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**LABOUR IN ACTION**

**Labour's  
next steps :  
tackling  
social  
exclusion**

*Peter*

*Mandelson*

**FABIAN**  
SOCIETY

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# LABOUR'S NEXT STEPS : TACKLING SOCIAL EXCLUSION

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## INTRODUCTION

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I originally titled today's lecture "hitting the ground running" and for a very good reason. That's what the Labour government has done and we're proud of it.

It is important because a constant refrain of some political commentators in the run up to the General Election was that a Labour government wouldn't make much difference to anything.

It is not an assessment of the government's first hundred days any of them have made since. Our job is to keep it that way.

The truth is that many commentators didn't understand New Labour. They blithely assumed we were no different from the Tories because New Labour didn't want to tax or nationalise everything that moved; just because we took a robust line on criminals; just because we didn't regard patriotism as a dirty word.

The Tories now focus their criticism on presentation, and some in the media follow. But this obsession masks a fear of the unpalatable truth for the Tories that what Labour represents, rather than its presentation, is far less easy to attack.

The truth about New Labour is this. Good presentation and effective campaigning were a condition for our success but were never enough to give us victory. There had to be an intellectual seachange. We do represent a genuinely new third way, neither old left nor new right.

In this lecture I want to set out how the government can continue the success that we have achieved, over the next five years, by outlining its vision and priorities. In particular I will seek to show that success will depend on our response to the biggest challenge we face: the growing number of our fellow citizens who lack the means, material and otherwise, to participate in economic, social, cultural and political life in Britain today.

This is about more than poverty and unemployment. It is about being cut off from what the rest of us regard as normal life. It is called social exclusion, what others call the "underclass" ●

# 1

## WHY THE GOVERNMENT IS WORKING WELL

Labour's "cracking start" as John Prescott referred to it last week has laid the foundations for a radical, reforming government. The momentum must be maintained. It will be if we ensure that we do not lose sight of the big picture and do not, as the last government did, become dominated by events, rather than controlling them.

I see four imperatives for maintaining momentum and fulfilling our programme: a strong vision to guide us; clear priorities for the government; a firm grip on the levers of power; and a modernised relationship between the government and the party.

First, a coherent vision that drives a government forward.

Two previous post-war governments, more than the others, had this quality of driving energy. It saw them through the darkest days.

The 1945 Labour government was determined that there would be no going back to the 1930s. No going back to the mass unemployment and poverty at home; to the rise of totalitarian rule and appeasement abroad. These were the failures with which the pre-war Conservative-led governments were indelibly identified in the public mind.

Then there was the Thatcher government after 1979. Rightly, we opposed the driving motif of that administration - the dogmatic belief that everything private is good, public is bad. But she had one key characteristic: a rock hard determination not to revert to what she felt were the mistakes of her predecessors in the 1960s and 1970s, Conservative as much as Labour. We can deplore many of her policies while admiring her conviction.

This Government shares a similar determination. As Tony Blair has said, it is based on a determination to create a government that is modern, fair and strong. Blairism is a constant quest to move Britain on. Some people find this uncomfortable. They argue that, in applying our beliefs in economic opportunity and social justice to the modern world, we have abandoned Labour's traditional values. But we have not.

The values that brought me into politics - