreading from America across continental Europe to Asia. While in global downturns in the Tory years Britain was first in, worst off, and last out – with the poorer regions of Britain often hardest hit – this time it has been different.

Because of the tough long term decisions we have taken since 1997 – Bank of England independence, tough fiscal rules, freezing public spending, and cutting debt – Britain, alone among the major industrialised economies, has not only averted recession and continued to grow in every quarter since Labour was elected, but has also had the longest period of continuous and sustained growth for fifty years.

Why is stability so important to Labour and to Britain? Because instability – and high inflation – hurts the poor, the pensioner, those on fixed savings and low incomes most, and because without stability we cannot create jobs. What's more, in the modern world investment flows to those countries that operate policies of stability – and ever more quickly away from those that do not.

So Labour's first challenge is to lock in our hard won economic stability – a task even bigger than creating stability over the

past six years – so that we entrench a long term culture of stability from which to meet our economic, employment, and public service objectives.

Building economic stability is never a final achievement – it requires vigilance. We must not and will not repeat the mistakes of the past or put at risk economic stability. We will not go back to the policies of the Conservatives, who by their commitment to cutting public spending, even now would put Britain into recession.

What more can we do to entrench stability in Britain? Are there any further measures we can take to ensure that Britain continues to have low inflation, economic growth and rising employment ?

The Euro and stability

Britain is linked to Europe by geography, history and economics. Three million jobs depend on our membership of the European Union. From a time when only 40 per cent of our trade was with the rest of Europe it is now more than 50 per cent of imports and exports. Any decision to join the Euro must advance economic stability and our employment and public service objectives for Britain. We set five economic tests to ensure that joining the Euro would benefit the national economic interest: tests for convergence, employment, investment, flexibility and financial services.

The Government's assessment has strengthened our commitment to the principle of joining the Euro – showing that the gains to

Britain can be considerable. While there has been significant progress in achieving cyclical convergence, we still have to meet the two tests of sustainable convergence and flexibility. But with the achievement of sustainable convergence and flexibility, all five tests can be met. The five tests are our stability guarantee. To meet them would ensure that we will not put at risk our economy or our public services. At all times we will put stability and the national economic interest first. It is because we will never put stability at risk that the tests are indeed high ones: namely to show a clear and unambiguous case for British membership.

How important is the euro to locking in macroeconomic stability?

The public finances

Sound public finances are central to maintaining economic stability. In 1997, the Government inherited a situation where the Tories had doubled the national debt, and Britain was paying out more in debt interest than on schools.

Over the past six years the Government has taken tough decisions on taxation and spending to restore the public finances to a sustainable position, while providing significant extra investment in the reform and modernisation of our public services.

Public sector net debt has been reduced from 44 per cent of GDP when this Government came to office, to around 31 per cent of GDP now – the lowest level of debt as a proportion of national income in the G7.

In 1997, Public Sector Net

Investment stood at just £4.9 billion – 0.6 per cent of GDP – the lowest level for more than a decade. Investment in public services had been on a declining trend since the 1970s, resulting in falling standards in schools, hospitals and other key public services.

The Government is committed to reversing this legacy of under-investment in public service infrastructure. Public Sector Net Investment will rise to 2.1 per cent of GDP by 2005-06, while total investment is set to rise to more than £47 billion a year over the same period. This is the largest sustained increase in public sector investment in over twenty years.

While the vast majority – over 85 per cent – of this increased investment is conventionally procured public investment, the Government supports the use of the Private Finance Initiative to increase investment in our public services as we tackle long standing under-investment and under-capacity. This private sector investment is additional to public sector investment and not, as under the Tories, a replacement for it.

PFI has the potential to bring improved value for money in public services with greater quality and innovation, but the Government has always made clear that this should not be achieved at the expense of staff terms and conditions. Because the decision to use PFI is taken on value for money grounds alone, the Government will no longer use PFI in projects with small capital values and in the IT sector. Equally, the Government will investigate potential new

areas where PFI investment could offer value for money, including in prisons, urban regeneration, waste management and social housing.

In the 2004 Spending Review, we will ensure the sustainability of our fiscal position, while at the same time locking in the improved investment we are making in our public services.

Public investment is the commitment the whole community makes to ensuring opportunity and security for all, and is key to achieving social justice. The Tories cut public investment and as a result the whole community suffered – through run down hospitals, schools, and public transport infrastructure.

How do we make the best case for public investment in the modern world? Should we continue to prioritise investment in public services? What role is there for targeted tax cuts?

Building a modern and fair tax system

Our approach to taxation has been based on the principles of encouraging and rewarding work, encouraging saving and investment, and ensuring fairness.

To deliver the largest ever sustained spending growth in the history of the NHS, the Government raised National Insurance Contributions (NICs) by 1 per cent for employees, employers and the self employed. Although business was concerned about the increase, employers pay less than £10 a week in healthcare costs for their

employees, compared to around £30 a week in Germany, £60 a week in France and \$100 a week in the US.

We have made targeted tax cuts to support families through the Child Tax Credit. Our approach is based on the principle of universal support targeted at those most in need - 'progressive universalism'.

Instead of the old argument between those who favoured only universal benefits and those who supported narrow means-testing, our reforms ensure one seamless system that supports all families through record rises in universal child benefit, recognises the costs of raising children that middle income families face, and to help tackle inequality gives most to those who need it most – those on lower incomes – as we advance toward our goal of halving child poverty by 2010 and eradicating it by 2020.

In the modern world, what are the forms of inequality that should concern us most – opportunity, income, wealth? Is support for all, more support to those who need it most, the right approach to tackling inequality?

We have also made targeted tax cuts to help the low paid, for example, the new 10p rate of income tax, and the Working Tax Credit. As a result of our personal tax and benefit reforms, even after the NICs rise, families with children are on average £1,200 a year better off.

In each of these areas, global economic change has led us to modernise and reform. So too it

has been with measures to help business, where – to maintain our international competitiveness – we have, for example, cut corporation tax from 33p to 30p and cut capital gains tax from 40p to 10p for most investments.

In an increasingly competitive global economy, we will continue to reform to achieve a modern tax system based on central principles that ensure fairness and opportunity and security for all while at the same time raises sufficient revenue to pay for investment in public services.

Our principles most relevant to an increasingly competitive international economy involve:

- First, encouraging and rewarding work, as we have done with the new 10p rate, tax credits and the cut in the basic rate of income tax;
- Second, encouraging saving and investment, as we have done by cutting corporation tax, capital gains tax, small business corporation tax, and with our ISA tax relief and the new Child Trust Fund; and
- Third, encouraging fairness, which is the basis of the tax credit reforms including the Child Tax Credit, the Working Tax Credit and the Pension Credit. These reforms help middle and lower income families – helping them when they need help most.

In an increasingly competitive global economy, do the principles of encouraging work, encouraging saving and investment, and fairness, which at the same time raises sufficient revenue to pay for investment in public services remain the correct principles for taxation?

The next stage of reform: full employment in a flexible economy

A sound macroeconomic framework is a necessary but not sufficient condition to achieve, in an increasingly competitive global economy, opportunity and security not just for some but for all.

Globalisation brings new opportunities for individuals, businesses and countries to develop trade round the world and to prosper, but it has also brought new risks and insecurities – with faster movements of capital, people and ideas round the world, a more volatile international economy, and the risk that you can lose out not just in global competition but lose your national markets as well.

China has been growing by 8 per cent a year and is catching up on the European economies. Asia, not least India, is producing millions of skilled graduates. Labour costs in Asia and Eastern Europe are leading hundreds of firms to base their low skilled – and even some high skilled operations – there.

Manufacturing and services are being transformed by new digital and other advanced technologies. As a result, a restructuring of the

international economy is taking place, demanding new responses from advanced industrial economies like Britain.

The challenge is to devise ever more effective ways of achieving our objective of high and stable levels of growth and employment as we harness the opportunities that globalisation brings and expand our national wealth so that Britain can be more productive and prosperous.

Achieving our goal of full employment is more difficult in a global economy, but because of the inequalities globalisation can bring, achieving full employment matters even more. Employment opportunity for all offers everyone the chance to fulfil their potential; it is the precondition for a fair society; it is the key to funding decent public services; and it is a right that must be matched by responsibility. But in a global economy, it has to be achieved in new ways: high skills and training; better work-life balance; fast adapting labour markets; and active labour market policies that equip people for the future.

How important is reform of housing benefit and other local flexibilities in reducing unemployment?

Raising productivity in a flexible economy

Productivity growth, alongside high and stable levels of employment, is central to raising long-term economic performance, which in turn is key to improving living standards and future prosperity. The UK has historically experienced low rates of productivity growth by international standards. Since

1997 we have taken action to increase the productivity of the economy, but we must go much further if we are to close the productivity gap between the UK and our competitors.

In the modern global economy, faster productivity growth demands new flexibility in product, capital and labour markets, with government, firms and individuals able to respond quickly and adapt rapidly to change.

In an open and far more rapidly changing global trading economy, flexibility - the ability to respond quickly - is not an option. It is a necessary precondition of success. Without firms prepared to innovate and adjust, economies become sclerotic. Without the capacity to develop the new skills needed, countries will simply be left behind.

In the modern economy, there are two approaches to economic policy: flexibility without fairness – the Tory way – which leaves people helpless in face of change, or flexibility with fairness – Labour’s way – where governments and firms equip people to cope with change and tackle the insecurities that surround it.

Dynamic and flexible product markets help firms respond effectively to economic shocks and take advantage of competitive opportunities, ensuring high levels of output and maintaining employment. The challenge for the UK is to sharpen the competitive business environment and improve opportunities for entrepreneurship.

Dynamic and flexible capital markets play an important role in ensuring an efficient allocation of capital for investment, supplying capital for new business opportunities and helping to stabilise the economy in response to shocks – roles that would be increasingly important were the UK to join the single currency. The challenge for the UK is to further strengthen the flexibility of capital markets through modernising financial regulation and improving options for investment and new businesses.

The modern route - indeed the only route - to full employment for all regions and nations is to combine labour market dynamism and flexibility with fairness. In the past, supporters of full employment have not been in the habit of thinking of flexibility as a route to full employment. And supporters of greater flexibility in our economy have seldom described its benefits as the attainment of full employment. Yet today flexible economies are also the economies with higher employment.

It is right both to create dynamic and flexible markets – with local flexibility and reformed employment services – and to equip people to master change – through investment in skills and training, through the best transitional help for people moving between jobs, and by matching flexibility with fairness through the operation of a minimum wage and a tax credit system. The Government has also guaranteed new rights to paid holidays, the right to time off when your children are sick, the right to be a member of a trade union, and new rights against

unfair dismissal, and rights for part time workers equivalent to full time workers. So we are proving that in the pursuit of full employment, fairness and flexibility can move forward together.

How do we ensure that greater dynamism and flexibility which encourages jobs growth also promotes greater fairness?

Creating an enterprise economy

Enterprise is key to delivering growth and flexibility in a modern economy. Labour supports the policy of enterprise for all – the opportunities of starting a business, becoming self employed and working your way up opened up to thousands of people from all social backgrounds hitherto denied the chances to make the most of their potential.

In the 1980s, the Tories’ ‘enterprise culture’ was for a privileged few, and boom-and-bust deterred thousands from starting up and growing their businesses.

Looking to the future our aim must be that there are chances available to start up businesses, become self employed and to work your way up in every region and community of the United Kingdom.

Ambitious, enterprising businesses give customers more choice, challenges existing companies to do better, creates new jobs, and helps to support sustainable regeneration and neighbourhood renewal in disadvantaged communities.

However, rates of entrepreneurial activity in Europe are typically only half the levels in the US, and variations in start-up rates between regions are even greater, with creation rates five times higher in the highest areas compared to the lowest.

The Government's cuts in long-term capital gains taxes from 40p to 10p, in corporate tax from 33p to 30p, and for small businesses from 23p to 19p – show that Labour's objective is to make our investment incentives and rewards rival the best in the industrialised world. But we must go much further.

How do we remove the barriers to enterprise so we have thousands more small and growing businesses, especially in regions where business creation rates are low? What more can government do to raise the historically low levels of business investment in the UK?

Efforts to build a deeper and wider enterprise culture must begin in schools. The curriculum should ensure every pupil learns about and then experiences enterprise at first hand. And a new national council for graduate entrepreneurship should encourage students into business careers. To deliver a deeper enterprise culture, a British enterprise week – held for the first time in 2004 – will benchmark and celebrate British entrepreneurial successes in every region, so that every community sees its entrepreneurs, inventors and creative talents as role models.

How do we ensure a greater focus on enterprise in schools?

We must remove all unnecessary barriers to wealth creation. At every stage – starting up, investing, hiring, training, seeking equity, starting to export – government should remove all the old barriers holding the enterprising back, and make it easier to start up, help bridge the equity gaps, and encourage small business to export. We should constantly examine whether wasteful regulation is holding business back. We are cutting the time and cost of VAT administration and reduce the audit burdens on small firms, and put existing and proposed European regulations to the 'costs' test, the 'jobs' test and the 'is it really necessary' test. The last of the permanent old industrial subsidies should be swept away across Europe, and the old days of centralised sponsorship regimes and picking winners are over.

How do we relieve businesses of unnecessary regulation, especially small businesses?

Small business creation is vital to the success of local economies, but large regional and local disparities continue to exist in the rates of small business creation. So to remove the barriers preventing firms from starting up and growing in our most deprived communities, we have designated 2000 new Enterprise Areas – where we encourage economic activity by cutting the cost of starting up, investing, employing, training, managing the payroll. Here we are bringing together industry, planning, employment and social

security policies to tackle local property market, capital market and labour market failures – hence the new community investment tax relief, the relaxation of planning regulations, the abolition of stamp duty, the engagement of the New Deal – government and business working together to bring investment, jobs and prosperity to areas that prosperity has still by passed. We will pioneer new approaches not traditionally associated with Labour – including a vigorous private rental sector in housing – and have proposed that Whitehall returns to local councils up to £1 billion of rates income as a reward for new business creation.

How can central and local government work better with business in our shared efforts to get more enterprise into the 2000 Enterprise Areas?

Increasing competition

Competition is central to the creation of flexible product and capital markets, and is an important driver of productivity performance. Competitive markets provide incentives for firms to respond quickly to changes in technology and costs, to adopt more efficient ways of working, and to develop new products and services that meet the demands of consumers. This is essential if businesses are to take full advantage of the opportunities offered by the European Single Market and by free and open trade.

The Government has taken significant steps to ensure that the UK competition regime ranks among the best in the world.

Implementation of the Enterprise Act will further strengthen the competition regime by giving full independence to the UK competition authorities, creating a new proactive role for the Office of Fair Trading (OFT), and allowing criminal sanctions to be imposed on those engaging in hard core cartels.

Following radical improvements to the UK competition regime, the challenge now is to develop an equally effective consumer regime that empowers and protects consumers, boosting competition and enhancing productivity.

The OFT is successfully promoting competition in specific markets. Four market studies - on pharmacies, private dentistry, consumer IT services and extended warranties for electrical goods - have already been completed. Further studies on taxi services, estate agents and doorstep selling are underway.

Effective and well-focused regulation can play a vital role in correcting market failure, promoting fairness and ensuring public safety. However, unnecessary or poorly implemented regulation can be an obstacle to flexibility, restricting competitiveness and employment growth, stifling innovation and deterring investment.

Building a modern industrial and regional policy

In the old days, hiding behind national barriers and controls, government could attempt to shelter and protect their own industries with subsidies and with corporatist policies to pick

winners. This can no longer work even in the short run. Global competition exposes inefficient and uncompetitive companies more quickly than ever, and in this more open, more fiercely competitive global economy governments cannot use the old levers to achieve their objectives. So we must recognise that there is no longer a case for centralised sponsorship mechanisms, rather the job of government is to promote and extend competition – at home and throughout the EU – forcing producers to be efficient, extending the choices available to consumers and opening up opportunity for the ambitious and the risk-takers.

The paradox of globalisation is that it puts more emphasis on the local. The more we are interdependent, and thus the more our regions face intense global competition, the more successful will be the regions and localities that have the flexibility to adapt to change.

We are moving beyond the old centrally imposed industrial policies – the corporatist policy of picking winners – in favour of a new regionally driven focus on local enterprise, local skills and local innovation.

The Government's objective is to make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions. The RDAs are a major innovation as the strategic leaders of economic development and regeneration in the regions.

The more each of the UK's regions and Scotland, Wales and

Northern Ireland enter into global competition, the more we must encourage and help them harness their distinctive strengths, overcome their weaknesses and, rise to the challenge of making their skills, innovation and enterprise world class. The focus must be on moving from centrally administered subsidies to locally-administered incentives that encourage local skills, innovation and investment and boost the indigenous sources of regional economic growth.

To achieve this we also move from the old idea that regional policy is just the work of one or two government departments. In the new regional policy for a more flexible economy each department must step up the pace of reform and devolution, from centrally administered R and D spending programmes to the encouragement of local technology transfer between universities and companies and the development of regional clusters of specialisms; from a national one size fits all approach to skills to devolving 90 per cent of the learning and skills budget, so that we can promote regional excellence; from centrally run housing and transport policies to greater regional coordination, offering greater flexibility in response; and from centrally administered small business policies to more local discretion starting with, in the East and West Midlands and the North West, the small business budget locally administered with the Regional Development Agencies - improving the delivery, effectiveness and coordination of business support management at the regional level.

What is the right balance between national, devolved and regional decision making in economic policy, should the co-ordination of economic and industrial policy be strengthened at the regional level? What additional powers would RDAs need to play this role?

Investing in manufacturing, science and innovation

In today's highly competitive economy, investment in science and innovation is more urgent than ever before. Innovation is an increasingly important source of productivity growth. New ideas generate products and markets, improve efficiency, and deliver benefits to firms, consumers and society. Manufacturing is vital to the economic strength of the regions. In every measure we have taken, from R&D tax credits to regional venture capital funds, the greatest beneficiaries have been manufacturers, as we seek to build modern manufacturing strength. In particular, the UK has an excellent scientific research base, second only to the US in terms of the volume and influence of scientific publications, but has historically been less effective than other advanced industrial economies at turning research outputs into innovations with commercial potential. The UK also has a relatively low overall level of industry-funded business R&D compared with industrial competitors, despite having high R&D intensity in particular sectors.

In some sectors Britain leads the world in innovation: aerospace,

pharmaceuticals, biotechnology, financial services and many of the creative industries.

But we need to widen this base and do more to make the most of the opportunities in new technologies from gene technology and nanotechnology to environmental sciences.

The Government is investing an extra £1.25 billion a year to expand the science research infrastructure and to train more skilled scientists and engineers, and has introduced new Research and Development tax credits, worth half a billion pounds a year to company innovation and research. But to create the virtuous circle of innovation we need from the university lab and the science park to the workplace of every company, we must take further steps to improve science education and the science and technology skills base; re-equip science and engineering laboratories in colleges and universities; build centres of excellence in British science and innovation; fund science technology and engineering postgraduate researchers to tackle skill shortages in key disciplines; invest in increasing the quality and quantity of science, technology and engineering research; and continue in the regions the work of science enterprise centres to spin-off companies from research and provide the capital to finance inventions – to ensure we tackle our long-term failure to transform pure research into British products and ensure that more British inventions mean more British manufacturing and more British jobs.

And so that Britain can triumph in the high value added, custom

built, technology driven products, the Lambert and Sainsbury reviews will promote business-university link ups – from investing in spin-offs to regional technology transfer.

How do we remove the barriers to innovation and science so that Britain leads again in technology engineering, and the exploitation of science? How can we enable universities to play a bigger role in the economy – through research and spin-offs? Should they be freed further from national regulations? What more can we do to help manufacturing win in the global economy?

The Government is well on track to bring all its services on-line, and household access to digital technologies and broadband is now rising very fast. Looking to the future there are great opportunities for both business and government to make more use of digital technologies - with online information, training and advice, and transactions. A key issue will be how to ensure that everyone has access. The Government is committed to working towards the 'switch off' of existing analogue broadcasting

How can we hasten the date for Britain to go fully digital and switch-off old analogue broadcasting systems? In particular, what more can we do to encourage the 4 in 10 households that are not digitally connected to get on-line?

Reforming planning and housing

Alongside a skilled labour force, and competitive and flexible markets, investment in physical capital is vital to support a flexible and productive economy. In the past, the capital stock of firms and the stock of public infrastructure in the UK has fallen well below the levels in other industrial countries, impairing the UK's labour productivity performance.

We must do more to improve the planning system. Building on the reforms already announced to deliver a step change in planning policy, further significant changes in the planning, supply and finance of housing will be required to address demand and supply in the housing market to tackle market failures, significantly increase the responsiveness of supply to demand, and reduce national and regional price volatility. It is vital that planning underpins a flexible housing market, responds better to the needs of deprived areas, and is better aligned with transport objectives. These objectives will not be delivered without a change in the culture of the planning system.

Since 1997 an additional 1.1 million British families have become homeowners for the first time - home ownership benefiting from the lowest mortgage rates for forty years and rising in all parts of the UK and to 70 per cent of all households, the highest level in our history, higher than in America and Europe. But with housing demand at historically high levels, housing supply has remained low. Indeed, most stop-go problems that Britain has

suffered in the last fifty years have been led or influenced by the more highly cyclical and often more volatile nature of our housing market. The volatility of the housing market and potential for higher inflation is a problem for stability that the Government is determined to do more to address to produce greater stability and reduce the risks of inflation.

Starting with a transformation of the planning culture and steps to match rising demand to a static supply, Britain's housing market urgently needs and entrepreneurial revolution, and nowhere is this transformation in both attitudes and policies more necessary than in the private rental sector – so that it can make a major and rising contribution to a range of housing need.

Housing finance needs to become more certain and planning more flexible. The Miles Review is examining the case for, and how, Britain can develop a market for long-term fixed rate mortgages - something that is important to the UK in or out of the euro, and more important in a single currency area.

The Barker Review will report on how we can reduce barriers to increased housing supply. In addition to measures already announced to double public investment in new homes and the renovation of housing estates, and to speed up planning decisions, the Government will now intervene where planning authorities fail to prepare proper plans or deliver an adequate supply of new housing; if necessary call in proposed major housing developments; and

consider the case for binding local plans to increase certainty and ensure the stability of the housing market.

Successful relocation out of London by private companies suggests public sector jobs transferred to regions and nations could exceed 20,000 - to the benefit of the whole country. So the Lyons Review will advise on the scope for relocating public service staff from London and the South East to other parts of the country.

How can we ensure a sufficient number of homes are built, including affordable housing, to reduce housing market volatility?

Do housebuilders, developers and local authorities have the right incentives to release land for building?

Public sector reform

A dynamic economy depends on dynamic and efficient public services. Our modernisation of public services must deliver efficient, responsive public services with high standards, fit for the 21st century.

The next Spending Review – and the preparation of the next manifesto – give us the opportunity to build on the lessons from the first stage of public service investment when we radically increased the levels of public sector investment in hospitals, schools, transport and other infrastructure.

In this Spending Review our emphasis will be ensuring that public funds are directed to services that are tailor made to meet the needs of the individual – away from the one size fits all approaches of the past.

The reason is clear: we must respond to the individual's aspirations and needs, and we must reflect the desire of the individual to have more control over their lives.

We must recognise that the one size fits all model of service that was relevant to an old industrial age will neither satisfy individual needs or meet the country's requirements in the years to come.

Starting in 1997, our first Spending Reviews had to put right decades of Tory under-investment and ensure that capacity was increased to tackle long term under provision of hospitals, schools and other facilities. So we have doubled investment, rebuilt hospitals, renovated 30,000 schools, reformed all accident and emergency departments, and introduced new services such as NHS walk in centres and NHS Direct. We have increased pre-school places for nursery education by 500,000 as we have increased further and higher education places.

Now we have to ensure that enhanced public sector capacity delivers what the public expects, wants and deserves. So the next Spending Review will focus on those areas where – with capacity sufficiently expanded to meet the diversity of choices people have – all citizens will enjoy far greater control and effective choice to ensure the public services meet their needs.

To achieve this the Spending Review will look at how we make the hard choices which will deliver tailor made services to the individual, personal to them

but fair to all. We will seek to ensure that direct accountability, reporting regularly and locally direct to the users of the service – will increasingly replace process and input targets at a national level. We want to look at how the user can have more control and choice over the direction of the service, often by elected bodies or direct say and individual choice by the consumer. The role of more executive agencies, nationally and locally, responsible directly for the delivery of services should also be examined.

In the next Spending Review which are the key areas where we should give all citizens far greater effective control and effective choice to ensure public services meet their needs? How can local accountability best work in the future? What is the right balance between national standards which prevent postcode lotteries and local discretion?

How do we do more to tackle poverty and inequality?

Social justice and strong communities are absolutely central to our party and this Government.

Social justice and strong communities are absolutely central to our party and this Government. And since 1997, we have worked hard - and with real success - to tackle inequality, to expand opportunities for all and to build communities where people respect each other and feel a sense of belonging and pride of place. We have done so in a new way. Giving people the power to transform their own lives, their family and their community through a new, enabling welfare state - one that seeks not just to ameliorate poverty but to tackle its root causes.

But the scale of the problems we have inherited and the speed of change in every aspect of our lives poses new challenges. So here we explore the next steps we must take on the road to fairness. We ask how we can most effectively intervene in the early years to boost inclusion and social mobility; how best we can support parents but also what should be expected of them. We explore how we might build on the Child Trust Fund. On employment we call for a more ambitious contract between citizen and government with better support, aiming higher on

skills and job development but also stronger expectations that those who can work will.



And on regeneration we ask how we can devolve more power to the local level, including a stronger role for communities to run services.

Children's life chances

Our crusade to tackle inequality starts at the beginning with our children. In the most ambitious social objective ever set by a Labour Government, we pledged to eradicate child poverty in a generation. We have wasted no

time. Real rises in Child Benefit and the new tax credits have meant families with children are on average £1,200 a year better off. We have cut rough sleeping and are beginning to make in-roads into reducing our high rates of teenage pregnancy. More has been invested in education. There are smaller primary class sizes and a stronger emphasis on literacy and numeracy. Parents are more involved in their children's education through home-parent contracts. Tough action to reduce truancy has ensured they take greater responsibility for their child's attendance at school.

We are already seeing the results. Over 500,000 children have been lifted out of poverty. The proportion of children living in houses that don't meet basic standards has fallen from 43% to 30%. Schools in the most deprived areas have seen their results rise fastest.

Yet despite this success we can't under-estimate the scale of the challenges we face. Labour inherited one of highest rates of child poverty in the OECD with a third of children living in low-income poverty. The education attainment gap remains stubborn. Our strategy has to be an all

embracing one - addressing income, access to basic amenities and key services such as education and health.

What more do we need to do to tackle child poverty? What balance should we strike between increasing family incomes and improving targeted public services?

We understand more, too, of the key factors and times that impact on the life chances of children. New research shows that the early years of a child's life are crucial to their welfare and future. Sure Start is aimed precisely at addressing early childhood disadvantage, improving childcare, health and family support in the most deprived areas. Local parents are directly involved in shaping provision to meet local needs. We have also matched new resources with demanding targets to reduce worklessness, maternal smoking and the number of children at risk and with learning and behavioural difficulties. We have concentrated efforts to boost family incomes on those with young children through, for example, the enhanced child tax credit available for babies. Our wider childcare strategy has created 1.3m new childcare places, around 8,000 out-of-school clubs and a new curriculum for the early years that places a premium on play and learning. A core goal is getting children ready to learn at age five.

But despite this progress, we still lag far behind the best in Europe. The bulk of our public investment on children, too, still goes to schools and higher education. If we are to make a

lasting impact on children's life-chances we will need to step up our early interventions so we address the causes of disadvantage rather than simply dealing with the symptoms.

Sure Start Westminster,
Church Street

The Sure Start Church Street local programme is based in the London Borough of Westminster.

Over 750 children aged under 4, and their parents, are able to access a range of services, such as projects to encourage dental health, breastfeeding, and smoking cessation. The programme also offers a range of family services: home learning and speech/language therapy programmes; a Children's Centre, offering pre-school and crèche services to support parents and children and an outreach service to support parents and carers among others.

The benefits are clear: for example, there was a 576% increase in children registered with dentists in the area as a result of the programme's work on oral health; and a reduction in the proportion of 4 year olds with a speech and language development delay since the introduction of the programme's home visiting service.

There is growing understanding of the contribution that wealth and asset ownership can make to increasing life chances and lifting expectations – improving both health, employment and earning prospects. The Child Trust Fund will provide every child born

after 1st September 2002 with an endowment of £250 that will be doubled for poorer children. We expect parents, the wider family, schools, charities to help build up this nest egg. And as children grow, we hope they will also take an interest in their own fund, so increasing the chance that they will save for their own futures. We are also piloting the Saving Gateway which provides matched funds for people on low incomes to encourage saving. This is all part of an enabling state that expands opportunity and helps people to help themselves.

How should we extend the principle of widening asset ownership embodied by the Child Trust Fund to other forms of savings?

Giving families and children the support they need means ensuring we offer them effective support. This means better integration of services, as we have through Sure Start in the early years or through the Children at Risk Green Paper. But in the most deprived areas, success is threatened by real difficulties in recruiting and retaining social workers, teachers, educational psychologists and other key staff despite substantial rises in public sector pay. In some inner city areas vacancy rates for social workers can be as high as 40%. We are starting to tackle the unaffordability of housing for key workers, which leads to particular problems in public services in deprived parts of the South East, but more needs to be done.

How can we ensure that we get the best public sector professionals to work in poor areas where their skills are needed most?

We've always known that good parenting is crucial to children's healthy development and future chances. But new evidence underlines this importance. Post-natal depression, for example, has been shown to have very significant effects on a baby's social, educational and emotional well-being. Good 'at-home parenting' has a crucial impact on children's achievement and adjustment. At primary school the impact caused by different levels of parental involvement (regardless of social class and educational background) is bigger than differences associated with variations in the quality of schools. Parenting influences outcomes through setting high aspirations and shaping children's own concepts of themselves as learners. We want children from all backgrounds to be able to benefit from a culture of high expectations.

Parenting support to tackle anti-social behaviour

The Spokes Project is an intensive course in primary schools aimed at reducing anti-social behaviour and improving reading skills. The first term addresses the parent-child relationship and how to handle difficult behaviour. The second term comprises a ten week reading programme, and the two elements are then combined in a six week course in the third term. Children's social behaviour is shown to have improved as a result and their reading level increased by seven months.

How can we spread high educational aspirations to the poorest in society?

For older children, the transition into secondary school is a vital moment to keep parents, teachers and students engaged. All parents at times face challenges in bringing up their children but for some parents under stress, the task can be particularly hard. We need to develop new kinds of support, advice and mutual parenting networks to help families in difficulty. When older children go off the rails evidence suggests compulsory parenting classes can be an effective way of reducing anti-social behaviour and truancy. Parents have welcomed such support and have not minded that it was compulsory. While there has been a growth of after-school and holiday activities, too many occur on an ad hoc basis and are insecurely funded. Yet we have excellent facilities for sports and training such as those in independent schools and the armed services that are under-utilised.

What support do parents need to help them improve their children's behaviour and development? Are we doing enough to enable children from poor backgrounds to benefit from summer camps and out-of-school activities?

Our approach to transforming children's opportunities will mean not only concerted action to tackle inequality across the generations but also supporting good relationships within families – helping parents to meet the new challenges and risks that children face and to support them at times of change and crisis.

Delivering full employment

Unemployment is a constraint on the economy's growth potential – the economy's strength depends on how many people are in work and how productive they are. Employment has risen by 1.7 million since 1997 with employment rising and unemployment falling in every region. Our employment rate is much higher than the EU average and our unemployment rate is significantly lower than the EU average and is the lowest in the G7.

However, there are still specific problems which need to be addressed, both in terms of regional differences in employment rates, and continuing levels of inactivity. To achieve employment opportunity for all we need to both maintain economic stability and create a dynamic labour market that equips people to adapt to change.

While the New Deals have successfully led to increases in overall employment, concentrations of unemployment persist. Some parts of our country still have twice the unemployment of others and too often national rules in employment policy do not encourage local initiative and innovation. Here again there can be no one size fits all policy for the unemployed. Different areas have different needs and different skills requirements. And unemployed men and women deserve choices in the way the service is provided for them.

To deliver full employment for all in every region, local and regional economies must be

equipped to adjust and respond to change. So it is time to give local Jobcentres discretionary and local powers so that – in ways that are targeted, distinctive and flexible – they can fill local vacancies and help the long term unemployed respond to local employment and skill needs. In industries from tourism and the rural economy to IT and manufacturing, Jobcentres should develop their local plan for full employment in their area:

- In place of Whitehall controlled ring fencing, there will be local discretion to award grants for training, travel to interviews, and direct cash support to bridge the transition to work;
- There will be new powers to provide intensive job preparation courses and early entry into the New Deal;
- And drawing on a new ethnic minorities fund, jobcentre staff will be able to tackle the particular barriers facing those who too often miss out on jobs.

In return for local discretion, a new performance regime will accord higher rewards to top managers with provision to change the management of the worst performing.

And in addition to requiring the long term unemployed in 40 areas of the UK to take jobs on offer;

- for those unemployed for thirteen weeks we now propose widening the area of job search to work within one and a half hours of home and a new six week period of weekly rather than fortnightly signing on;
- for all unemployed, an increase in the minimum number of job applications and other requirements in return for benefit;

- and for the partners of benefit claimants, work focused interviews and help to support the search for a job.

To recognise local and regional conditions in pay, such as the extra costs for retention and recruitment that arise in London and the South East, especially for the low paid, the Government will also make sure that the remit for the Pay Review Bodies and for public sector workers, including the civil service, includes a stronger local and regional dimension. This will sit side by side with national guarantees of a national minimum wage and a national tax credit system.

Is there further to go in creating more regional autonomy in employment programmes within a national framework of rights and responsibilities?

Tackling inactivity

Achieving Labour's historic goal of full employment is within our grasp if we are able to reach out and help those core groups that have been locked out of jobs.

Many lone parents and those with health problems or disabilities want to work if they had the right opportunities and support. Nine out of ten children living in families on benefit are in inactive households. To eradicate child poverty we will need to raise employment levels among these groups.

It was not long ago that making benefits to the unemployed conditional on them seeking work was seen by many on the left as unacceptable. Through the success of the New Deal we now know that, along with

personalised support and good incentives to return to work, that this is a significant factor in reducing unemployment. It is this combination of changing material conditions as well as behaviour and motivation that works. This is all about finding new routes to fairness.

How can we tackle the still high levels of economic inactivity in the UK?

Lone parent employment, education and training have all grown substantially since 1997. Lone parent employment stands at its highest level ever at 53% and at 59% if we include education and training. But these levels are relatively low by international standards and still well below our 2010 target of 70%. Barriers to work for many lone parents remain substantial, incentives can still be low particularly when housing, travel and childcare costs are high as in the South East. The opportunity for family friendly working is growing but remains out of the reach of many. Children have to be dropped off and picked up from school. Maintenance payments for many are still low and sometimes unpaid.

Lone parents on Income Support now have to attend a work-focused interview as part of their entitlement to benefit, but do not have to look for work or prepare for work until their youngest child is aged sixteen. Given the changes in women's working patterns and the poverty associated with long term reliance on benefits there is a case for offering increased support and extending responsibilities to lone parents with older children to look for or prepare for work.

Should we extend better childcare, training and family friendly working to lone parents in exchange for increasing responsibilities to find a job?

One of the most contemptible aspects of the Conservatives' record was the attempt to disguise their employment failure by consigning an ever-growing army of people to incapacity benefits (IB). The numbers on IB, now stable, trebled between 1979 and 1997. Many on IB are not able to work and here the government's task is to ensure a decent standard of living, good quality services and community engagement. But only one million of the 2.7 million now claiming Incapacity Benefit say they do want to work. And changes in the labour market including the use of new technologies and the rise in service jobs should enable us to help the many who want to work fulfil their ambition.

We are already providing this extra support through the New Deal for Disabled People and through the Pathways to Work pilots that try out new ways of combining help with jobs, skills, financial incentives and rehabilitation for those on Incapacity Benefit. We have also introduced a single work-focused interview and a follow-up every three years for those claiming Incapacity Benefit. New civil rights for disabled people and the Disability Rights Commission act to combat discrimination. We are leading the world in this area, but we need to be more ambitious still.

Barriers to work are considerable. Once someone is on Incapacity Benefit for one year they only have a one in five chance of returning to work within five years. Around 40% of people on Incapacity Benefit have no qualifications. So we need to address employer discrimination, skill levels, rehabilitation services, co-ordination between GPs and Job Centre Plus and financial incentives.

Should we extend better help to get into work, training and rehabilitation for sick and disabled people in exchange for increasing responsibilities to find an appropriate job?

There will always be some people with a health condition or disability who cannot work. Despite new civil rights and investment in services and financial support, disabled people are still disadvantaged and unable to participate fully in economic and community life. The array of benefits, services and types of assessment can be confusing, difficult to access and not joined up. For many disabled people the issue is both about provision of specialist services but also about how they can be enabled to access the same services – both public and private – as other people.

How can we ensure specialist and public services better respond to what disabled people want?

Investing in skills: a learning job for all

The quantity and quality of skilled labour in an economy are important determinants of economic performance and productivity growth, and the

adaptability of the UK labour market is central to the flexibility of the economy as a whole. Skilled workers often adapt faster and more effectively to change, allowing firms to update products and working practices at the rate demanded by rapidly changing markets. International evidence suggests that the UK suffers from significant skills shortages, especially at the lower-intermediate level.

So with full employment within our reach, our challenge is to make work more fulfilling. That means supporting people to improve their skills, so that they can contribute more at work – and get more in return, more job satisfaction, more pay, more job security. We want to create a business culture in which every job is a 'learning job'. Today, people who already have good education and skills expect to have opportunities for development. Tomorrow, everyone should have that same expectation.

The more skills a person has, the better the job they can get. The more skilled people we have in our economy, the more prosperous it is. So the first thing we need to do to ensure to create the good jobs of the future is to raise the level of skills in the workplace. In the long-term, this can be done through raising standards of education for our young people. But we also need to use education to give everyone of working age the tools to better themselves, and raise the pool of talent from which our companies can recruit.

Since 1997 we have increased the opportunities for lifelong learning for those who seek it.

The strategy for basic skills has helped 470,000 people with literacy and numeracy. We have given a statutory backing to trade union learning representatives, helping individuals obtain the skills they need to flourish in a changing economy. We fund higher education provision for adults. And we are piloting a new approach to in-work training combining direct financial support for business, especially small business, with time off for their employees. Now, we must mainstream adult training, at all levels and for all ages, to give employers the talent they need to compete and individuals the skills they need.

Do we need a New Deal for the employed, so that people at work can get personal advice to help them develop new skills and opportunities for advancement? How could this be funded? Could the unions fulfil this role? Should we give priority to particular groups – for example those with the fewest qualifications who are least likely to get any on-the-job training at present or those facing redundancy?

There is a growing recognition that in skills policy the old voluntary and ad-hoc approaches did not work. Moving to a post-voluntary approach to skills training requires a new relationship between the government, employers and individuals in which everyone plays their part and accepts their responsibilities. Government to provide the resources and opportunities, employers to ensure all their employees have opportunities to train, individuals to take up the opportunities on offer.

What are the responsibilities of employers in relation to the substantial increase in workplace skills that our economy requires? How can we encourage all businesses to follow the model of the most successful in investing in skills and training?

Employer Training Pilots

The Employer Training Pilots were introduced in September 2002 to encourage employers to invest in skills and qualifications particularly for low skilled workers - over 3,000 employers and 14,000 learners are taking part across England. Early findings suggest that the pilots are particularly successful in reaching small companies who have traditionally faced more difficulties in investing in the skills of their employees.

The typical learner benefiting from the pilot is female aged over 35 and in full time, but low-skilled and low paid-work. She will have left school at 16. For many learners this will be the first time they have been offered the opportunity to gain basic skills.

Employer Training Pilots, launched in September 2002 in twelve local Learning and Skills Council areas, are exploring ways to counter the financial barriers, time constraints and information failures which currently exclude people and businesses from the training they need to develop and progress. Across the twelve pilots, firms offer low-skilled workers paid time off to train and the Government is testing the impact of subsidies to cover

the costs involved, together with free training courses up to NVQ level 2, and information and guidance on training. The Government has provided £130 million in England to enable Employer Training Pilots to be extended for a second year and to around one quarter of local LSC areas. New pilots are now operating in Berkshire, East London, Kent, Leicester, Shropshire and South Yorkshire. The extension will provide important evidence to inform the development of national policy in this area.

What are the responsibilities of employees in relation to training? How can unions be helped to better promote their members interests as partners in the success of the enterprise in which they are engaged? How can they be encouraged to offer more advice to individuals on matters such as skills, training and career development, as well as collective bargaining?

Tackling inequalities at work

Fairness and productivity go hand in hand. The partnership approach is one of the ways of getting the best out of people at work and people getting the best from work. We plan to continue to use the Partnership Fund to support good practice at the work place. The operation of the 1999 Employment Relations Act has been reviewed and the government engaged in discussions with the social partners on the implementation of the new Information and Consultation Directive in the UK.

The best employers already know that they need to use the qualifications and skills of all parts of their workforce. This matters to individuals as well as to companies who need the competitive edge that a diverse workforce brings. That's why we are outlawing discrimination at work not only on the grounds of gender, ethnicity and disability but also age, sexual orientation and religious belief. At national level we have announced our intention to create a new body - the Commission for Equality and Human Rights to bring together the different commissions and extend the remit to cover new issues: age, faith and sexual orientation. The inclusion of the promotion of human rights represents an attempt to move beyond thinking of people in particular categories. It embodies the values of equality, dignity and community and also helps us to resolve conflicts between different communities. In parallel we have brought in new laws to promote race equality and for disabled people civil rights are being transformed in relation to employment, services, transport and more.

But in some areas we still face important challenges. While we have relatively high rates of female employment by European standards, the gender pay gap is still too wide. The National Minimum Wage amongst other measures reduced the pay gap between men and women by 2 percentage points, but the gap remains stubbornly at 18 per cent. Ethnic minorities face a higher risk of unemployment than the white population but there is considerable variation between groups. Ethnic minorities are also more likely

to have lower incomes – for example in 2000 the average weekly income of Bangladeshi men is £142 a week compared to £297 for white men.

And there is inequality, too, at director level. In the UK, only 9% of the top company board members are women. Only one woman has made it to CEO of a FTSE 100 company. Only one woman out of 100 chairs a FTSE 100 board. Yet there is increasing evidence that having women on the board is not only the right thing to do, because it makes proper use of all the talent and experience available, and helps companies to better represent the society in which they operate, but there is also growing evidence of positive effects on company performance and good corporate governance. That's why the Government has been working with business and other stakeholders on the Higgs Review and the subsequent work led by Laura Tyson to find ways to increase the number of women as executive and non-executive directors.

What more can we do to bridge the pay gap between men and women? How do we address the inequalities faced by different ethnic minority groups?

Creating sustainable communities

The Labour Party was founded on community values and a determination to improve housing and the quality of life for all. There was a time when Britain led the world in visionary planning for communities, but then we lost our way. We built too many soulless estates and dormitory towns, tore the heart

out of our town centres and failed to meet housing need. We built housing on the cheap and forgot about the needs of the community – the jobs, the local shops, the good schools, the parks, public spaces and public transport.

But we are revitalising our communities, reversing the legacy of decades of neglect. People are moving back into our cities. Around 1 million more homes have been made decent, we have halved the number of households in England in 'fuel poverty': doubled investment in affordable housing; increased investment in rural housing; and helped boost homeownership by more than a million.

However, there is no quick fix to revitalising our communities and no uniform solution. The problems we face in the north where there is low demand are different from most of the south-east where people are being priced out of their communities. We must continue to get people working together to find local solutions that connect our policies on housing, transport, regeneration, planning, job creation, crime prevention and improving the local environment.

Learning from the mistakes of the past, we are leading a step change in the way housing and our communities are planned, designed and built. Our £22 billion Sustainable Communities Plan includes record increases in investment in housing, major changes in planning, design and construction and a new regional approach to tackling the different housing problems, north and south. We are also proposing new home ownership schemes

which will help first time buyers get a foot on the housing ladder and new legislation to tackle bad landlords and improve the home buying and selling process.

Reform of Housing Benefit is also necessary to promote improved labour mobility by making it easier for tenants to move localities in response to changing labour market conditions. We are testing ground-breaking reforms of Housing Benefit in the private rented sector. This will put money in the hands of the tenant and enable them to choose the type and standard of property they want – either paying a little bit more for improved housing or seeking better value accommodation and keeping the difference. This will help drive up housing quality, give tenants more power and simplify the benefit process which will help us drive down fraud and remove barriers to work.

What can we do to simplify housing benefit and extend choice to tenants in both the private and social rented sectors?

In some parts of the country, where traditional industries have declined, the housing market has collapsed and thousands of homes lie abandoned. Some of these communities have become breeding grounds for criminals, drug dealers and rip-off landlords. Many have high concentrations of worklessness. We have made it a priority to turn these communities around and have created a dedicated £500m housing market renewal fund for nine of the worst affected areas together with extra regeneration money.

In London and the South East

demand for housing continues to outstrip supply. This is why the last budget announced that Kate Barker would lead a review into the barriers to housing supply. We are spending over £5 billion on more low-cost housing (double what it was in 1997) and £1 billion for key worker homes. Our plans for the Thames Gateway and the other growth areas in the South East and South Midlands will deliver an extra 200,000 homes and 300,000 new jobs. By building at higher densities on recycled land – the Thames Gateway is on the largest Brownfield site in Europe - we can protect the countryside, avoid pepper pot development and achieve more balanced growth.

Community action

Locally run schemes like the New Deal for Communities and the Neighbourhood Renewal Fund have contributed £4bn into regenerating deprived areas. We have also invested in rural housing and are working with the private sector to bring new life to long neglected communities, such as our coalfield areas.

The task of creating cohesive communities on the ground is a demanding one. Some New Deal for Community strategies have been very successful, others more mixed. We need to find ways of learning lessons more quickly and effectively. Key features of success include creating safer places through neighbourhood wardens (now numbering 500), community parents and dedicated estate police officers, strong local involvement, commitment from a large player such as the Local Authority or health service;

Differences between areas

On a range of indicators, people living in the most deprived areas in the country are more likely to be disadvantaged than those living in other areas of the country.

Housing In the 10 per cent most deprived wards, 19 per cent of homes suffer from high levels of vacancy, disrepair, dereliction or vandalism, compared with 5 per cent of homes elsewhere.

Health Those living in the most deprived areas have twice the mortality rates of those living in the least deprived. Life expectancy in 2000 was 79 in England but three years less, 76, in the most deprived 10% of wards.

'Liveability' of local areas

Deprived areas were twice as likely to have poor local facilities, and two and a half times more likely to have a high level of local problems. Residents were twice as likely to have been a victim of crime and felt much less safe in the streets after dark.

Low income and worklessness

Compared to those in other wards, households in the 10% most deprived wards stood out as being unemployed (7%) or economically inactive (22%) and on an income of less than £200 per week (58%).

developing playgrounds, community centres and parks and a strong emphasis on employment and skills. We are also trying out local approaches to increasing jobs such as the

Employment Zones and Employment Action Teams which provide tailored solutions to the very different problems faced by cities like London, Liverpool and Glasgow. Imaginative use of culture and creative industries are being used by cities like these to improve the economy and quality of life in local neighbourhoods as the Capital of Culture competition showed.

How can we enable our creative sectors to work with local partners and be more engaged in these ambitious ideas?

New Deal for Communities shows how effective partnership between the public and voluntary sectors can reap results. We need to apply these lessons more broadly to the public services. Some services have successfully developed routes for community and user engagement. In schools, this ranges from the role of parent governors, the contribution of parent teacher associations through parents assisting in classrooms to the support of private and charitable organisations for City Academies. Other public services have been less successful at tapping into voluntary capacity. Our approach to public services, emphasising diversity of provision and new forms of accountability, will provide new opportunities for the voluntary and community sector. Legislation is enabling the establishment of Community Interest Companies; these could be excellent vehicles for greater voluntary sector engagement in service delivery.

But despite the scale of activity and investment we still face substantial challenges. There are

extra resources going into improving our streets, parks, play areas and public spaces, but surveys show that many people feel that the quality of their local environment has deteriorated. There are still several thousand very poor neighbourhoods that face unacceptably high levels of deprivation.

Substantial task remains; to spread good practice effectively, to get engagement from key players and in particular the major providers of public services and the Local Authorities and to ensure close working between different parts of the community. Many local organisations report that they find it difficult to deal with the wide range of central and local initiatives and funding streams. Many excellent projects are reliant on short-term funding which can leave them high and dry when the money runs out.

Can we streamline regeneration funds and cut unnecessary bureaucracy – for example by putting them under the control of the high performing local authorities or local neighbourhood councils?

How do we lead healthier lives?

The NHS embodies our values of fairness and social justice. Care on the basis of need not ability to pay. A universal health service, not a third-rate safety net.

Yet only a few years ago the very existence of the NHS seemed to be in doubt. Now with sustained investment and radical reform, few question that a tax-funded NHS can and does work for Britain. But if it is to prosper, the NHS will have to respond to the challenges now facing healthcare systems across the developed world. Medical advances have eradicated some illnesses while opening up new possibilities in the treatment of others. Affluence and consumerism have hugely raised our expectations. And much ill health now results from our choice of lifestyle.

Equity and efficiency both point towards sticking with tax rather than insurance or charges as the way of funding the health service. But to sustain citizens' continuing support for a tax-funded system grounded in the values of social solidarity, the NHS now has to embrace and radically extend patient choice to ensure services are responsive to individual needs and preferences.

So here we ask the challenging questions about how, grounded in our values, we make the NHS a service 'free to all, personal to each', and how responsibility for

improving health and well-being should be shared between Government and the people.



For Labour in Government one of our most important missions is to renew and revive the NHS. The last few decades of the 20th century saw Britain's health spending fall steadily behind other countries. By 1997 our health spending as a share of our national income was the second lowest of all major industrialised countries. And the resulting symptoms were visible to all. Long waits, outdated buildings, and the lowest availability of doctors in the EU.

That is why our first priority has been to grow the treatment capacity of the NHS at an unprecedented rate. We now

have a 55% increase in medical school places, around 10,000 more GPs and consultants, and over 55,000 more nurses and other health professionals since 1997.

New hospitals and equipment are coming on stream. When Labour took office half of all NHS buildings had been built before the NHS was founded in 1948. That has already fallen to a quarter. Over the next three years £2.3bn will be spent on delivering modern IT providing electronic health records, e-prescribing and e-booking. In England average waiting times for an operation are under three months and very long waits have been eliminated.

But as well as building capacity, the system needs fundamental reform. We want to put more power in the hands of individual patients and local communities. Only in that way can the NHS deliver the vision of personalised care which the British people demand for the 21st century. So radical changes are now underway to devolve power away from Whitehall and closer to the patient. Local communities control three-quarters of NHS

spending through their Primary Care Trusts. Hospitals will be paid for treating individual patients to encourage them better to meet local needs and priorities. Patients are increasingly being offered choice of provider. High performing hospitals are earning freedom, able to become NHS foundation trusts looking to their local communities for direction not Whitehall.

As importantly, we have begun to tackle the causes as well as the consequences of ill health. We are taking prevention as seriously as cure and recognising that better health depends as much on the responsible actions of the public as it does on the quality of services. Tobacco advertising has been banned, smoking cessation support introduced and school children are provided with free fruit. The combined effects are obvious. Since New Labour came to office, premature deaths from cancer have fallen by 10% and from heart disease by 20%.

A revitalised NHS

The British people want to see better health services. And health services have to be funded. There is no cost-free way of raising health spending, whatever the funding method - be it private insurance, social insurance, charges or taxation. One route is the Tory way: cutting back on public spending on the NHS, promoting private insurance for those who can afford it. But we believe that to be not only unfair but also inefficient. Private insurance would also do little for middle aged or retired people who are the main users of the NHS. And the new genetic knowledge could increasingly

threaten the very existence of the private insurance alternative. Another route would be to fund the entire NHS through social insurance as in parts of Europe, but this would simply redistribute costs onto workers and employers.

Instead we believe it is right as well as efficient to fund healthcare from progressive taxation spread across the population as a whole. We believe healthcare should continue to be available free at the point of need, a necessary but not sufficient condition for equity of access. That is why NHS spending is rising by 7.4% a year in real terms to fund a 'catch up' period of NHS improvement over the next five years. So by 2008 the share of our national income spent on health will rise to 9.4%, around the spending levels of our major European partners.

A well functioning NHS also provides major economic benefits to the UK. Sickness absence costs business £11 billion a year, so a healthier workforce will help boost productivity. By divorcing health coverage from employment it makes it easier for employees to switch jobs. NHS collaboration with the biopharmaceutical sector will help create and sustain high value-added jobs in a sector which adds over £5 billion a year to UK GDP. And the way the NHS uses its £72 billion of spending as a major employer in some of our most deprived communities and as a purchaser of goods and services can have important economic 'multiplier' effects.

Choice, responsiveness and diversity

The NHS has to earn the support of each generation afresh. As investment flows into the health sector and capacity expands, public support for the NHS will depend on its ability to respond quickly and effectively to patient demands.

So in a world of greater public expectations, and historic inequity in NHS services, the NHS will have to empower all patients with information, active support and real choice. This in turn needs to be matched with genuine devolution to Primary Care Trusts and NHS foundation trusts so that they have the ability to respond quickly and sensitively to patient need and preference.

Choice for NHS patients can improve equity by stimulating better performance from providers in deprived communities; and by extending to everyone the options that have historically been the preserve of the few who paid privately outside the NHS. By helping ensure services are genuinely responsive to the differing needs and preferences of patients, choice can also help sustain taxpayer support for a progressively funded universal health service. In short individual responsiveness in provision reinforces social solidarity in financing.

We have made a start by offering patients who have been waiting at their local hospital the chance to be treated more quickly elsewhere at an NHS or private provider. In national pilots, 50% of cardiac patients and 70% of

other surgical patients have exercised that choice. Now we want to extend it much further. We want to be able to offer all NHS patients choice of provider within the NHS at the point their GP tells them they are likely to need an operation, irrespective of whether the NHS provider is public, private or voluntary. Similarly we want to extend genuine choice of NHS-funded care to a much wider range of services, including maternity care and chronic conditions.

How can we continue to expand choice within the NHS in ways that are consistent with its core values? Should we use the opportunity of new technology and the single electronic health record to allow patients through their GP complete choice within the NHS, whether the NHS has contracted care from the public private or voluntary sector?

What lessons are there from other European countries, however they are funded, that combine both high equity and much wider patient choice?

To give hospitals the freedom to respond to the different needs and preferences of their communities we will ensure all hospitals are able to become NHS foundation trusts. To ensure PCTs are able to act as effective planners and funders of care, they need to devolve budgets and power to their GP practices, and they should consider forming networks across the country to share sophisticated information and analytical support. Patients will continue to choose

NHS hospitals for much acute care so for the foreseeable future NHS providers are likely to continue to deliver most health services. But there also needs to be greater plurality of provision – to expand capacity fast, to stimulate improvement and provide genuine choice.

How do we open up the provision of free health services through the NHS so that we get genuine diversity of supply? What might be done to encourage new providers of diagnostics and other services to tackle some of the existing bottlenecks and waits?

How do we strengthen PCTs so they effectively plan and fund care that reflects the needs and preferences of their local residents?

Are we prepared to see individual hospitals or primary care services whose services are not chosen by patients either restart under new leadership or close?

Over 80% of the NHS workforce are women, and like the population overall, the NHS workforce is ageing. The NHS is particularly reliant on highly skilled workers – by the end of the decade the NHS will need to attract a fifth of all new graduates from higher education. New workforce strategies will be required; the three new contracts recently agreed - for GPs, consultants, and ‘Agenda for Change’ - will help.

What changes will be needed to overcome outdated demarcations between health professions? How will new technology affect staffing requirements?

Quality of care and medical advance

We know that as we succeed in offering choice, bringing in new providers, and thereby cutting waiting, other aspects of quality will rise up the list of public concerns. The Bristol Inquiry into children’s cardiac surgery showed that patients need better information on care, and that NHS and private providers need external scrutiny.

That is why in Labour’s first term we put in place national standards through NICE and the independent inspectorate CHI – a radical break with the postwar tradition that quality of care was a private matter for individual professionals and hospitals. In our second term this agenda has been extended with a commitment to the introduction of mandatory no-blame reporting of medical errors to improve patient safety, and the annual publication of information on quality and surveys of patients to track variations and changes in quality of care.

Some experts have predicted that medicine will change more over the next 20 years than it has in the last 200 years. Infectious diseases will require new action. And over the coming decades understanding of the human genome will offer many opportunities to prevent disease and improve treatment of both common and rare disorders. Genetic screening is already well established and genetic tests are

available for over 400 diseases. Pharmacogenetic drugs, designed to match people's gene types, and genetic therapies are anticipated within the next ten years.

In the longer term, advances in genetics could increasingly move the medical system from one based on "diagnose and cure" to "predict and prevent". As genetic knowledge brings greater predictability of a person's future healthcare needs it is likely to undermine the market for voluntary private health insurance as it becomes ever harder to pool people's risks with premiums mirroring each individual's predicted healthcare costs.

This all reinforces the strategic case for funding healthcare through taxation across the whole population, rather than trying to do so through more individual insurance as advocated by the Conservatives.

How do we ensure that the benefits of new genetic knowledge are used to improve the health of the whole population and not just those who can afford to pay? What are the implications of genetics for private health insurance?

A further change is underway. Traditionally the NHS has focused on treating individual episodes of illness. But unhealthy lifestyles and an ageing population mean that in future it is chronic conditions that will become more important. Already 9 million people are living with long term illness such as arthritis, asthma or heart disease. Mental health problems affect

around one-in-four of the population at some time in their lives, and are a growing issue amongst the young and socially disadvantaged. These trends mean the NHS will increasingly need to move from being a reactive to a proactive care provider.

Alongside this increasing problem of chronic disease, people are taking a greater interest in their own health. Sales of consumer health magazines have grown at around 20% every year over the last decade. Use of alternative and complementary therapies is growing rapidly. Patients are using the internet to research health information and access online support communities.

This presents risks - advice and information may not be appropriate or safe. But it also provides the opportunity to improve the management of chronic diseases in partnership with 'expert patients', empowered to help manage their own care.

Health prevention and inequalities

Over the next 20 years, overall life expectancy is expected to grow by around two months a year. But we could improve this further and help ensure these extra years are healthy if we could tackle cardiovascular disease and cancer which are each responsible for a third of all premature deaths. This will require us as individuals and as a nation to take our health and fitness more seriously. The role of government is to create the right conditions for health and to tackle the factors that increase the likelihood of poor health - poor housing, poverty,

unemployment, crime, poor education and family breakdown. But we must also work in partnership with communities and individuals so they can properly take responsibility for improving their own health and wellbeing. In short there needs to be a new deal between state and citizen. Whether we succeed or not will have big economic consequences - for the productivity of the workforce, and for the amount of our national wealth we have to spend on treating illness.

Looking to the future how should we strike the balance between investment in prevention and cure? And how do we help people take more responsibility for their own health and lifestyle?

Over the last few decades health inequalities have widened. In the early 1970s death rates amongst men of working age were almost twice as high for unskilled groups as they were for professional groups. By the early 1990s death rates were almost three times higher amongst unskilled groups. Ethnic, gender and geographical health inequalities also persist.

A growing contribution to health inequalities now comes from the higher rates of smoking, poor diet and lack of physical activity among poorer people. So as well as tackling poverty and powerlessness in our deprived communities, we also need to focus on specific aspects of prevention.

Although smoking has almost halved in the last 30 years, it still kills over 120,000 of our fellow citizens each year,

through increased risks of cancer, respiratory and heart disease. Smoking is the primary preventable cause of class inequality in healthy life expectancy. Smokers, on average, die 14 years earlier than non-smokers and often suffer from chronic ill-health. That is why two-thirds of smokers say they want to give up. Our job is to help them. We have banned tobacco advertising and introduced free smoking cessation services. But we need to do more.

Should local authorities have new powers to introduce smoking bans at work and in public places?

Britain is rapidly becoming one of the most overweight nations on the planet. Obesity almost trebled in the last two decades and now affects 22% of adults. It magnifies the risks of heart disease, diabetes and cancer, and shortens life by as much as nine years.

One of the key ways to prevent ill health is increasing physical activity. And despite the fact that sport is very popular in this country, we have low participation rates with only a third of people doing enough sport and activity to keep them healthy. We want every child to do at least two hours of high quality PE and sport per week. We will be putting an additional £1 billion into sport for young people over the next two years. This will ensure a step change in the range and quality of PE and sporting opportunities in schools with 3,000 coaches, 15,000 sports teachers and more than 2,000 new facilities coming on stream over the next 12 months.

What should be done to encourage schools and universities to open up their sports facilities as community resources? Should we be doing more to incentivise personal fitness such as joining a gym?

Should the advertising of unhealthy food targeted at children be banned or further restricted? What more can the food industry and the Food Standards Agency do to reduce the amount of salt, sugar and fat in food?

Alcohol is another cause of unnecessary ill-health. Most people drink safely – and moderate drinking may improve people's health. But a quarter of men and nearly a fifth of women drink more than the safe quantity of alcohol each week. Life years lost to men dying early from alcohol abuse rose by 80% during the 1990s. Binge drinking by teenagers is on the rise, and is a key cause of antisocial behaviour and violence.

Is there a case for a levy on alcohol advertising, with the proceeds ploughed back into treatment and into advertising campaigns promoting responsible drinking by young people?

How do we make our communities safer?

In 2001, Labour was the first government in nearly half a century to enter an election with crime lower at the end of its first term than when it took office.

Now we must sustain this momentum.

Huge challenges face us. As technology changes, so too will the nature of crime. The internet and continuing communications revolution bring new forms of crime and make it harder to link offenders to specific locations. Information and identity theft are becoming increasingly common and demographic changes will change patterns of victimisation and offending.

In responding to these challenges our core values are clear. We must continue to be tough on crime and on criminality but tough on the causes of crime too. So, tougher sentences for dangerous and persistent offenders with extended supervision after release. But also action to divert young people away from crime and tackle drug abuse.

We must create a new relationship between local residents, victims and witnesses and all of those agencies involved in fighting crime and bringing offenders to justice. So, new forms of police accountability at neighbourhood as well as force level and a criminal justice

system sensitive to, and shaped around, the needs of victims and witnesses.



We must reform the way government itself works and make the most of the £1 billion being spent on criminal justice IT over the next three years to cut delays and duplication.

We have achieved much. A complete overhaul of our youth justice system, the lowest victimisation rates in twenty years, the most radical criminal justice reforms in a generation, record numbers of police officers and prosecutors. Now, when we are finally on the threshold of

real change, is not the time to call a halt to reform. Whilst the Tories and Liberal Democrats defend the status quo and fight tooth and nail to block our reforms, we say the status quo is not good enough.

Having dramatically improved the youth justice system we need radical reforms to the way we handle sentenced adult offenders, including sufficient prison capacity for dangerous and persistent offenders and to send a strong signal to those who breach their sentence. And there must be far tougher enforcement of fines and other court decisions – contracting these functions out where that is necessary to improve performance.

We need a modern 21st century police service that maximises the time officers spend on frontline crime-fighting by civilianising all routine tasks back at the police station. And we should ask whether we should be making far greater use of police community support officers for routine patrol work to improve public reassurance and free up uniformed officers for other, more demanding roles.

And for those crimes which go

beyond force boundaries we need to consider whether a single agency and stronger powers are needed to bring real focus to the fight against organised crime – with a greater powers for the police and other agencies to seize criminal cash.

Crime and criminal justice reform

Though crime has fallen by over a quarter since 1997, the future holds enormous challenges. Each new electronic innovation brings rapid benefits for the consumer but fresh targets for the criminal too. As the rate of technological progress accelerates so too does the potential for crime epidemics. Whilst the internet means that criminals can now target the UK from other countries not everyone working in the criminal justice system can even securely e-mail each other. As the value of consumer products shifts from the hardware itself, to the electronic service that hardware provides, so too will the focus of criminal activity, with identity and electronic fraud a growing problem. Demographic changes – the growth in single person households, an ageing population and (in the short term) a growing number of young men aged 15–20 will mean ever shifting patterns of crime and criminality.

The performance of the criminal justice system itself is now beginning to improve. Local Criminal Justice Boards, set up earlier this year to bring the chief officers of local criminal justice agencies together, are already making a difference.

But now may be the time to consider other structural changes

if we are to keep up the sense of momentum. The basic structure of the police service, for example, hasn't changed for forty years yet the nature of crime and criminality has evolved greatly. The split between the prison service and probation service may no longer be sustainable if every prisoner, no matter how short their sentence, is now to receive supervision in the community after release.

But most of all our criminal justice system still needs further reform. Police and courts are still working within a system designed for a Victorian age. The injustices of that age – poorer defendants facing death or deportation with no proper legal representation and precious few legal rights - are thankfully a thing of the past. But they have been replaced by a new injustice as poor victims in some of our most deprived communities see their attackers escape prosecution and watch drug dealers and persistent criminals operate acting as though above the law.

And our criminal justice system continues to process all crimes in the same way when common sense tells us that anti-social behaviour is an entirely different phenomenon from international drug trafficking or money laundering. We need to develop responses that match the scale and characteristic of each type of crime and acknowledge that a one size fits all justice system is no longer good enough. That is why, for example, we are setting up pilot criminal justice centres to deal with low level offending that are more responsive to the needs of the community. While at the opposite end of the spectrum, we are reviewing the

structures and powers that are needed to tackle serious, organised crime at the national and international level.

The criminal justice system must continue to change. It must be fair and it must be as effective at convicting the guilty as it has been at defending the rights of the innocent. The real choice that faces us is between accepting the status quo and the limited improvements that managerial change can bring and pressing on with radical reform. Extending the rights of the victim and the wider community does not mean reducing the rights of defendants.

Criminal justice agencies must work much more closely together to bring more cases to justice. The trial process should be clear and simple, and dealt with quickly after the arrest. Jury trials should be the norm for serious cases. But evidence should much more easily be admitted. The victim should be involved in the process so that his or her views are respected and properly considered by the courts. The orders the courts make must be respected – fines paid, bail honoured, community penalties complied with. The sentences courts pass must match the criminal as well as the crime and reflect the concern of their community. That means prison for dangerous or persistent offenders with other sentences which prevent re-offending for the rest.

We face a fundamental choice about how we now move forward.

The Conservatives and the Liberal-Democrats say that

further integration and better performance management compromises the independence of the agencies. They defend existing poor performance and inefficiency because they say to make changes would compromise defendants rights.

But we do not and cannot accept that high ineffective trial rates, long delays, un-enforced warrants and poor quality case files do anything but penalise the victim and reward the defendant who plays the system. Criminal justice agencies can work together far more closely than in the past. Already the CPS is putting prosecutors directly into police stations to provide pre-charge advice – with dramatic effects on the number of cases that have to be discontinued. Courts, CPS and police are working closely together to manage the preparation of cases and ensure that all the necessary work is done well in advance and not the night before. New fee arrangements will reward defence solicitors who ensure their case is ready for trial and not for repeated adjournments.

So we do not accept there has to be a choice between independence and effectiveness. In the interests of all those involved in the system – defendant as well as victim - we need more integration not less.

But we also need to change the rules of the system itself. As long as we continue to spend twice as much on criminal defence legal aid as on the CPS we cannot accept that the balance between the rights of the defendant and the needs of the community is right. Those rights, backed up by Labour's Human Rights Act, are

clear and unambiguous. The right of a defendant to know the case he has to answer, to have a proper opportunity to answer it and to be tried by an independent and impartial court. But the community is also entitled to see cases dealt with as quickly as possible, as clearly as possible and as effectively as possible. The two entitlements are not in conflict.

We have brought the agencies that fight crime much more closely together. We have increased the number of prosecutors. We have widened the evidence that can be admitted. But more is needed.

Over the next three years we are investing well over a £1 billion on improving criminal justice IT. By next year, all criminal justice agencies (including defence solicitors) should be able to send secure e-mails to each other. By the end of 2005 they should be starting to work off shared case files and victims should be able to track the progress of their case on-line. And major up-front investment in police IT should mean that key information about each case only has to be entered once – at the point of arrest – not over and over again as each case enters a new stage of the process.

What changes to the criminal justice process itself may be needed to maximise the impact of the £1 billion we are investing in modern criminal justice IT technology?

The Criminal Justice Act together with the move towards a single unified courts service will deliver the biggest shake up to criminal justice procedures in a

generation. New rules in relation to hearsay evidence and a defendant's previous convictions will finally mean that juries will be given the full facts about each case on which to take an informed decision. The prosecution will have a new role in deciding charges to reduce the number of cases that drop out further down the line from inadequate evidence or incorrect charging.

Underlying all these measures is our commitment to victims and witnesses. Since 1997 we have put the victim back at the heart of the criminal justice process. We have doubled funding for Victim Support and given the courts new powers to protect vulnerable witnesses. The new Sex Offences Act provides better protection from sexual assault for children and other vulnerable people (for example, those with a learning disability) and victims now have a legal right to present their views on the impact a crime has had on them to the court before sentencing decisions are taken. We will honour our Manifesto commitment to legislate to give victims clearer rights to information and protection and will be strengthening our laws against domestic violence.

What more must be done to rebalance the criminal justice system towards the needs of victims and witnesses?

Sentencing and correctional services

In relation to offenders, we need a more imaginative and robust approach to punishment so that sentences finally match the offender as well as the offence. We need to rebuild the

confidence of sentencers and the public in fines by making sure they are paid and that they match the means of the offender.

Should the fines that people pay for criminal offences have a stronger link to income so that offenders who can, pay more?

We need more intensive community sentences that tackle every aspect of an offenders behaviour, including expanding the use of electronic monitoring and tracking technology, to ensure that the highest risk offenders stay away from locations from which they have been banned. Every offender leaving prison will be supervised after release – including thousands of prisoners sentenced to less than 12 months each year who currently get no supervision at all.

One of the greatest challenges both for the government and for our nation is the scourge of hard drugs. The use of drugs contributes to the volume of crime as users attempt to raise the money to pay the dealers through theft, but it also destroys families, kills individuals, and undermines communities. The challenge is both a cultural and criminal one.

The government's drug strategy focuses efforts on the key strands of this challenge: preventing young people from using drugs and developing drug problems, reducing the supply of drugs on the street, reducing drug related crime, and providing effective treatment and harm minimisation measures. Nearly £500 million is being invested in the Criminal Justice Interventions Programme,

in our highest crime areas. Every property offender charged with an offence will get a drugs test and if they test positive will be given a clear choice – accept treatment before you come to court or expect to have your bail application refused. And there will be proper follow up and support for addicts leaving prison.

In tackling the problem of drug abuse in the UK, how should we balance treatment, punishment and prevention?

How do we radically improve the enforcement of fines and other court decisions such as bail warrants and should these sort of functions be contracted out?

Should we increase the use of suspended sentences, curfews and custody to punish offenders who breach a community sentence or refuse drug treatment when testing positive for class A drugs – particularly for those who have previous convictions?

Alongside a radically new sentencing framework we may also need a similarly radical restructuring of the services that must deliver and enforce these punishments. The current split between the prison and probation services and the local agencies which must provide education and housing to those released from jail mean too many offenders are falling through the gaps and returning to crime. So we are considering how the Prison Service and National Probation Service can be brought closer together to improve the way offenders are managed across the whole of their sentence.

How do we build on the success of the government's youth justice reforms to make adult prisons and the probation service more effective at reducing re-offending?

Policing the future

As crime and criminality change so too do the challenges facing our police service. From neighbourhood level anti-social behaviour to global terrorist threats the demands placed on the police have never been more varied.

We have invested heavily in the police service since 1997. Police spending has increased by a quarter in real terms since 1997. Police numbers are at record levels and there are record numbers of support staff too. And alongside these extra resources, new powers and new technology like the DNA database and 'Airwave', a new national police communications system.

A stronger focus on performance is also becoming firmly embedded as we improve the frequency and quality of performance data and the Police Standards Unit works with forces to drive up their performance. But, as with the rest of our criminal justice system, now is not the time to ease up the pace of reform.

Whilst the Tories may talk about rolling the clock back and ending all government involvement in police performance, we say that government still has a vital role to play in supporting forces to deliver excellent results.

Performance still varies too much between different forces.

Detection rates are finally starting to improve but are still too low. Links between local people and local policing priorities are still weak and are set at force rather than borough or neighbourhood level. Structures for tackling serious and organised crime which crosses force boundaries are not strong or effective enough. And unduly restrictive rules and regulations about which staff may perform which functions within the service have prevented the creation of a proper unified service with the flexibility and skills mix needed to properly match staff to tasks. Though there are now 10,000 extra police officers on duty than there were in 2001, the public remains unhappy about levels of visible patrols. While forces have axed thousands of unnecessary forms and are working to civilianise routine jobs, uniformed officers continue to spend too much time tied up in bureaucracy in the police station and not enough on front-line crime fighting duties.

The challenges of the future are clear: to devolve resources and responsibilities down to local basic command units so that they can get on with the battle against volume crime; and to create the national and regional structures that are needed to fight organised crime. We need to remove unnecessary restrictions on staff roles and responsibilities within the service so that uniformed officers can focus on the most demanding frontline duties; and to create clear and effective local accountability arrangements that give local people a say in policing priorities at neighbourhood and district level as well as at force level. Forces themselves are already devolving resources and

responsibilities down to local basic command units and the Chief Superintendents who command them as it becomes clear that this is the level at which the fight against crimes like burglary and car crime is really won. The Home Secretary is consulting on a wide range of options for improving local involvement in decision making on crime and community safety including the idea of neighbourhood level community safety panels and wholly or partly elected Strategic Policing Boards operating across the whole of a force.

Alongside more officers, forces are employing more support staff to help with routine administration back at the police station. On the street, dedicated police community support officers on patrol are an increasingly familiar sight often working alongside the street wardens that many local authorities are themselves employing. By 2004, there should be 4,000 in post, but in time should they, rather than uniformed officers provide the bulk of routine street patrol?

What should a modern 21st century police service look like? How do we 'civilianise' back-office tasks so that police officers can do the job they joined the service to do?

How far can the use of police community support officers be expanded? Should we give local communities the opportunity to invest in additional CSOs and wardens themselves?

Preventing crime

Radical reform of the criminal justice system and improved police performance both have a role to play in reducing crime and bringing offenders to justice – but it is just as important that we prevent crime happening in the first place.

Crime prevention should be everyone's responsibility. Local authorities, the health service, transport providers and the private sector all have a vital role to play. At a local level Crime and Disorder Reduction Partnerships – established by Labour in 1998 to bring police, councils and other local agencies together – are driving forward shared strategies and agreeing shared priorities for action. Every local council now has a legal duty to consider crime reduction in everything it does and new Youth Offending Teams are working to prevent at risk youngsters becoming involved in crime.

We have invested hundreds of millions of pounds in targeted crime prevention programmes – from city centre CCTV schemes, to lock-fitting services for pensioners to targeted policing projects to tackle racial harassment and domestic violence. A major drive by the Department for Education and Skills and the Department for Culture Media and Sport over the past 18 months to reduce truancy and provide school holiday activities for tens of thousands of youngsters on high crime estates has significantly cut youth crime in London and other cities.

What should be the correct balance between the resources we invest in catching and convicting offenders and what we spend on preventing crimes happening in the first place?

Anti-social behaviour

While crime has fallen, concern about anti-social behaviour has risen so that people continue to feel unsafe and threatened in many local communities. Drinking on the streets, noise, graffiti, misuse of fireworks and airguns and a lack of youth facilities all contribute to the problem. But what has made it worse is that the traditional ‘guardians’ of public space like caretakers, park keepers, bus conductors and station guards disappeared under the Tories. The police, faced with increased demands for an emergency response, are unable to fill the vacuum. And the public themselves became increasingly unsure about intervening as once they might. As people become more mobile, communities less stable, neighbours less able to distinguish between locals and outsiders, a walk-on by society has replaced one where we once would all have kept an eye out for each other. Parents too have found it difficult to access the help and support they need to deal with their children’s behaviour.

How can we reinforce the responsibilities that individuals and families have towards their neighbours? Should those who harass or intimidate their neighbours expect the same access to state support as those who respect others right to peace and quiet?

How can we involve local people more in strategies for dealing with anti-social behaviour? How can local residents be more involved in mediation of disputes and the delivery of justice in their communities?

Local councils in partnership with the police are working hard to make public spaces safe again. Concierge schemes and caretakers are making a come back. Neighbourhood wardens, parks police and the new police community support officers are providing extra re-assurance to the public.

But there remains much to be done and there are new pressures to be dealt with such as the rapid growth in city centre licensed premises and the growth of alcohol related disorder.

How do we best tackle the binge drinking culture and the problems that flow from it? Should businesses like large city centre nightclubs which generate public order problems pay towards the costs of controlling disorder outside as well as inside their premises?

We have given local authorities and the police tough new powers to deal with anti-social behaviour. There are now almost 1,500 Anti-Social Behaviour Orders (ASBOs) in place protecting whole neighbourhoods against some of the most anti-social and damaging local trouble makers. Local councils now have the power to ban on-street drinking where alcohol related crime and nuisance is a problem. Police can close down rowdy pubs and nightclubs and will

soon be able to board up crack houses. The Anti-Social Behaviour Act (ASB Act) will ban the sale of spray paints to youths under 16 and introduce tough restrictions on the sale and carrying of air guns and replica weapons.

But if public confidence is to be restored local councils and police must make full use of these new powers. All too often in the past they have been put off by the expense and delay associated with conventional criminal justice procedures which mean it can take months to enforce action against relatively low level offending behaviour. To speed things up and send a rapid signal to offenders we have introduced Fixed Penalty Notices for a wide range of public order offences that can be administered within hours by police officers. After successful pilots – when over 6,000 fixed penalty notices were issued - they are being rolled out nationally. And under the ASB Act they will soon cover a wider range of offences and be enforceable by a much wider range of local enforcement staff – including local authority employees.

For those offences where most offenders admit their guilt how can we extend the principles of fast-track, summary justice embodied in the new Fixed Penalty Notices?

What more can we do to further expand community-based interventions and sanctions for low level offending and anti-social behaviour?

Organised crime

Perhaps the most difficult and complex future challenge however is how we deal with the hard core of organised criminals who operate across police forces and frequently across international boundaries. Using the latest technology, laundering their ill-gotten gains to hide their crimes and intimidating victims and witnesses when they are caught makes them a hugely difficult group to successfully prosecute and convict. To take them on, police and other law enforcement agencies must use a wide and ever evolving range of techniques and legislation including disruption and seizure of their financial assets as well as individual prosecution.

The 2002 Proceeds of Crime Act gives the law enforcement agencies the new powers they asked for to take the fight to these offenders. The Criminal Justice Act 2003 introduces new protections against jury tampering. Any offender carrying more than £10,000 in cash can now have it taken off them on the spot. A new Asset Recovery Agency is using new civil powers to confiscate the financial assets of known criminals where they are unable to prove a legitimate source for them and is making sure they pay their taxes too. By upping our game against organised crime, millions of pounds of seized assets have been made available for ploughing back into local law enforcement and community anti-drugs work.

But again, structural change could make a difference. We are investing over £900m a year in the fight against organised crime through a wide range of bodies – but the potential for overlap

remains considerable and we still lack a single, national overarching organised crime strategy. Different agencies work to different departments chasing different priorities. But they often use similar skill sets – sometimes against the same criminals. Local police forces find it difficult to give organised crime the priority it deserves.

Learning from organisations like the FBI, should we create a single national organised crime agency to co-ordinate and enhance the fight against organised crime?

Should we lower the threshold at which police and other agencies can seize cash from suspected criminals from £10,000 to something much lower?

Should we allow local criminal justice agencies to keep a larger share of fines collected and assets recovered from criminals – for investment in tackling crime?

What further reforms may be needed to give the courts, prosecution and law enforcement agencies the powers they need to take on the more serious, organised criminals?

How do we give every child an excellent education?

Britain's future depends more than anything on the strength of its education system, the motor driving both opportunity and prosperity.

That is why we made education our top priority in government, and why it must continue to be. The hard work of pupils and teachers has delivered significant progress, particularly in our primary schools, but there remain big challenges. Most OECD countries have ambitious programmes to raise standards, increase choice and diversity in schooling, and expand higher education. Competition will also come from China and India, which are rapidly raising their skill levels. We must keep pace. At every level of education, we need to personalise education within a framework of universal provision – personal to the individual but fair to all, developing the talents of each young person to the full and moving decisively beyond ‘one size fits all’.

This consultation addresses fundamental questions about the future of education. How do we expand and fund provision for under-fives? How can state secondary schools be given more independence and freedom from central and local government, to foster excellence? How do we modernise curriculum and assessment for 14-19 year-olds? As numbers going to university increase, how

do we ensure that those with potential, regardless of background, take full advantage of higher education?



And how do we best ensure access to skills and vocational training throughout life – and how do we fund it?

When Labour came to power in 1997, barely half of 11 year-olds reached the basic standard for their age in literacy and numeracy. More than half failed to achieve five good GCSEs at 16, with many schools achieving at a far lower level. A large proportion of school buildings were in a bad state, and in many key subjects – especially maths and

science – there was an acute shortage of qualified secondary school teachers.

Educational failure was not only a cause of social injustice and wasted talent. It also undermined social cohesion and fundamentally weakened our economy. It was a symbol of Tory priorities that their flagship policy - the Assisted Places Scheme – invested in only a tiny minority of pupils, and made a virtue of taking them out of the state system entirely. Now the Tories want to return to the same idea of using public money to help a small minority opt out, instead of investing in the standards and choices required for all pupils to succeed within a radically improved universal system.

Investment for reform

Money alone cannot guarantee a good education, but extra investment is indispensable to achieving our ambitions. Spending on schools has risen in real terms by the equivalent of £800 per pupil since 1997, taking the national education budget to 5.5 per cent of GDP by 2006. There are 25,000 more teachers and 89,000 more teaching assistants and support staff.

Schools across the country are being improved and modernised thanks to a capital budget increased from £680 million in 1997 to £3 billion this year and £5 billion in 2005. The pay of a good experienced teacher has increased in real terms by 22 per cent since 1997.

At every level of education, this investment has been tied to essential reform, starting with the early years where every three and four year old will from next year be entitled to a free part-time nursery place. Sure Start is providing intensive support for parents in the most deprived areas. Infant class sizes of more than 30 have been abolished. Thanks to the national literacy and numeracy strategies, primary school test results are the best ever and Ofsted, the schools inspectorate, has hailed a 'transformation' in primary education.

At secondary level, the number of failing schools has fallen sharply. Half of all pupils now attend specialist secondary schools, nearly 50 new city academies are open or in preparation, and graduate teacher trainee recruitment has risen by 70 per cent in the past five years thanks to better pay and incentives and a revived image for the teaching profession. In further and higher education, student numbers and the quality of provision have risen steadily.

Investment, to drive further reform and expansion, remains a critical priority. In addition to record state investment, we are also boosting investment from individuals in higher education, on a fair basis. And the role of private and voluntary sector sponsorship in universities and schools has increased substantially,

bringing not only extra funding but innovation and raised ambitions, notably through the specialist school and city academy movements.

As we continue to prioritise education for national investment, which areas should receive most future support?

Under-fives

As earlier chapters have already made clear, all the evidence points to the crucial importance of the early years. Research shows a significant socio-economic gap even at 22 months in the average development which intensifies at every later stage of education. Anti-social behaviour is also often apparent from the early years.

We are steadily improving early years provision. In addition to universally available part-time nursery places for three and four year-olds, there are 1.3 million new childcare places. We have launched Sure Start and children's centres to provide intensive full-time support, integrating early years education with childcare, in the most deprived areas. There will be 580 centres covering the 20 per cent poorest wards by 2006. Our new Foundation Stage provides a distinct phase of learning appropriate for the early years.

The expansion of under-fives services is a critical strategic challenge. In deprived communities, the case for more children's centres is strong. We are debating both the pace at which this can be done and the best models of provision, including locating them where appropriate in existing primary schools and nursery centres. Many parents

across all communities and social groups would also welcome an addition to the universal part-time nursery places. The difficulty in adding to the existing state-funded provision – either with childcare or a longer nursery day – drives many parents into the expensive private sector. Many would welcome extra provision, on the basis of a fair income-related financial contribution. This is standard practice in Scandinavia, and applies in much of England where local authorities are currently able to offer enhanced provision.

How do we extend under-five provision, supporting parents and ensuring that all children reach the age of five ready to learn? What would be the fairest way of funding it?

Provision of Early Years Services: International Comparisons

- Levels of pre-school provision are highest in the Nordic countries, particularly in Denmark and Sweden, where three-quarters of children aged 1 to 6 years attend a publicly funded service (either in a centre or with a family day carer) on a full-time basis. In these two countries and Finland, there is an entitlement to provision from at least 12 months old.
- The English-language countries (US, UK, Australia, New Zealand) tend to have no entitlement to pre-school services, except for nursery education in the UK. All but New Zealand channel most public funding for non-school services through demand subsidies paid to parents (except for anti-poverty

programmes in England such as Sure Start local programmes and Headstart in the US).

- Other European countries mostly offer entitlement to education for children from 3 years. Unlike the Nordic countries, provision for 3-6 year olds tends to be school hours only, rather than full-time. Provision for children under 3 is variable but relatively low. A quarter to a third of children under 3 are in publicly funded services in Belgium and France, including a substantial number of 2 year olds in nursery school. But in other European countries, provision of publicly funded services covers less than 15 percent of children.

Primary education

Basic standards in primary schools have been transformed, thanks to our literacy and numeracy strategies. Our primary schools now achieve highly in international assessments. But while our top 25per cent of 10 year-olds head the international league in reading, the bottom 25per cent remain below the standard expected for their age, breeding widespread disaffection at secondary school and undermining success rates. This problem must be tackled over the next decade to promote the life chances of millions and the productivity of our economy.

Primary education without the basics is a betrayal. We have set targets for an 85per cent success rate for 11-year olds in English and Maths and will provide further intensive support for teachers to meet them. But every parent rightly wants more for their child during the primary years. We want to provide primary pupils with wider opportunities to learn

sports, musical instruments, and a foreign language. We want pupils – starting at primary level – to explore the arts and culture, enhancing creativity and enjoyment. We also need to engage parents much more fully in the education of their children.

How do we steadily broaden the primary school curriculum, while continuing resolutely to improve competence in core subject?

Secondary schools

Transforming secondary education is a key educational priority. We reject any return to the 11-plus. The principles of opportunity and inclusion remain central to our commitment to liberate the potential of every child. But on their own, they are not enough to guarantee higher standards. The dramatic advances at primary level also mean pupils will arrive at secondary school demanding the best. That requires us to modernise radically the comprehensive system to provide a truly personalised education developing the talents of each young person.

There is also a strong international trend towards greater diversity of provision within and between secondary schools, breaking down old monoliths, increasing parental choice and providing more ‘personalised’ education. France has reformed its ‘bacc’ to promote vocational skills and transform school success rates. Scandinavia and the Netherlands are pioneering choice and diversity in the supply of secondary schools – something their social democratic parties regard as essential to sustaining quality and public satisfaction in universal state education.

Secondary-level reform has become a key issue in the US, including the creation of independently managed ‘charter’ schools and the development of ‘schools within schools’, often with distinct curriculum specialisms, within high schools. We face a similar reform challenge.

Schools within schools in the US

The development of ‘schools within schools’ and ‘small learning communities’ is a prime theme in High School reform in the US. The city of St Paul, as part of its mission to ‘reinvent the High School for the Information Age’, is reforming all its High Schools so that every student is part of a ‘small learning community’ that connects every student to a group of 300 to 500 students following similar curriculum programmes.

Typically, each 14 year-old student chooses between several different in-school ‘academies’, with specialisms ranging from science and engineering to fine arts, business and technology and medical and environmental studies. Each of the academies has its own programme of compulsory and optional courses and each also has dedicated groups of teachers. The reform has much in common with England’s specialist schools, developing centres of specialist excellence school by school, raising standards and enhancing choice. The Gates Foundation is pioneering such reforms across the United States.

Specialist schools and Academies

- Specialist schools teach the entire national curriculum

while developing a centre of excellence – and enhanced curriculum provision – in one area, ranging from sports and the arts to maths and technology. The evidence is strong that the focus on achieving excellence in the specialist area raises standards of teaching and learning across the curriculum, so that pupil's gain from specialist schools whatever their particular aptitude. There are now more than 1,400 specialist secondary schools, and by 2006 most schools will have achieved specialist status.

- Academies are new schools, run by independent sponsors with a mission to innovate, being set up in areas of traditionally low standards. Each academy develops a centre of excellence, and many are pioneering business and enterprise in tandem with sponsors with successful business backgrounds. Academies are funded for teaching on a comparable basis to other local schools; they cannot charge fees and they must recruit pupils on a fair comprehensive basis. But they are otherwise free to manage themselves in the best way to achieve high standards. 12 academies are now open, and at least 40 more are planned.

To succeed, every school must have the right leadership. Heads and governors need the freedom, resources and responsibility to run their schools effectively, and we are reducing the regulatory burden on all schools. We want all secondary schools to develop a distinct ethos, mission and centres of excellence, building on the existing successful specialist school movement.

The number of chronically weak and failing secondary schools has reduced sharply since 1997. However, there are still too many which under-perform, leaving too many parents without a choice of an excellent state school. We are investing in new Academies in areas of low achievement, run on an independent basis with a mission to innovate to raise standards. We are developing other models – including federations and collaborative networks – to enable more successful schools to raise standards and lead change across the school system as a whole. All these reform models need to be developed further.

All pupils deserve excellent teaching. Pay has improved and is now linked more closely to achievement; recruitment incentives have been transformed, and the workforce agreement offers new opportunities and much better support both for pupils and teachers. But we must continue to raise the status and performance of the teaching profession and modernise teaching practice, particularly through the application of information technology.

Should state secondary schools have more independence and freedom in how they are managed and governed?

Should we make it even easier for schools to expand or new schools to be established, by sponsors able to provide excellent standards of education, where there is parental demand?

How do we promote more effective collaboration between schools to raise standards? How do we enable

the successful to play a larger role in turning round the unsuccessful?

How do we further improve the status of the teaching profession and give it the support it needs?

Every child is of equal worth. To fulfil the talents of each individual, we must ensure our secondary schools are equipped to provide an education that is increasingly 'personalised'. By this we mean schooling built on high expectations that nurtures each child's special talents, in which learning is tailored to suit the needs of each individual pupil, where children enjoy being taught and where the quality of teaching is high. Standards at GCSE are steadily rising, but nearly half of 16 year-olds are still failing to achieve five or more good GCSEs, and we need to bear down strongly on under-performance.

To achieve this we need a curriculum that engages students more effectively, promoting higher standards and better progression from school and college to university or work-based training. Staying-on rates are improving, but fewer than 60per cent of 17-year olds are in full-time education in England putting the country 25th out of 29 in the OECD league table. There is widespread agreement that the curriculum and assessment regime beyond the age of 14 need to meet better the increasing demands of employers and higher education.

All pupils need to reach the age of 14 fully competent in a broad range of subjects. English, Maths, science and IT are the passport to future success. We need a system

that promotes more effective pathways beyond 14, including high-quality vocational routes that build on the new vocational GCSEs and A-levels and encourage greater breadth of learning. This should allow for greater recognition of students' extra-curricular activities such as voluntary work, drama and sport. We have established the Tomlinson committee to review the post-14 system, to report next year, and this will be part of a major national debate on the future shape of secondary education.

How do we best update the national curriculum for 14-19 year olds? Could an over-arching certificate of achievement – a baccalaureate – help provide a more personalised curriculum, recognising a range of general and specialist learning and promoting greater participation and success in education and training beyond the age of 16?

Parental responsibility is central to effective education, and to a strong society of rights and responsibilities. Most parents take their responsibilities seriously, and welcome the increased role, information and choice they are offered in the education system. Our policies are further enhancing the rights and involvement of parents. But responsibilities must increase too. Teachers deserve respect. They also need full support in the work of schools, including homework and discipline. Truancy and disruption are unacceptable, and remain too widespread. We need to provide additional support and incentives – in line with clear parental obligations – for parents to tackle them. Schools are core community institutions. As we

systematically upgrade their premises and facilities through our ambitious capital programme, we need to make them open, accessible institutions – not restricted to school hours and days, or to the school age population. Schools should be centres for out of hours activities and learning, for parental learning and involvement, for community participation and events and for childcare and a wider range of family and social services.

How do we better enforce parental obligations? How do we encourage schools to become the focal point for education, after-school activities, and lifelong learning in their local communities?

The diversity of our school system is now able to deliver real choice and scope for innovation. Many local education authorities have welcomed these reforms, focusing on how they can add value to the work of local schools. But the performance of local authorities remains highly variable, and schools do not always receive the support they need. Parents want to be sure that additional funding is going straight to the classroom and that the way schools are funded is fair and clear, and is under the effective control of headteachers and governors.

How can Local Education Authorities better support schools and champion the interests of parents?

How do we best ensure that schools are funded on a fair, stable and transparent basis – with all the funding intended for schools reaching them?

Further and higher education

Staying-on rates at 16 are increasing, thanks in part to the new Education Maintenance Allowances providing financial support to less advantaged students. Vocational GCSEs and A-levels, and an upgrading in the number and quality of modern apprenticeships to make them the primary work-based route beyond 16, are improving vocational education.

How do we expand vocational education, especially modern apprenticeships, and link it more closely to the needs of business, so it is valued as highly as going to university?

Demand for higher level skills is strong and growing, and the supply of good graduates is an increasingly potent factor in international economic competition. Nothing would be more regressive than the Tory pledge to cut student numbers and halt future expansion in higher education. The financial benefits to gaining a good degree continue to rise in spite of the significant increase in student numbers in the last 25 years. Research shows that about 80 per cent of the 1.7 million new jobs created by the end of the decade will be in occupations that normally recruit only those with higher education qualifications.

The requirement is particularly for professionals with HND-level technical higher education qualifications below honours degree level. The latest Employer Skills Survey reported that 'associate professionals' and 'technical' occupations have the highest ratio of skill shortages relative to numbers employed –

1.2 per cent compared to 0.2 per cent for managers.

Far from being extreme or unduly ambitious, our 2010 target for half of under-30 year-olds to participate in higher education is firmly within the OECD mainstream. Many developed countries – including Australia, the Netherlands, New Zealand, Spain, Sweden, Finland, and Hungary – are ahead of England’s current participation rate of 43 per cent among under-30s. The proportion of the labour force educated to degree level is 17 per cent in the UK compared to 28 per cent in the US, and our relative supply of new graduates, and the funding and capacity of our university system, will remain well behind US levels even after our current university reforms.

It is not only the American Ivy League that is racing ahead. The average state university in the US is now in a different league, in terms of funding and capacity, from UK counterparts, while America’s community colleges are pioneering progression from secondary education to skilled work and higher education. India and China, among developing nations, are investing heavily in graduate skills. China is creating ten world-class universities, and is driving the expansion of overseas student numbers in the UK and elsewhere.

We have lifted the Conservative cap on the number of qualified people able to go to university which rationed opportunity for working-class students in particular. University student numbers are at record levels, with increases across all social classes – reflecting our commitment to open higher

education to half of all young people before they are 30. But the social class gap in higher education remains unacceptably wide. Young people from professional family backgrounds are five times more likely to go to university than those from unskilled families. Narrowing this gap is a key priority for Labour. So too is the provision of courses focused on the needs of new students. New two-year foundation degrees offer students the option of a vocationally relevant, high-quality qualification as a way into skilled work or further study.

Labour is significantly increasing funding for higher education, particularly for research and extra student numbers. The volume and international quality of university research, especially in the leading-edge life sciences, has improved significantly, thanks in part to new infrastructure investment and funding for science increasing by 10 per cent a year. But universities remain seriously under-resourced to tackle inherited under-investment and the demands of expansion. Every developed country in the world is grappling with this challenge of funding mass higher education in a sustainable way.

Many countries, including those under social democratic governments, are, like us, reforming their student finance systems to seek a larger contribution from those who benefit directly from higher education on a fair basis. This is true, for example, of Australia, Canada, New Zealand and the public university system in the United States; and an intense debate is taking place among social democrats in Germany,

and other European countries, about reform on the same lines.

Our proposed reforms to student finance will, we believe, promote both excellence and equity. They will eliminate all up-front fees paid by parents and students, reintroduce grants and enhanced bursary support for students from less advantaged families, and relate any post-graduation payment of higher fees closely to ability to pay through the tax system, with a much higher repayment threshold than currently applies with student loans (£15,000 rather than £10,000). Ranging between zero and a cap of £3,000 a year, fees will vary both between universities and between courses within universities, to make the new system more sensitive to the cost and benefit of degrees.

The prime obstacle to participation in higher education is not fear of debt or fees, but rather the poor qualifications achieved by many less advantaged young people in secondary schools. Among those who secure two or more good A-levels, nine in ten proceed to higher education across every social class. However, as part of our reforms, universities will also be expected to raise their game significantly in terms of outreach to state schools and other measures to widen participation and tackle the social class gap in participation, and a new Office of Fair Access will be established to give this a high priority and promote best practice.

How do we ensure our HE system remains a world leader, building on the student finance reforms and measures to widen access while enhancing research excellence?

As the number of people going to university increases, how do we ensure that those with potential, regardless of background, are encouraged and supported to apply?

How do we balance work and family life?

Expanding employment is the most effective way of building a fairer country.

We are proud of our record on jobs and the ways in which we have improved the quality of work and its rewards through the National Minimum Wage, better protection against unfair dismissal, measures to combat discrimination and new entitlements for mothers and fathers to family friendly working.

But work, families, our lives and how we want to live them are all changing fast. We start work later in life, with most young people gaining training or higher education. Most mothers with children are also working part or full-time, many dads want to play a hands-on role in looking after their children and longer healthier lives mean older people can remain active long beyond retirement age if they want. New technology and the 24/7 working week offer new opportunities for flexibility. As we grow more affluent as a society some people will choose to work less to spend more time at home. Our approach is not about onerous new regulations or telling people how to live their lives but government working together with employers and employees to find new ways of balancing work and home life.

Here we address the challenging questions ahead. We look at how we should combine the demands of the 21st century workplace



with protecting the quality of family life. We ask how we should get the right balance between childcare provision and flexible work. We explore whether we should give fathers more access to family friendly working and we discuss whether we should extend help to those caring for older relatives.

Our approach

All parents have a double responsibility to both earn a living and bring up children. All parents have a responsibility to

try to provide for their children both financially and emotionally. It is up to parents to decide how they do this and up to

government to support them in their choices. We have done this in three ways – through money, childcare and time. The government's job is not to dictate to families but rather to support them in making their own choices.

Extended and more generous paid maternity and paternity leave, child tax credit and the baby tax credit have brought some £13 billion to around 5.75 million families and children. We have greatly expanded childcare – creating 1.3 million places and investing over £700 million in the childcare tax credit to

help lower income families meet the costs of childcare. We have also ensured that parents can strike a better balance between work and home through a year's maternity leave, new entitlements to parental leave including the first ever right to paid paternity leave, and the right to request to work flexibly for parents with young children.

The challenge is to encourage change through intelligent regulation without dampening the creation of new jobs. The new obligations on employers to

consider requests to work more flexibly are an attempt to strike a middle path. The evidence so far is promising – a recent survey has shown that 65% of employers have received requests for flexible working and that more than 6 out of 10 employers have agreed. This is government, employers and employees working together to create flexible and responsive workplaces that serve the interests of employees and their families as well as the whole organisation or company.

We now have to build on what we have learnt since 1997.

Making change happen

Despite progress, implementing changes to working practices to all sectors and parts of the workforce remains a big challenge. Larger employers are better able to absorb changes to work practices rapidly and reap the benefits of increased productivity and competitiveness. Small and medium sized enterprises often struggle to keep pace with the level of change. Low paid and marginalised employees can find the door firmly shut.

We know that legislation doesn't bring about change by itself. Higher take-up of new rights derives from greater awareness, good management practice, sector-led initiatives, high priority in trade union negotiations, pressure from the workforce and effective advice and mediation. We should build on the role of the Work-Life Challenge Fund to increase levels of take-up and provide advice to employers and employees, particularly those working in SMEs.

What could be done to increase levels of take-up of rights to maternity/paternity leave and flexible working? How can we best provide advice to employers and employees, particularly those working in smaller firms?

Expanding choice

Families are at the meeting point of conflicting pressures - pressure for both parents to earn a living and spend time with children. Parents themselves identify both benefits and disadvantages of having two earners in the family. It brings greater financial security and rewards, status and work satisfaction but also can increase stress. Around half of mothers say they would prefer to stop work altogether and stay at home looking after children. Childcare availability and cost remains a problem for many families – especially outside term time and after school. A recent survey by the National Family and Parenting Institute found that a right to work flexibly came top of the list of families' priorities. Other surveys have found that lack of childcare is a key barrier to returning to work.

The evidence of the impact of women working full-time on their children's later educational and emotional development is the subject of much debate. The research is not clear-cut or conclusive and of course, alongside mothers, fathers, grandparents, other adults and the quality of paid childcare also all shape children's outcomes. But there is no doubt that mothers especially feel caught between conflicting expectations and pressures.

What can we do to support women and men in their choices for caring for their own child at home or returning to work? What balance should we strike between financial support to parents, childcare provision and flexible working?

The role of fathers

Fathers in the UK work some of the longest hours in Europe. At the top end of the labour market senior managers and professionals work increasingly long hours shaped by the demands of the job but also a long hours work culture. For people on lower wages, fathers often work extensive hours or overtime to make sure that there is enough money to make ends meet. High proportions of parents no longer work the traditional day and increasing numbers of families are adopting 'shift parenting' so they share childcare.

Women are likely to enter the labour market in increasing numbers and with rising expectations. This turns the spotlight on men. Parental leave entitlements in the UK have been predominantly geared towards mothers. Other European countries provide greater choice for both mothers and fathers while Sweden, for instance, provides specific incentives for fathers to take family leave.

Once the early period after the birth of a child is over should we provide equal entitlements for mothers and fathers to take time off to spend with their babies?

Even in countries that offer very generous parental leave to men, they tend not to take it. What are the barriers – working hours, family income, social attitudes – to men doing more of the caring.

Parental Leave in Europe

- Sweden and Norway both offer generous extended paid parental leave on a family basis. Part of the family entitlement is reserved only for fathers – if they do not take it up, the family loses that portion of the leave. Take-up rates by fathers are high: 64% in Sweden, 80% in Norway, although fathers still take shorter periods of time off work than mothers.
- In Denmark, each parent is entitled to up to 26 weeks parental leave, paid at a flat rate. Paid maternity leave is 28 weeks, of which either the mother or the father can use the last 10. Take-up by fathers of their paternity and parental leave entitlements is around 58%.
- In contrast, other EU countries such as Germany offer generous paid parental leave – two years paid at a flat rate – that is taken up predominantly by mothers who take leave for long periods. Only 1% of fathers take up the family entitlement.

children or older people. Our first priority for work-life balance has been families with young children. We have promised to review the impact of this new legislation and will make no further changes until after that review. But if this light touch approach is effective there is a strong case for extending it to parents with older children. In addition the combination of greater longevity and women's participation in the labour market has created growing pressure on people who are caring for an elderly or sick parent or relative. We also have to take into account the resentment some employers have found about family friendly policies from staff without children.

Should we be extending entitlements to work-life balance to those who are caring for older children and those who are caring for a sick or elderly relative?

Greater life expectancy will mean that many people will want to work for longer in more flexible ways. But the reality in the UK and across Europe is that people are stopping work earlier. In the Chapter on Security and Well-being in Older Age we look at ways of combining work and retirement.

Extending flexible working

In future we will need an increasingly fluid idea of work that spans a longer period, but is punctuated by opportunities to learn and re-skill and to care for

How do we ensure security and well-being in older age?

The test of a civilised society is the way it treats its older people. We came to power committed to guaranteeing a secure and fulfilling life in retirement.

We have made substantial strides forward including £9bn more in real terms in financial support for pensioners – providing an average annual gain of £1,250. Pensioner poverty is declining with a fall of 400,000 in income poverty. We are developing new routes to fairness by implementing age discrimination legislation to tap into the talents of older people and innovative service delivery which combines housing and health needs.

But the challenges remain substantial. Life expectancy is likely to continue rising. Like all Western societies we need to think how to fund an ageing society where retirement may stretch to 25 years, where demand for health provision will grow and the need for personal care will rise. But an older society doesn't mean a less dynamic one. Older people offer a huge – often untapped – resource.

So here we ask the difficult questions which lie ahead for all affluent nations. We look at how to pay for old age in the future and the right balance of responsibility between state and individual. We spend 5% of GDP on state pensions and are predicted to spend about the

same proportion in 50 years despite growing numbers of pensioners. Simple arithmetic shows that we will either have to



save a higher proportion of our incomes or work longer. We explore new ways of encouraging people to work longer and remain active citizens. And we ask whether we have the right pensions framework in place for the long-term. And on health and social care we examine how to provide services which are responsive to the needs of older people.

Longer Working Lives

As life expectancy continues to rise all governments face a challenge of how to pay for and support a growing number of older people. The pensioner population now makes up just under a quarter of those of working age – by 2050 it will be 39%. But although people are living longer they are retiring ever earlier. Early retirement has been seen as the badge of the 'good life' – the mark of an affluent society. Employment rates plummet after the age of 55 and once people reach pension age fewer than one in ten choose to work. This shrinking of working lives – partly caused by inflexible jobs and pensions arrangements – has created a host of problems in its wake. It means many are losing out on the rewards and sociability of work and it creates risks of poverty in old age.

Over the last few years, significant progress has been made in tackling this problem and there are now 1.2 million more over-50s in jobs than in 1997. The New Deal 50+ has played an important role as will forthcoming action against age discrimination. Equally important

is our programme to open new and attractive options for those individuals who choose to work beyond 65 – for example, we will change tax rules so that people can opt to start drawing their pension while working part time and we will offer a better deal for those who chose to draw their state pension later. Some companies have adopted excellent initiatives which combine giving parents flexible working in the school holidays with employing pensioners who would like to continue some part-time work. Together, these policies will contribute to many people choosing to work for longer. But governments will need to do more in the future to help people stay in work for longer and manage the transitions from work to retirement.

Enabling older people to work flexibly in retirement

Older workers at Sainsbury's wanted to work fewer hours, but not lose wages and pensions. The company introduced a retirement plan and pension protection to enable older workers to work part-time while drawing partially on their pension to top up their salary.

BT has developed flexible options to enable older workers to withdraw from work gradually rather than face the cliff-edge of retirement. These include part-time working or job-share opportunities; reduction in hours or responsibility and phased sabbaticals.

How do we enable people to move into retirement more gradually, combining part-

time work and drawing down a pension?

State Support for pensioners

Our commitment to fairness put pensioner poverty at the top of our priorities. Old age poverty has been dramatically reduced compared to a generation ago. This government is now spending an extra £9bn a year in real terms compared with 1997. This help has gone to all pensioners in the form of above inflation rises in the basic state pension, the Winter Fuel Payment, free TV licences for the over 75s and free eye tests. The State Second Pension gives 20 million less advantaged people the prospect of building better pension entitlements than previously.

But the poorest pensioners have been the priority. Many of those pensioners are women who because of interrupted work patterns and lower wages are less likely to build up their own private provision or full state pension rights. So, the new Pension Credit tops up income to a minimum of £102.10 per week for a single pensioner and for the first time rewards those with small amounts of savings or occupational pensions. Our reforms since 1997 are now awarding an average extra £1,250 in real terms to pensioner households every year. The poorest third of pensioner households have gained an extra £1,600 on average.

But despite substantial new investment there remain real challenges to ensure as many pensioners as possible get what they are entitled to. That's why we set up the Pension Service –

the first ever Government service devoted to the needs of pensioners – to remove the stigma of getting state help and to maximise take up. It is working with organisations such as Help the Aged, the National Association of Citizens Advice Bureaux and Local Authorities to provide an effective service at local level. We've made Pension Credit straightforward – you can apply over the phone, most awards last for five years and (for the first year) awards can be backdated.

What mix of universal and means-tested support for pensioners strikes the right balance between helping the poor and encouraging those who can to make additional provision?

Saving for private pensions

Compared to some other countries the UK is well placed: the proportion of older people in the population is not set to grow as fast as in many other Western countries. We have the largest stock of private pension saving in the EU and we have started to tackle pensioner poverty in a sustainable way. Going forward we need to continue to build on the strengths of the UK approach.

Whatever the level of basic state pensions and Pension Credit, people will need to save more for their retirement, whether this is through an occupational pension or a private personal pension. Recent years have seen declines in the number of company defined benefit schemes as the combination of a falling stock market and longer life expectancy have made some of these schemes increasingly

difficult to finance. In moving from defined benefit to defined contribution pensions, some employers have reduced the contribution they make to employee pensions not only increasing risk for employees but also reducing support. This raises concerns, as what's really important is whether employers and employees make an adequate contribution to the pension fund. We know that where employers make a contribution employees are also more likely to contribute.

We are bringing in the Pensions Protection Fund to ensure that workers and pensioners are guaranteed protection when a company scheme goes bust. We are also bringing in more flexibility to make it easier for firms to run good schemes.

To ensure that pension saving is attractive we award it favourable tax treatment. Tax relief on pension contributions is worth some £13 billion net every year; to encourage firms to get involved in pensions their contributions to pensions are exempt from employers National Insurance which is worth an extra £5 billion per year; and the tax-free lump sum on retirement is worth another £1.5bn. Through these reliefs the Government offers very substantial financial support to private pensions. Obviously, we need to ensure that this support works as effectively as possible. Simplification is one means to ensure effectiveness, which is why we are sweeping away 8 separate pension tax regimes and replacing them with a single system. Our approach has been to encourage savings through providing stakeholder pensions

which offer simple, low cost and flexible products, obliging employers to provide access to a pension, providing pension forecasts to increase awareness of the need to save and through the provision of tax relief. But we know that many people are not saving enough. People need to save substantially over several decades to achieve a good pension - for someone on average earnings this might mean a total contribution of around £200 a month. Some three million people are seriously under-saving and a further 5-10 million should consider saving more to ensure reasonable retirement incomes.

We now need to assess whether the reformed voluntary system is working well enough to

Automatic enrolment in private pensions

Many have argued for automatic enrolment in a private pension, with the right to opt out, as an alternative to compulsion. In the US, many company pension schemes automatically enrol all employees. One US study suggests that between 85% and 95% stay in. In companies with an 'opt in' system, the participation rate is lower – with 26% signing up when they start work, rising to around two thirds by the time a worker has been with the company for two years. Automatic enrolment does more to reach those who are less likely to save: younger workers, women, low earners and people from minority ethnic backgrounds. But the main disadvantage is that people tend not to save above the mandated contribution rate.

increase savings levels amongst employers and employees so that they will receive the retirement income they expect. We have therefore established a Pension Commission to look at the long-term challenges for private pensions and savings policy.

Should we save more for our pensions, work longer or a combination of both and if so what changes will help us achieve it? What is the right overall amount of national income we can afford to devote to state pension provision?

If we are agreed that we are not saving enough, will a voluntary approach to boosting savings be enough to achieve adequate retirement incomes or should we look at measures to increase compulsion?

Health and social care

Adequate pensions are the foundation for a decent quality of life for older people. But so, too, is good quality and responsive health and personal care. An ageing population means that in future chronic conditions will become more important. By 2026 it is estimated that a quarter of pensioners will be over the age of 80. Already nine million people are living with long-term illness such as arthritis, asthma or heart disease. We also want to extend the healthy life expectancy of older people by boosting flu immunisation, cutting smoking and improving the management of blood pressure. The NHS will also need to become far better at ensuring the services used by older people properly reflect their needs and preferences. The

National Service Framework commits the government to raise the standards of care for older people. We are putting in an extra £1bn into social services for older people. The number of people receiving intensive care at home is rising and we are investing in intermediate care to prevent unnecessary hospital admission.

Alongside this, the Department of Health is working with the ODPM and the Housing Corporation to provide more 'extra-care housing'. This can provide out of hours services with mobile units, communal space offering exercise facilities, GP services on site, and restaurants.

Sunderland Intermediate Care Services

GPs, nurses, hospital consultants, social workers and therapists have a single phone number to call for intensive support and rehabilitation for older people. A tailored package of up to six weeks multi-disciplinary support is then designed to meet the older persons' need. This can be based in the person's own home and/or in a dedicated residential facility, Farmborough Court. Farmborough Court caters for other physical and mental health needs, offering a range of therapeutic activities to support older people in regaining confidence and practical skills to equip them to return to their own homes.

Between June 2002 and July 2003 the Intermediate Care Services reduced unnecessary admissions to hospital for 296 people and ensured that older

people are not delayed in hospital once they are medically fit. This has freed up the equivalent of 18.5 acute elderly beds each day. Delayed Discharges have reduced from an average of around 40 per week 2 years ago to a current average of 2-3. In addition, supported admissions to permanent residential/nursing care reduced from 633 in 2002 to 571 in the period June 2002 to July 2003.

How can we ensure that the elderly have access to the care they need, when they need it and where they need it? Should we be bringing together the various services for the elderly in the same way as Sure Start?

Active ageing

Participation in all aspects of community life was a key demand of respondents to the Government's consultation exercise on services for older people. We published the results - Life begins at 50 - in 2000. We want to draw on older people's skills and experience not only as workers but also as volunteers, as grandparents and as active citizens. We also want to enable older people to undertake more learning and leisure activities in the community.

Older people are twice as likely to volunteer or help others informally than those under 25. Grandparents, of course, are increasingly the source of preferred childcare for hard-pressed parents and are an invaluable source of support if families split up. They also provide the core of voluntary workers in the voluntary sector. Many schools are bringing older

people into the classroom to read with children who experience reading difficulties. The Government is committed to enabling older people to become more actively involved in their communities by, for example, providing matched funding for voluntary community projects recruiting older people in the community and sponsoring a programme to encourage older people to become mentors and volunteers.

Access to learning is a particular desire for many older people. While younger people become familiar with computers through school or work, many older people feel cut off from the opportunities of the internet or email. We aim to have all public libraries hooked up to the National Grid for Learning and many are already running 'silver surfing' sessions to train older people to use the internet. Since April 2001 the Learning and Skills Councils have been targeting older people, helping to increase participation in adult and further education but we need to do more.

Leisure and social networks are also important to enable older people to maintain independent active lives. We have ensured at least half price travel on local bus services to give older people the freedom to travel around their communities. Many local authorities provide greater concessions and some provide free travel. We also fund particular projects aimed at providing leisure opportunities for older people, such as Local Exercise Action Pilots.

How can we make the most of older people's skills and experience post-retirement?

How do we provide a modern transport network?

Mobility is one of the great freedoms of the modern age. Travel that one or two generations ago was the preserve of the well off is now part of everyday life.

Good transport links are vital to a dynamic economy and prosperous society. They provide people with access to employment, school, services and leisure pursuits. They also help to transform not only the way we produce goods and services but also how we get them to market.

As our economy grows, and disposable incomes rise, so does our desire to travel. Demand for road travel will grow, as it has since the motorcar was invented, putting pressure on the road network. But demand for buses, for rail and for air travel will grow too, placing further strains on funding and on capacity. And we must balance our need to travel with respect for the environment.

In Labour's first term, the Government set out a ten year plan for transport investment to tackle the problems we inherited. It made an unprecedented commitment to spend £120 billion of public investment, backed by a further £60 billion of private funding to deliver better roads, better public transport and better conditions for cyclists and pedestrians. This investment will help meet some of the pressures of a growing economy as well as

tackling the problems following historic under-investment. But more needs to be done. So here we ask the tough



questions about how to fund a world-class transport infrastructure; about which forms of transport are the most cost effective and accessible; about how best to integrate transport systems; about whether we have got our priorities right on transport safety; and about how transport policies can best tackle social exclusion and geographical isolation.

When Britain was industrialising, we were the world leader in developing transport

infrastructure. First the canal system, then the railways provided the essential transport networks underpinning an

unprecedented growth of trade and commerce. Our merchant fleet dominated world trade. We built the world's first underground railway in London. Later, with the arrival of the motorcar, we built trunk roads and a motorway network. We put ourselves at the forefront of civil aviation and London Heathrow became the world's premier international airport. Major container ports were developed at Southampton and Felixstowe.

A growing economy has resulted in growing prosperity and more reasons

to travel. Despite the problems they face, the railways are carrying more people than ever before. Bus patronage last year rose for the first time since the war. And car use and demand for freight continue to rise. But for decades, we invested too little in our transport infrastructure - failing to expand capacity at the rate needed, postponing maintenance, looking to patch and mend rather than invest for the long term. Of course this Government has made a very significant commitment to long

term funding, but more needs to be done.

One way or another, additional spending on transport is ultimately paid for by the public. This can be directly from the users who benefit from the services provided - in fares, tolls or the cost of running their cars. For example, the Birmingham Northern Relief Road that will be opening shortly will be paid for by motorist tolls and investment in airport capacity is ultimately paid for through air fares. What is not paid for by users is normally paid for by taxpayers - for example 55% of the cost of the railway is covered by fares, whereas 45% comes from the taxpayer.

Developers, property companies and certain businesses can also benefit from major new infrastructure - for example London Crossrail. Under existing arrangements, new developments may be asked to make a contribution to local transport schemes. Given rising demand for expenditure on all forms of transport we will need to look to all potential forms of funding, and to get the balance right.

How can we strike an appropriate balance between charges to users and support from taxpayers? Should we be looking to explore innovative ways for developers, businesses and property companies to make a contribution towards the costs of new transport infrastructure?

Parts of our road network are regularly jammed, particularly at rush hours. Additional capacity will help - and is being provided

- but cannot be the whole solution. Looking ahead twenty to thirty years, we cannot simply try to build our way out of the pressures we face. And to do nothing would be to face increasing congestion - the worst possible outcome.

So we need to make better use of the road network and must therefore manage traffic flows better. The Highways Agency will soon be given greater power to control traffic flows on the trunk network and parallel powers will be available to local authorities. In the next few years we will be introducing a system of road pricing for lorries - charging them on the basis of distance and, ultimately, the time of day or night that they travel.

Whilst our road network can be very congested in some places and at some times of the day, at other times and on other routes, traffic flows freely. A charge that is higher in congested areas might persuade some motorists to choose different routes, to travel at different times or to choose the train or bus, or to walk or cycle. All of these choices have contributed to the reduction in congestion following the introduction of charging in London.

Should we be extending road pricing to cars when technology allows? Would moving to a new system of road pricing provide a better deal for motorists? If additional revenues were raised, where in the transport system should this money be invested?

It will be important to ensure that the overall effect of any

package introduced is consistent with our more general social, economic and environmental objectives.

We also need to take advantage of new technology to provide cleaner engines and safer vehicles. Road transport still accounts for around a quarter of the UK's energy use and carbon emissions. Reducing carbon dioxide emissions from vehicles is critical to making transport more sustainable.

Much has already been achieved. A new car today is much quieter and some twenty times cleaner than a car bought in the 1980's. Further improvements in technology have the potential dramatically to reduce the impact of cars, lorries and buses on the environment - making a real difference to the quality of life of people near busy roads. Because both emissions and technology cross national boundaries, we are working in Europe and more widely to tackle these issues. This is especially important for aviation, a global industry.

No one can be sure precisely how technology will develop. But government is helping to encourage promising developments in partnership with the industry and others with an interest in the future of motoring.

Our long-term objective, as we seek to tackle the causes not just the consequences of transport emissions, must be transport that runs on non-fossil energy, such as hydrogen. But mass production of that technology is twenty years away. So our strategy now is to encourage radically lower carbon technologies. We're doing that in

a number of ways. Firstly, we're creating incentives through car and fuel taxes to cleaner technologies, including biofuels. Secondly, we're giving grants to stimulate demand for less polluting cars and buses, and to adapt lorries to reduce emissions. Thirdly we're giving help to research and development. For example, in April 2003 a competition was launched to develop the next step towards carbon free cars with the potential to reach the mass market within the next 8 years.

What more can we do to encourage the development of environmentally cleaner motoring, whether cars, buses or lorries?

Another issue is about getting the balance between different transport modes right, ensuring that policies, timetables and services are integrated at a national, regional and local level.

As our economy grows, the economic geography of the country changes and so do travel patterns. Yet in the past transport planning has not always kept pace with changing needs. Our rail network was designed over 100 years ago before the internal combustion engine was even invented.

There are good examples where transport infrastructure has been adapted to reflect changing demand. For example, light rail in Manchester and London runs partly along the former route of heavy rail track. Similarly, in Norwich a guided bus route is being run on a closed railway line.

Have we got the right balance in provision and funding between cars, buses and trains? And where are these decisions best made - at central or regional level?

We have for many years rightly placed a high priority on safety on our railways. That is why we are introducing a new safety system - the Train Protection and Warning System - and it has already been installed on over 90% of the track and 99% of the passenger fleet. As a result of this attention, rail is a very safe mode of transport. By contrast, although our road safety record is better than many countries, around 10 people are killed on our roads every day.

Given the high standard of rail safety compared to roads, overall transport safety would improve if more people chose rail versus road. For this to happen, services must be reliable. The Strategic Rail Authority has acted to improve the quality of maintenance work on the track and is focussed on improving punctuality.

Should we now be putting the emphasis more on rail reliability and punctuality so that more people choose to go by train rather than less safe roads?

Although our overall road safety performance is excellent, we have a higher level of child casualties than some other countries, particularly amongst underprivileged children. A child pedestrian hit by a car travelling at 20mph has a 95% chance of survival; at 30mph a 50% chance; and at 40mph a 10% chance. Speed in residential areas

is therefore an important factor. At the same time, some argue that in some places speed limits are unnecessarily restrictive.

Should there be a review of speed limits and enforcement based on factual evidence on risks on different kinds of roads?

Many people in edge-of-town estates or isolated rural areas have difficulty in getting access to jobs, shops or public services such as hospitals because of poor public transport. Buses may be infrequent or stop altogether in the evenings and weekends. Improving transport for the disadvantaged is a key fairness issue because everyone should be able to get around, visiting friends and family, enjoying leisure. But also because poor transport can still be a real barrier to people getting on, especially those who have to pay a high proportion of their wages in travel costs.

In areas where councils and bus companies work together, bus travel has increased dramatically. There are 4 billion bus journeys every year, two thirds of all journeys by public transport. Bus is perhaps the most flexible mode of public transport. There are many examples of good bus services that respond to local demand and are far more effective and popular than the traditional service. Some of them even provide door to door services.

What should our transport priorities be in seeking to tackle social isolation and exclusion more effectively?

Demand Responsive Transport Service

Innovative and flexible transport services can bring real benefits to communities.

Lincolnshire Interconnect replaced traditional bus routes with demand-responsive services that pick passenger up near their home and take them to key bus routes. Passengers change on to timetabled services - which now run more often. Since the change, there are almost 25% more passengers on the feeder services, and by up to 120% more on the core routes.

Hampshire “Cango” services divert from their core journeys to take people to their home villages - if they book their journey in advance. Patronage grew by 26% in its first two months and by 53% in its first five months. And the Dengie Village Link in Essex is so popular, with use increasing 92% in nine months, that larger buses have had to be introduced.

How do we create a fair asylum and immigration system that benefits Britain?

Migration and diversity are here to stay.

Millions of Britons work, study or live abroad and our own towns and cities are enriched by the diversity of those who have chosen to work and live here.

Unlike many on the right we welcome hard-working legal migrants who want to make a contribution towards the wealth and prosperity of the UK. But like all freedoms we also need rules and limits. Without firm action, dishonest asylum claims and illegal immigration could make migration unmanageable and fatally undermine public trust.

So the choice confronting us is not, “do we need more or less immigration?” but rather “how do we get a system which allows necessary economic migration to benefit our country but without abuses to the asylum and immigration system”?

Global travel has never been easier. Ninety million people a year (including British citizens) arrive at UK ports – up from 50 million in 1990. Thirteen million of these are arrivals from outside Europe. The great majority are temporary visitors on short holiday or work visits but several hundred thousand will remain longer to work, study or stay

with relatives. A small number of these arrivals– less than 4,000 a month – will claim asylum of whom perhaps a quarter will be



given permission to stay. In many ways this is a tribute to the UK’s many strengths including our strong, open and job generating economy and our tolerance and diversity as a society. Properly managed migration provides clear benefits to the UK, both economically and socially. Migrants bring new experiences and talents, increasing productivity and flexibility within the economy, making an estimated net contribution of £2.5 billion per year.

That is why the government has expanded legal routes into the UK. The total number of work permits is expected to reach

175,000 next year aimed at meeting skills gaps. Specific schemes are in place for high-skilled migrants, seasonal agricultural workers and working holidaymakers and to fill key vacancies in the public sector - 28,000 nurses and 8,000 teachers, for example, were granted work permits in 2002.

Legal migrants benefit the countries they come from as well. Many eventually return, taking back new skills and experience and while here, they often provide significant financial help to families back home. It is estimated that this flow of wealth from

developed to developing countries runs at \$80 billion dwarfing the \$50 billion global overseas aid budget.

But migration brings fresh challenges as well, including new pressures on our housing market and public services particularly in our largest urban areas like London where demands may already be high. And not all those seeking to enter the UK will be welcome. As concern about international terrorism grows so will the desire to

monitor much more closely the threat posed by those attempting to enter the country.

How can we best manage legal migration to fill key gaps in our economy?

Asylum

No group of migrants has attracted more controversy than the relatively small number who claim asylum.

There is no doubt there was genuine cause for concern. The asylum system the Government inherited in 1997 was in crisis; unable to process new claims, with a mounting backlog and predictable effects on the communities in which applicants were housed. It has been a real challenge to turn this around but we are making significant progress – deterring unfounded claims, processing them more efficiently, and reducing the backlog.

But we need to see this in context. Like every European country, the UK has experienced a rapid rise in asylum applications since the late 1980s and the end of the Cold War. As a government we reaffirm our moral obligation to offer refuge to those who are genuinely fleeing persecution. That is why we are working with UNHCR to open up new direct routes for genuine refugees to bypass the people-traffickers and why we continue to work strenuously to resolve conflict and reduce human rights abuses to help reduce the number of people who need to flee their own homes. But the reality is that legal instruments like the UN Convention on Refugees were drawn up in a different age

when the key issue was political exiles from the Eastern Bloc – not mass movement of economic migrants from the developing world. As the world changes so too should the nature of our international legal codes.

Do we need to work with the international community to update the UN Convention so that it focuses assistance on those countries where there is a genuine refugee problem rather than giving people from every country a right of asylum if they make it to our shores?

We must ensure that the asylum system is not used simply as an alternative route for economic migration. This has become even more vital with the increasing involvement of organised criminals in bringing people to this country who then claim asylum. This represents a clear danger to the migrants themselves and a major burden on British taxpayers whose faith in the positive contribution of legal migrants is severely undermined. Showing we are tackling abuse of the system is crucial to tackling problems for community cohesion and race relations and to defeating far right groups who use asylum to stoke up fear and racism.

We have legislated to ensure that our asylum system is fair, fast and firm. We have also improved our processing and enforcement capacity – including unprecedented cooperation with our European partners, closing the Sangatte centre near Calais, tightening security at the freight depots at Frethun and elsewhere, and virtually closing the Channel Tunnel to clandestine entry.

Following a pledge from the Prime Minister, the number of asylum claims has been halved since the autumn of 2002. Four out of five new claims are now being processed in under two months and an increasing number – for example, those from Eastern Europe – are being dealt with even faster, with initial decisions made in less than ten days. The number of claims awaiting an initial decision has fallen to the lowest in a decade.

Should we increase the use of detention to speed up processing of claims and to act as a deterrent to unfounded applications?

But continuing reform is necessary given the underlying pressures that affect the whole of Western Europe. Over the next year the government will be legislating to simplify and streamline the asylum appeals system, as appeals can currently take years and cost the taxpayer huge sums in administrative costs and legal aid. We will be legislating to tackle the problem of people who apply for asylum without any documents – despite the fact that many arrive by plane and so must have had documents to board – which make it hard to assess their claim and to return them to their country of origin if their claim is refused.

All this helps us to place the debate over asylum in the proper context. People have genuine fears about the abuse of the asylum system and about other forms of illegal immigration that lead to problems of illegal working and use of free public services. We must acknowledge and respond to these fears but at the same time we need to make

the case for managed, legal migration as vital for the economy and good for society.

Illegal immigration

Abuse of our immigration rules is not restricted to those who claim asylum. There are also significant numbers of people – it is impossible to say exactly how many – who enter clandestinely, or overstay, without declaring themselves to the authorities. Many of them work in the sub-economy: where they undercut the minimum wage, avoid tax and national insurance, and draw on free public services. Others attempt to defraud the benefits system. Often they are themselves exploited by organised gangs who bring them in to work in appalling conditions.

A key part of the long-term solution to this problem is a national identity card scheme, based on new secure biometric identifiers. Although such a scheme will take time to come in, it will eventually enable us to be much clearer about who is here, who is entitled to services, and who is entitled to work. In the meantime, we will continue to tackle both illegal working and the organised criminals who bring people in to work illegally – working cooperatively across different enforcement agencies and with our European partners.

How can we best take on the challenge of clandestine entry and illegal working? How can we involve employers in meeting this challenge?

How do we maximise the benefits of ID cards in relation to security, illegal working and the reduction of

fraud (for example in public services like health) whilst protecting personal privacy?

Integration

We need to ensure that legal migrants and genuine refugees are able to settle in Britain and are integrated into our communities. Integration is about helping people to become active members of the community, to understand the meaning of becoming a British Citizen and the rights and responsibilities that brings. Part of this involves placing greater emphasis on the symbolic aspect of citizenship. We are introducing a new citizenship pledge and ceremony, and a programme to ensure that language skills and knowledge about British society - our laws, our values, and institutions - are a requirement of citizenship. Evidence suggests that migrants who are fluent in English are, on average, 20% more likely to be employed than those who are not. There is wide public support for these proposals, including the emphasis on language, across the whole of society including minority groups.

Should we do more to welcome and integrate genuine refugees and legal migrants who come to this country? What should be the responsibilities that can be expected from them in return?

The challenge of asylum seekers is different. Full integration is impossible and inappropriate while their claims are still under consideration. But we need to make sure their needs are met, and ensure positive relations with the local community, while managing pressures on local services. We are introducing a

new system of induction, accommodation and reporting centres. Vouchers have been abolished and changes are being made to the dispersal system that ensures that the whole of the UK shares the responsibility for asylum seekers while their claims are processed. We have worked closely with the police, local authorities and other agencies to reduce tensions, but much more remains to be done.

How do we safeguard our environment for future generations?

People care passionately about the environment.

They believe concerted action is needed to tackle the threats to our planet. But they are also concerned about their local environment and the impact it has on their quality of life.

Since 1997 Labour has made the environment a priority across Government. We played a leading role in negotiating and taking forward the Kyoto agreement on climate change and introduced the world's first economy wide emissions trading scheme. We have made our rivers cleaner and have reduced the number of beaches failing to comply with European standards from 12 per cent to just two per cent. And we have added 30,000 hectares to the greenbelt while exceeding our target that 60 per cent of new houses should be built on brownfield sites.

But we need to do more at home and internationally. Looking to the future the UK's greatest domestic policy challenge in this area is how to balance the pressures of growth with the need to manage our environment and our resources more carefully. Internationally, the threat from climate change and the action needed to tackle it is the most pressing problem.

Both these environmental problems – and many more – pose major challenges not just to governments but to all of us.



So here we ask who should pick up the costs of tackling pollution and how we can encourage sustainable consumption. And we explore the radical changes necessary to hit and go beyond the Kyoto targets.

There is no reason why we cannot protect the environment and enjoy the fruits of prosperity. Over recent decades we have achieved dramatically cleaner air, cleaner and safer drinking water, cleaner beaches, rivers where fish

have returned for the first time in a century and much more efficient cars and household appliances. All of these have been achieved against a background of strong economic growth.

But there is much more to do. The scientific evidence is clear that we will need to radically change our consumption habits and technologies if we are to meet our obligations on climate change. In some areas we are still using less sustainable methods than we should be. For example, we recycle less and landfill more – three-quarters of all waste – than almost anywhere in Europe. In the long-run the best solutions involve ensuring that people

and businesses pay the true environmental cost of their activities so that they can choose how to trade off the benefits and costs of different technologies. The introduction of carbon emissions trading across Europe is an important step in this direction.

This highlights one of our main dilemmas. Local environmental issues always come high in polls of what matters most to people. Graffiti, litter, poor lighting and bad design affect everyone's

sense of well-being. But we are often reluctant to contemplate the changes necessary to make even our local environments better, let alone change our own behaviour.

(As the chapter on political renewal suggests there may be a need to give greater powers to local neighbourhoods to manage their own public spaces.)

This is even more true of national environmental issues. We would rather see our rubbish recycled – but don't want to pay extra. We want less congestion on the roads, but would rather it was other people who used their cars less.

A central challenge for any government is therefore how to make it easier for people to make the choices that are in their and our long-term environmental interests.

As part of this, we need to do more to show and understand the close links between the various parts of the environmental agenda. Improving safe walking routes to schools will cut traffic congestion and emissions as well as enhancing the health of our children. Increasing recycling and reducing packaging will help make our streets and parks cleaner. Improving home insulation for pensioners reduces illness and preventable deaths from cold, and reduces waste. Increased use of renewable energy can provide a vital additional income source for hard pressed farmers and rural communities.

Government is taking a lead. We are moving to more sustainable purchasing of goods for the public services. And we

are promoting good design and higher eco-building standards in order to create sustainable and more liveable communities. The government-sponsored Millennium Communities, like the ones at Greenwich and Manchester, show what can be achieved with modern construction methods, quality design and community engagement. But we can and should do more.

Who should pay the costs of more sustainable policies for the environment – should we extend the 'polluter pays' principle? Should local authorities be able to introduce financial incentives for families to recycle waste?

Meeting our environmental commitments benefits business and society, not just the environment. There is far more that business can do to improve their profitability and their environmental impact. And further innovation and new technologies will help us to reach our environmental targets and make a significant contribution to the UK economy.

We need to decouple economic growth from negative environmental impacts - as we have already done with carbon. This is an ambitious goal that requires concerted action across government. The Energy White Paper placed climate change at the heart of our energy policy. But on this and in other areas, we know that there is a long way to go. The critical environmental challenges of the next decade and beyond - climate change, energy and waste - require long-term policy frameworks, including taxation, innovation and technology,

and also demand that we find ways of stimulating action by communities and individuals.

How can we ensure that we achieve our environmental goals in ways that secure economic benefits?

If in later years it looks as though it is impossible to meet our carbon targets in this way, then should we keep open the option to build more nuclear power stations?

Our environmental future is bound up with that of the world as a whole. The UK only accounts for a small proportion of the world's species. On our own we can do little about global pollutants. But we set an important example, are part of important multinational and EU agreements and we have a disproportionately large 'resource footprint' on the rest of the world. We are also often ahead in developing science and technological solutions, and we can act as a world leader in areas like importing sustainable timber which helps preserve rainforests and endangered species.

Climate change is arguably the single most important challenge facing the world over the next century. Temperatures could rise between 1.4 degrees to 5.8 degrees centigrade temperature by the end of the century with sea-levels increasing between 0.09 to 0.88 metres. This could lead to 100m people flooded each year in the coastal regions in the developing world. Bangladesh alone could lose one fifth of its land mass. Increasing drought and the threat to cash crops in Africa could bring starvation and economic disaster.

Huge numbers of 'climate change refugees' could be created. We won't escape here in the UK. Dramatic changes in weather patterns could bring heavily increased flooding at home and, paradoxically, water shortages in the South East.

We will continue to press other countries to sign up to Kyoto as the best first step to starting to tackle climate change, and to think about the post Kyoto framework, setting in train much more far reaching reductions over the next 50 years. This will only be possible through radical changes in technology. We have set the pace through our pledge of a 60 per cent reduction in CO₂ emissions by 2050, our commitment to 10 per cent renewables by 2010 and our drive towards energy efficiency. But we have much more to do to change how we heat our homes, how we travel and how our industries operate, and to ensure that our industries reap the rewards from being ahead of the curve in championing more resource efficient technologies. If we get this right it will both protect the environment, and reduce our reliance on imported fuels and energy.

Climate change must be our first priority. But other key environmental indicators are continuing to deteriorate. More than a billion people currently lack safe drinking water; 2.4 billion lack sanitation; more than two billion lack access to modern energy services. The 1990's saw the loss of around 16 million hectares of forest – two-thirds the area of the UK every year. So we must also place a strong emphasis on delivering the ambitious commitments made at

the World Summit in Johannesburg – to securing sustainable fisheries by 2015; halting the loss of biodiversity on land and in our oceans; better chemicals management; increased use of renewable energy, and achieving sustainable consumption and production patterns.

How do we get agreement to major reductions in global CO₂ emissions – the global scientific community has proposed a cut of 60 per cent by 2050 – that the world needs to bring climate change under control? What are the best ways to meet our own ambitious national targets?

How should government best support technologies which can reduce greenhouse gas emissions? Should the planning restrictions that have been used to block windfarms and other renewables be reduced and the economic benefits they can bring to rural communities increased?

Farming, rural affairs

Most of the priorities of people in rural areas are the same as in towns and cities – high quality public services; action on crime and anti-social behaviour; affordable housing; jobs and skills; tackling social exclusion. Many of the solutions are the same too, although access to services in rural areas can demand different, innovative policies. But there are also important, specifically rural, issues: the continuing closure of village stores; the lack of activities for young people; the preservation of the countryside – of concern well beyond rural inhabitants – and its potential for tourism; and the whole farming agenda.

We are committed to tackling these issues head on, and our rural white paper set out how we would do this. Since 1997 we have made it much more difficult to close rural schools, put £450 million in to support rural post offices and introduced a 50 per cent rate relief on village shops. We have also provided £239 million over three years for rural transport. Looking to the future, perhaps the hardest issue is how to balance the need for and inevitability of change, with the preservation of those aspects of rural areas which we all most value.

Around 14 million people live in our rural areas. All in all over a quarter of our GDP is generated in rural communities and a third of our small businesses are based there. However the economies of rural areas are changing and are no longer heavily driven by agriculture. Now most people living in rural areas work in tourism, or are self-employed or in businesses which could equally well be sited in cities. Visitors to rural areas, drawn by the countryside and its towns and villages, make an important contribution to the rural economy.

Patterns of life are changing too. One in two rural inhabitants now dwell in towns, and many of those who don't shop and work in towns and cities. The number of villages with a pub, a post office, or a school has fallen consistently for decades, on the back of falling usage. But we cannot ignore powerful long-term trends. Increasingly, imaginative co-location of key services, and e-solutions will have to come to the fore.

We also need to address the problems of exclusion in rural areas. For example, of the third of all retired people living in rural areas, the highest proportion are in more remote areas. Over a million rural households do not have access to a car and almost half of these are in remote areas. Unemployment in remote areas is also significantly higher than in more accessible areas. Prosperity in rural areas therefore depends on action – not just to provide access to transport, or post office services, and affordable homes, but also through new routes to inclusion, such as access to broadband connections.

Farming has changed massively since the Second World War. Then, food sufficiency was a major aim of national policy, now we export and import foods according to season and taste. Then farming accounted for five per cent of national income, now it is one per cent. Farm workers then made up four per cent of the workforce, now it is under one per cent. The food industry now contributes far more than farming to national income and employment. But farming remains important. At its best British farming is a modern efficient industry. It still produces most of our food as well as managing 75 per cent of the countryside.

Our policies have responded to this change, redirecting subsidy to environmental goals including a further £500 million to deliver a sustainable farming strategy; negotiating far-reaching reform of the CAP and implementing a thirty-fold increase in funding for organic farming.

After FMD and BSE it became clear, however, that something was very wrong with society's 'compact' with farmers and the farming community. We therefore pledged in the last manifesto to set up an independent commission to look at the way forward. Don Curry's commission recommended sweeping changes to 'reconnect' farming with communities, consumers and the environment; these changes are now being taken forward. On top of this, reform of Common Agricultural Policy gives us a tool to make better use of the £2.5 billion of support we give farming each year to reward farmers for their land stewardship, as well as providing them with a decent income. And the Food Standards Agency has started to rebuild public faith in the safety of British food.

The other issue facing the UK – along with the rest of Europe – is whether and on what terms to adopt GM crops. The government has run a major public consultation alongside reviews of the economics and the science of GM. These have highlighted the anxiety felt by many people about growing GM crops or eating GM foods, but have also shown some of the benefits and reassurance the science may offer.

What should be the priorities for the funding provided to rural areas: further help to render farming more sustainable; provision of public services; transport; support for new industries? Many UK industries have moved over time from mass production to more specialised high-value products. How far is this trend, which can be seen in

the growth of the organic movement, desirable in British farming?

The UK has a rich and diverse coastal and marine environment, which is being ever more intensively used for tourism, fishing, offshore wind farms and other forms of economic development. The UK fishing industry is a particularly important employer in many remote regions of the UK, and many sectors are suffering from poor fish stocks.

How can we ensure we obtain best value from different uses of our valuable marine resources, while maintaining the ecosystems on which many of them depend?

How do we do more to connect politics and people?

A vibrant democracy underpinned by a healthy civil society is central to our vision of a progressive country.

We have put in place an unprecedented programme of constitutional change to share power, ranging from devolution to the introduction of the Human Rights Act. It is why we have taken seriously the challenge of engaging people in the democratic process with citizenship education in schools, new ways of voting and new forms of accountability. And it is why we boosted the role of the voluntary sector and community groups.

But both democracy and civil society face new challenges. Citizens are better informed, more demanding and less deferential. Growing diversity, mobility and the decline of many traditional civic institutions can weaken the glue that binds communities together. The young and disadvantaged, who have most to gain from engagement in politics and community organisations, are often the least involved. Local authorities - the closest tier of government - can feel remote to the people they serve and complain about a lack of freedom to act. At the same time new technologies open up radical new ways of organising public involvement.

So we need to ask where we go next on constitutional reform, how to re-engage people in our democracy, how to renew local



government, and how to strengthen civil society. And, because politics is fundamentally about what government does we need to ask questions about how government itself needs to adapt to the challenges of the modern world.

Constitutional reform

Past Labour governments tended to view constitutional reform as a distraction. New Labour rejected this view and has overseen a thoroughgoing modernisation of

our constitutional structures and institutions, preserving their strongest features while updating them to meet the demands of citizens and our times. A progressive government seeking to revitalise Britain couldn't afford to be conservative about its constitution or presume that the institutions and assumptions of the 19th century would be fit for the challenges of the 21st century. We also wanted our constitutional arrangements to reflect, indeed celebrate, the different needs and aspirations of the different parts of the United Kingdom.

In the face of Conservative opposition and nationalist scepticism, New Labour created the Scottish

Parliament and Welsh Assembly. We have worked tirelessly to create and sustain the Northern Ireland Assembly. While under the Tories London became the developed world's only capital city without its own democratic government we set up the Greater London Assembly headed by a directly elected Mayor. Having established Regional Development Agencies to develop economic strategy and drive regeneration, next year will see referendums in three regions over the establishment of directly elected Regional Assemblies.

At the centre, New Labour is fulfilling our Party's century long aspiration by removing the hereditary route to membership of the House of Lords. We introduced the Human Rights Act, bringing fundamental rights within the reach of ordinary citizens, and we have created a new Department for Constitutional Affairs to safeguard the constitution and ensure access to justice for all. The new Supreme Court will clearly separate the judiciary from the legislature. The Freedom of Information Act was passed in 2000. By January 2005 a general right of access will come into force.

Our opponents attacked all our constitutional reforms. All are now overwhelmingly supported. The new devolved administrations have defined their own policy priorities and have innovated with new forms of decision-making and new routes for accountability. It is time now to ask what we have learnt from this remarkable period of reform, to explore the issues thrown up by the new constitutional settlement, and to ask where we should go next on the constitution.

What lessons can we learn from the experience of devolution in Scotland and Wales as we extend the option of devolution to the regions of England?

Can we extend the public right of access to government information as Whitehall becomes more accustomed to working within the Freedom of Information Act?

Is there scope for greater flexibility on access to information than the current 30 year rule?

What should be the role and functions of a second chamber - today's House of Lords? How should it be constituted? What would be the best way to provide a route into politics for those people and groups who might not otherwise be represented?

Routes to re-engagement.

Politics and civil engagement is not just about what happens in our formal institutions, in Westminster, in our town halls or political parties. It is about the involvement of the country as a whole in deciding on our shared priorities and ambitions for the future and how we are to achieve them.

Yet in 2001 the General Election turnout of 59% was the lowest of any general election since universal adult franchise was established. More than a tenth of constituencies had turnouts of less than 50%. It is perhaps a paradox that as Ministers have become more accountable to Parliament over the last 20 years, and their decisions subject to far greater scrutiny by MPs and the media, the public's faith in politicians and the political process has continued to fall.

Recent research by Eurobarometer showed that only that only 15% of the population trusted political parties. MORI research amongst young people in 2000 showed that over half of the 15-24 age group said they were 'not interested in politics' - an early warning of the subsequent 39%

turnout of 18-24 year olds. The Joseph Rowntree Trust found that 54% thought the country was getting less democratic. Cynicism and mistrust isn't only a problem here or for politicians - only 20% of people trust the press, 25% big business, 38% our religious institutions and 39% the trade unions. But the pattern is not universal. Trust in many public sector professionals such as doctors and teachers remains high, and if anything has risen.

Evidence from Britain and other countries suggests that low levels of political trust are neither inevitable nor caused exclusively by wider social factors. The people most trusted are perceived as working in the public interest rather than for vested or private interest and either work locally or interact regularly with the public. Significantly, voters tend to rate their local MP more highly than politicians in general. All this implies the need for new forms of engagement between politicians and people, opening up government, closing the distance between representative and represented.

Political parties are set to continue to dominate our democratic system providing the primary route into formal political engagement and democratic representation. Yet, parties find it difficult to recruit new members and to fund their activities without the support of major benefactors. This Government has been the first to take seriously the need for reform. We have increased the regulation of party finances, demanding disclosure of funding sources and banning foreign donations and we have increased state funding making it available

to all major parties for activities such as political education.

Should consideration be given to making more public funds available to political parties to improve links with the public? If so what duties should be placed on parties to ensure money is spent in ways that will contribute to wider democratic engagement?

For the majority of the population the media are the main source of information about government and politics. A free press is fundamental to a democratic society. So the goal of re-engagement opens up issues for the press and broadcasters.

Public service broadcasting, of which the BBC is the major provider, is vital in providing reliable and balanced coverage of politics and news and upholding standards across the board. This is a central role but the BBC has a much broader responsibility to society as a whole. The BBC's Royal Charter is currently subject to its regular ten-year review.

How can we ensure that the relationship between politics and the media supports a vibrant, healthy democracy, in which people are informed and engaged in public debate?

How should we approach the BBC charter review?

Increasingly new technology will become important to political communications. The 2001 General Election showed the first real glimpse of the Internet working in political campaigns. It has already provided an active resource for communication and has enabled

communities of interests to grow and act more effectively.

In the face of falling turnout, especially in local elections the Government has experimented with new forms of postal and electronic-voting and will conduct further pilots next year when local and European elections take place on the same day. The three regional referenda taking place next Autumn will also be all postal.

Should we experiment with all-postal ballots in general election constituencies?

Should we lower the voting age to 16? What other measures such as weekend elections or text voting could help increase engagement?

At national and local level a wide variety of methods have been used to engage people in decision-making and provide new forms of accountability. The methods used include local referendums, deliberative panels and youth parliaments. In the future there are likely to be many more issues – for example the use of genetic science – in which the issues cut across traditional party lines. Recently, the Food Standards Agency hosted both citizens' juries and public debates across the country as part of its consultation over GM crops. The National Institute for Clinical Excellence uses a national patients panel to help with their deliberations over future health care challenges. But despite the scale of innovation people often express doubt about consultation, questioning whether it makes a real difference.

Many local authorities have successfully experimented with new forms of engagement ranging from citizen forums and youth Parliaments to deliberative panels to consider controversial issues. Should we bringing more of these ideas into central Government?

A vibrant local democracy

Change comes from the bottom up as much as the top down. We believe local government should be reinvigorated to re-connect politics and put power closer to people. We should celebrate local innovation and initiative because uniform solutions to every problem simply won't work, and because diversity is the essence of democracy. While we remain committed to setting and enforcing high standards in local service delivery, local decision-making should be less constrained by central government, and more accountable to local people. Central and local government should work in partnership with additional rights and duties flowing to councils as they take responsibility and drive reform. This is why we are providing new freedoms and flexibilities to effective local councils.

Looking to the future, polls show that people want both greater decentralisation to local level and higher minimum standards in key service areas. It is important to reconcile these wishes by setting out more systematically the areas in which national standards are required and those in which we should welcome diversity in local service

management and variation in outcome. Local finance may also need to be reformed. Local authorities have consistently argued for greater financial freedoms. At the same time there is growing public concern about the sustainability of current trends in council tax rises, despite large increases in funding from central government.

Currently, local government raises locally only around a quarter of what it spends, much less than in other countries. Is this the right balance between national and local revenue sources, and should we consider new ways of financing local government?

Local government has a vital role to play not only in local leadership and service delivery but engaging people in local decision-making. But despite high levels of public satisfaction with most local public services, there is little sense that local government is more in touch or responsive. Turnout in elections is generally low with the gap between national and local turnout higher than in other countries. We have put in place new arrangements including smaller executive cabinets, and experimented with elected mayors to create a new democratic dynamism, especially in the big cities. Some of those experiments have been very successful, others less so and some have made no measurable difference either way.

What more can be done to encourage more citizen engagement in the local political process?

What else can be done to improve the quality and responsiveness of local political leadership?

In those places where Mayors have worked well, what factors played a part in it and could these lessons be applied elsewhere?

In most parts of the country, our lowest tier of local government is much larger, and therefore more distant from the public, than in other countries. Many local authorities are now experimenting with neighbourhood forums bringing local accountability and – in some cases – decision making closer to the people. There is an emerging local politics involving new forms of representation and engagement. As well as parent school governors, routes into decision making are provided by governors of Foundation Hospitals, Primary Care Trust boards, patients' forums, and elections to New Deal for Communities boards. There may be other areas in which more direct forms of local accountability could draw on the interest and enthusiasm of local people; in relation to policing and tackling anti-social behaviour, for example, the government is currently consulting on options.

Should we give neighbourhoods more direct power over public spaces and community safety – with a power to raise small sums of money from local residents if there is consent?

Renewing civil society

In many ways, Britain's communities are thriving. Volunteering and informal activities make a substantial contribution to the economy and society. And among those who volunteer, they have been giving more and more of their time. But this overall picture conceals more complex and disturbing trends. The young and the excluded are more likely to disengage from politics and are also less likely to take part in other voluntary activities.

Participation helps build better communities. It promotes trust and democratic engagement. It is also about caring and taking responsibility for the people around us and the causes that matter to us. Government needs to become an enabling influence – working with communities to put them in a position to define and tackle their own problems, just as we work with individuals to enable them to shape their own lives. In other sections of this document we suggest a stronger role for the community on tackling anti-social behaviour and promoting local liveability and we explore how schools can act more as a community resource.

The pace of change in modern society makes community more important than ever – local stability and a sense of belonging are a crucial counterweight to global shifts and uncertainties. But while change makes building and sustaining community more important, it also makes it more difficult: people find it harder to make the time, or to sustain the local and familial networks on

which old forms of social capital were built.

The good news is that the total membership of voluntary organisations has risen over the last 20 years. Britain has some of the highest levels of voluntary work in the world. Membership of the National Trust has increased from 278,000 to three million over the last 30 years. Other environmental groups such as the RSPB have seen strong membership growth as have sports clubs and other voluntary organisations. People are more ready to exercise power directly as consumers or as members of lobbying organisations.

The government respects the voluntary and community sector's independence. The Government Compact with the voluntary sector, introduced in 1998, sets out how the sector should work with government and is now playing a vital role in guiding this relationship at every level. The Government has introduced the most generous tax incentives ever for charitable giving. They compare well with anything in the developed world. Under this Government, there has been greater investment in volunteering and greater involvement of not-for-profit organisations in regeneration and other initiatives. Social enterprises and community investment are thriving. But looking ahead there are great opportunities for the voluntary sector to take on an even wider role – innovating with new services, working in partnership with the public sector and building community.

How can we provide better support and encouragement for voluntary activity, including financial incentives for the young and those groups in society currently least likely to volunteer?

Britain's diversity is a source of economic strength, cultural vitality and national pride. But in today's world of extensive migration flows, we must work harder to achieve strong communities that prize unity and diversity. Where there is a rapid change in the local population, or where division and misunderstanding has grown up over many years, there can be real challenges. The riots in Bradford, Oldham and Burnley in the summer of 2001 highlighted a lack of common ground between communities segregated by housing, education and work. Similarly, tensions have arisen in some areas where asylum seekers have been accommodated. Resentment has built up, particularly in disadvantaged communities, which racists have been quick to try and exploit.

While government cannot impose community cohesion, it can help to create the conditions in which good community relations can be achieved. In both legislation and action on the ground, it must work to ensure that discrimination and racism are eliminated, so that all members of the community can fulfil their potential. Likewise, the design and delivery of public services must respond to the needs of the communities they serve, and uphold the equality, worth and dignity of all citizens.

Government must also get better at working with communities to

solve their own problems. It is a shared responsibility of government, and of local people themselves to work to build dynamic, healthy and strong communities across the country. The state must lay firm foundations by ensuring that communities are safe, and that there are equal opportunities for decent education, healthcare, housing and employment. It must increasingly act as a facilitator and enabler of community dialogue, democratic debate and local change. For their part, citizens must also take responsibility for working with members of their own and other communities to build a society with a strong sense of belonging and of pride, and for encouraging increasing numbers of people to participate in making their communities even more dynamic.

English language acquisition, citizenship education and new civic ceremonies can all help integrate new migrants into society. But community cohesion is also dependent upon mobilising employers and trade unions, local authorities, faith groups, and voluntary and community organisations to help integrate migrants, and to build bridges between communities.

How can we best work with faith groups and community organisations so that we can build communities that are both open and diverse but also secure and cohesive?

A new role for government

Government has a vital role to play in providing public services, protecting the public from threats and ensuring the

conditions for economic growth. But there are limits to what government can do. As new demands arise – for example to finance an ageing population and or provide advanced healthcare – difficult choices need to be faced about the balance of responsibilities. Rapid changes in technology and in society demand a different role for government – enabling not controlling. This in turn means less centralisation, and a greater sharing of responsibility between government and citizens.

Here we ask questions about what that means, about government can operate in different and more effective ways, how best to devolve power, and how to channel resources to frontline services.

As progressives we know that active government can make a huge, and beneficial, difference to people's lives. The Tory strategy in the 1980s and 1990s of rolling back the state failed, and left run-down public services, higher crime and social division in its wake.

But a changed world requires that government changes too. New and more diverse needs, a more demanding public, the availability of new technologies: all these mean require radical changes to the business of government. To retain public confidence, progressive parties have to change.

At the heart of New Labour's approach is the principle of enabling government – focusing government and services on the needs of customers rather

than providers. We have set out four key principles for public service reform.

First, there need to be clear national standards, with measurable targets and inspection to ensure that standards are being achieved. To achieve those standards an emphasis on delivery has been built into the fabric of Whitehall. Extra resources have been tied to performance in achieving outcomes. Where public services are working well they have been given extra freedoms; where they are failing government has intervened to put them right.

Second, there needs to be greater devolution. The man in Whitehall does not always know best. So there has been devolution to Scotland and Wales; more power to local government; more power in the hands of front-line providers, managers and communities in place of top down command and control.

Third, there needs to be greater flexibility, for example breaking down the boundaries between the professions, allowing more scope for schools or hospitals to use new methods, and slashing central red tape and bureaucracy. In place of dogmatic belief that either the private sector or public sector are inherently superior we have been pragmatic - using a wide variety of means to achieve public goals, from public private partnerships to a bigger role for the voluntary sector.

Fourth, there needs to be more choice and contestability. For the public that means more transparency; more information; more choice of schools or health provision. More broadly this

means opening up government and public services to a much wider set of providers.

How could we do more to expand the role of the community and voluntary sector in the provision of public services – for example through Community Interest Companies?

Our four key principles will help to achieve more effective – and more trusted - public services. It is hard to overestimate the importance of this. The public wants strong public services, but is sceptical about the need for higher taxes. They rightly want to be assured that their hard-earned taxes are being well-spent well spent. So modern government has to be lean, sharply focused on where it can add value, constantly striving to improve efficiency. This means continual efforts to reform and modernise.

It means a smaller more strategic role for central government departments, devolving more power to regions and local communities. That is why we have launched a major review to improve efficiency and productivity across government and the wider public sector, so as to free up more resources for the front line. This will be particularly important during a period when it will not be possible for public spending to rise as fast as it has in the last 3-4 years. One of the first fruits of this is a sharp reduction now being implemented in the numbers in the Department of Health – cutting bureaucracy and passing more power out to the regions. Other agencies and departments are now following

suit. We are also cutting the numbers of inspectors – again so as to free more resources for the front-line and cut down on unnecessary red tape. And we have streamlined government purchasing of everything from buildings to computers – already saving hundreds of millions of pounds.

The Lyons review on civil service relocation is recommending a major shift of functions out of London and into the regions. And we are also continuing to make the civil service more representative of the nation it serves - including opening up more opportunities for women and ethnic minorities.

The drive for efficiency also requires us to accelerate progress that has already made the British government one of the world leaders in e-transformation, using new technologies to improve how government works, the quality of services it delivers, and the reality of choice and control for the citizen. NHS Direct, for example, is now seen around the world as a model of 21st century public service. But there are many other ways in which on-line services could cut unnecessary duplication and paperwork – and help to empower the public.

What balance should be struck between developing the skills of civil servants to improve delivery of public services and bringing people in from outside?

What more should we be doing to shift resources from bureaucracy into frontline services? Should Whitehall departments be cut back – as power is devolved? Is it right to have all ministers based in Whitehall? Should major functions be relocated out of London into the regions?

How do we make Britain stronger in Europe?

Europe is central to Britain's future. It is the world's largest and most successful political and economic union.

It accounts for 25% of world GDP, and the EU 25 now have a population of 450 million – compared to 286 million in the USA.

It has achieved decades of economic growth and peace – precisely why so many new countries have sought to join it. With their membership, the EU is entering a new era. The big question for this country is how we resolve the dilemma of either waiting for Europe to develop in Britain's direction before participating fully, or participating fully in order to lead it to develop in Britain's direction.

Britain's interests lie in being leaders in Europe, not on the margins. Our future and that of the EU are now irreversibly inter-twined. UK investment in the EU is now £336 billion, twice the levels invested in the US (£160 billion) and nearly 100 times the £4 billion invested in China. Three million British jobs depend on our EU membership. Leaving the EU would be devastating for the British economy, for jobs and our political influence in the wider world.

The expansion of the EU from 15 to 25 members, with more

countries to follow, marks an historic milestone for Europe, for which Britain can take a great deal of credit. With the accession



of former Soviet bloc countries such as Poland and Hungary, and newly re-emerging nations like Slovenia, Latvia and Estonia, it will mark the final end of the Cold War division in Europe.

Some have put forward the option of being a semi-detached member. The reality is that this means being bound by EU rules without any influence in shaping them. This would rob Britain of influence at a critical time in the EU's development, just as the new members joining share many of our priorities.

However, Europe faces difficult challenges. Many citizens feel detached from its institutions. Too many of its priorities reflect the problems of the past not the challenges of the future. That is why we are committed to reform in Europe. On economic reform, Europe has no alternative but to embrace sharper competition and market liberalisation if it is to remain competitive in a rapidly globalising world. At the same time the EU and its Member States must invest more strongly in the knowledge economy, simplify the regulatory environment to foster innovation and job creation, and push through reforms to inflexible labour markets and welfare systems in order to promote employment.

The challenge for Europe is to move from the era of a trade bloc – which often, in setting its own rules, looked inwards – to the era of global competition where we must be more competitive and flexible to meet and master economic challenges from lower wage or higher productivity economies. While the EU has made progress in implementing the Lisbon Agenda to combine economic dynamism with social justice, there is more

to do: modern social policies that promote skills and jobs; better implementation and enforcement of improved regulation including removing wasteful regulation; a stronger and more effective competition policy; a modernised state aids regime; a new regional policy; a single market for services.

How important is European Economic Reform to delivering higher levels of economic growth in the UK?

Should we be shifting the European social agenda away from regulation and towards the promotion of skills, enterprise and jobs?

Political reform will also be necessary as Europe expands to 25 members. The old political institutions will increasingly run into difficulties unless we find new ways of working. And there must be a new democratic legitimacy under-pinning the Union. That is why we support a Constitutional Treaty for the EU that establishes a permanent Chair of the European Council as a coherent voice for Europe and a way of ensuring that it is the Council, with its members representing the elected governments of Europe that sets the political agenda. And the style of decision making in Brussels must change, ending over-regulation and delegating decisions to the level of government closest to people.

We are insisting on unanimity in key areas such as foreign policy, defence and tax that touch on the essentials of national sovereignty and on other changes. The finished Constitutional Treaty if agreed will set out the long-term vision

of Europe as a unique model of deep and lasting co-operation between sovereign states. This will enable governments to tackle problems beyond the reach of the individual nation state acting alone, burying forever the distraction of a European federal super state. The new Europe with its ten new members will be outward looking, reforming and committed to working as partners of the US rather than as rivals.

How do we reform Europe politically so that it can work effectively with 25 members and re-gain the confidence of its peoples? Should our aim be a European Council that sets the policy agenda and a commission that carries it out in practice? Should there be a greater role for national Parliaments? Are we right to argue that tax competition is beneficial?

Under this Government, Britain has been a leading force in Europe. To continue this role we need to decide how to operate within an EU of 25. The strong traditional Franco-German relationship has served them well in the past decades but it will need to change as Europe expands. No two countries will be able to dictate the direction of a 25 member EU. This is a big opportunity for Britain. There is a choice between building strong, permanent alliances of this sort, or instead opting for shifting, ad hoc alliances on particular issues. Our Presidency in 2005 is an opportunity to put forward new ideas, helping to develop Europe in the right direction. We will push for continued reform of backward looking policies like the CAP. We will work with EU partners to develop

new approaches to the everyday problems our peoples face, from fighting drugs, terrorism and organised crime, and asylum and immigration, to tackling climate change, and ensuring the implementation of the commitments made at the World Summit on Sustainable Development.

Britain will co-operate with our partners to strengthen European defence in a way compatible with NATO that will remain the foundation of our collective defence. But there is an urgent need for Europe to work together more closely to strengthen collective capabilities. This will achieve better value for the money than present arrangements for EU defence spending, and help to modernise its armed forces for the post-Cold War era. It will enable Europe to undertake steadily more demanding crisis management, peace keeping and humanitarian missions such as those in Macedonia and the Democratic Republic of Congo.

Is it in Britain's interest to support a growing capacity for European defence in dealing with a more dangerous and unpredictable world? How do we ensure European defence develops in a way that strengthens NATO?

For the last 50 years Britain has repeatedly faced the same choice. Whether to wait for Europe to change before we engage; or whether to engage so that we can help shape Europe. For much of that time Britain hesitated – leaving us powerless to shape Europe as it evolved. Ever since we finally joined the EEC in 1973, some have argued that we should back out again. Many in today's Tory

Party want Britain to leave the EU. The New Labour approach has been that it is better to be inside the club shaping the rules, rather than criticising ineffectually from the sidelines.

How do we develop our concept of international community?

Britain has been at its best as an outward looking nation - a force for good in the world. That, too, is when the Labour Party, which has a proud internationalist tradition, has been at its best. We believe in creating an international community where we take tough action on terrorism and rogue states, but where we are equally determined in dealing with the environment, poverty, Aids, Africa and the Middle East. Here we ask some of the key questions about how we can most effectively pursue this agenda for international justice and community.

As a permanent member of the UN Security Council, Britain plays a critical role in upholding international peace and security. We have been a major contributor to peacekeeping operations mandated by the Security Council.

Our foreign policy is built on the twin pillars of alliance with the United States and membership of the EU, both of which reinforce our commitment to a global system based on rules. Both pillars are necessary and both complement each other. We reject the arguments of those who say we have to choose.

Our aim is to renew a strong transatlantic partnership between a more effective and united Europe, and a United States



committed to effective multilateralism.

Our collective defence continues to rest on NATO and its security guarantee. Under this Government, Britain's defence forces have received their largest increase in funding since the end of the Cold War. We will ensure they have the resources they need to do their job. The defence review in 1998 set a firm basis for their new role in peace keeping and peace making. Their unique experience in Northern

Ireland and elsewhere is proving invaluable. We now need to build on their adaptability. Their role will change in the face of new threats, and we must ensure they have the right equipment for the different type of warfare they will face in future.

The world is changing dramatically. The cold war is over. The US is the only superpower. Russia is beginning to escape from its past but has yet fully to find its new role. India and China are on the verge of becoming major powers. Japan is beginning to use its weight for international good. International institutions are under strain as a new order takes shape. The UN Security Council has not been as

effective as it should be. The Commonwealth has been put under strain by the dispute over Zimbabwe. New relationships are opening up with NAFTA, Mercosur and now a EU/Latin American trade relationship. Countries can either become rivals in power or partners. Our aim is co-operation built not on power alone but on common values.

The major new security threats for Britain are the combined menaces of global terrorism, and

the proliferation of weapons of mass destruction with rogue or failing states. We were right to stand with the US in evicting the Taliban from Afghanistan. And we are right to work with the international community in rebuilding that country. Some argue that the attentions of the new threat of global terror can be avoided by sheltering behind others. But the bombs in Bali, Casablanca and Istanbul suggest that the terrorists do not discriminate. New ways of combating terrorists through intelligence and security operations must be found, as well as new ways of addressing the causes of terrorism.

Are we creating unnecessary trouble for ourselves by being at the forefront of the war against global terrorism? Do we need to address the causes of terrorism as well as its immediate threats?

Whatever our differences over the war in Iraq – and they have been deeply felt within the Party – that country needs to be rebuilt as a democracy and successful economy. Withdrawal at this stage would simply leave the country in the hands of foreign extremists and the remnants of Saddam's vicious regime. Instead we need to commit ourselves to building a reliable infrastructure, establishing security and handing over to a democratic Iraqi government as soon as practicable.

It is vital that we deal firmly with the proliferation of weapons of mass destruction. In most cases – as with Iran – this means working with others to exert diplomatic pressure on countries

to comply with international obligations. And we must also find new ways of preventing trade in the components of weapons of mass destruction and the expertise in making them whether by commercial enterprises or small groups. We must not allow the extremists to poison the whole relationship between the West and Islam. Moderate Islamic religious leaders are fighting their own internal battle against the extremists. The West needs to consider ways in which we can help, not least by promoting political and economic reform in the Middle East. We also have to ensure that the activities of extremists do not lead to strains between communities in our own country.

How do we help moderate Muslim leaders in their battle with extremists? Can we draw on the diversity of our own country to contribute to better understanding?

Human rights and democracy are universal values, not privileges only enjoyed by certain developed nations. In the post-cold war era it is necessary to find new ways to deal with those regimes that repress human rights and ferment humanitarian crises. We must re-think whether the principles of 'non-intervention' set out in the original UN Charter in 1945 are appropriate for the modern world, or need to be adapted.

What responsibilities do we have to help people liberate themselves from dictatorial regimes elsewhere in the world? How do we reconcile this with the right to non-interference?

The dispute between Israel and Palestine brings untold suffering to the Israeli and Palestinian peoples and has implications well beyond the region. The UK together with other members of the international community must redouble its efforts to bring peace and stability to the wider Middle East region. In particular, to restart the peace process between Israel and the Palestinians in line with existing UN Security Council resolutions based on the twin principles of an Israel secure within its borders and a viable Palestinian state. The UK is working to this end. We strongly support the road map drawn up by the quartet of the UN, the EU, the US and Russia which sets out a way forward towards a just, comprehensive and lasting settlement of the Middle East conflict. Until this issue is resolved it will hang over the world fuelling suspicion of our motives and providing the cover under which fanaticism breeds.

The breeding grounds for crime and terrorism are often countries where States are weak or in the hands of criminals. These 'failing states' have become a decisive concern since the end of the Cold War. In many countries weak governance has left people at the mercy of warlords, civil conflict, starvation and genocide. Other areas with weak governance have become the main sources of hard drugs from Colombia to Afghanistan.

The UK has taken the lead in attempting to tackle both the causes of state failure and the effects. Much of our development effort has gone into strengthening good government

and improving the capacities of developing nations to run effective police forces, armed forces, judiciaries and civil services, as well as better schools, health care and food supplies. The UK also intervened in Sierra Leone to help rebuild peace and security, where the whole of society risked descending into anarchy. Increasingly, however, we believe that global institutions such as the UN should be doing more to anticipate, and prevent, the early signs of state failure. We are committed to reforming the UN to make it more effective in tackling these problems. Stalemate on the Security Council must not be allowed to render it ineffective. Radical thought is needed on how to make the Security Council more relevant to today's world and more effective at tackling the problems of failing states.

How do we reform the UN to make it more effective in future crises? Does this mean expanding the Security Council and if so with whom?

There is a wider agenda too that we need to pursue as internationalists including trade, global warming, HIV/AIDs in Africa, and tackling the problems of poverty, injustice and inequality.

Trade lies at the heart of the new global economy. Today billions are exported and imported every day. The global economy is now going through a period of dramatic change. China has emerged as a major manufacturing power, now investing more in R&D than Germany. It is already the biggest recipient of FDI in 2002 at

US\$53 billion. India has become the software and international services centre for the world.

Liberalised international trade is critical for Britain's economy and reduces poverty in the developing world. It is essential that we conclude the stalled WTO round. And we have made proposals to remove barriers from EU/US trade, by removing tariff and non-tariff barriers and with agreed approaches to competition and regulation.

A doubling of Africa's existing 2 per cent share of world exports would be worth more than 4 times the value of aid it currently receives. But the existing rules of international trade are heavily stacked against Africa's interests. That's why we have pressed for fairer terms of trade for African and other developing countries and an end to agricultural subsidies that are so damaging to African farmers. Developed countries agricultural assistance is estimated at \$300 billion a year – six times all overseas development assistance. Average OECD tariffs on the exports of developing countries are four times higher than on exports of other OECD countries.

What can the UK do to ensure the rapid completion of the WTO trade round?

How do we prevent any return to protectionism?

We remain committed to the ultimate objective of the eradication of poverty worldwide. By 2005, we will spend £4.6 billion a year on development aid with 90% of our aid targeted towards the poorest countries. While prosperity has spread in much of the world, in Africa

poverty has become more entrenched. On current trends, almost none of the Millennium Development Goals will be realised in Africa – including those on increasing access to education, basic healthcare, clean water and safe sanitation.

The World Bank and the UN have estimated that it will cost an extra 50 billion dollars a year, every year for the next ten years, for the Millennium Development Goals to be met. The government has put forward a proposal for an International Financing Facility to help leverage additional resources for development. This and other initiatives need to be explored to help raise overall aid levels.

How do we rally international support for the IFF?

But we also need to spend aid in new ways, to strengthen not weaken local capacity, and to help developing countries build more effective government systems that can deliver better services for their people. We need to continue to make strong progress on debt relief. The UK has already written off 100 per cent of bilateral debt owed to us by developing countries, and we will continue to push globally for debt to be reduced to sustainable levels.

The principle of countries leading and owning their own development strategies is especially important, and one that is enshrined in the New Partnership for Africa's Development (NEPAD). The Government is supporting this by moving to aid given directly to developing country governments rather than to specific projects.

Poverty reduction depends on many factors, from sound economic policies to investment in the health and education needs of the poor, and from respect for the rights of women to sustainable environmental management. Good governance is vitally important, including action against corruption and sound human rights policies – especially as this helps to reduce the potential for conflict in poor countries.

HIV/AIDS is another crucial focus for action. A significant number of African countries are experiencing reductions in levels of life expectancy of up to 20 years; other countries, including India and China, also have serious cause for concern. This is both an incalculable human tragedy and a massive barrier to economic progress since HIV afflicts people in their prime of life when their societies are depending on them as parents and workers. More finance, better health systems and cheaper medicines in particular anti-retroviral drugs are all vital to the fight against AIDS.

Are we right in gearing our aid and development assistance to the poorest countries? Should we tie it more strongly to good governance?

What role should anti-retroviral drugs play in our HIV/AIDS strategy in Africa? How do we get health systems to deliver the right treatment and how do we ensure that young people have access to the information and resources they need to avoid AIDS?

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Phil Sayer

How do we do more to tackle poverty and inequality?
Ed Clarke

How do we lead healthier lives?
Phil Sayer

How do we make our communities safer?
The Labour Party

How do we give every child an excellent education?
Banna Stock

How do we balance work and family life?
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How do we ensure security and well-being in older age?
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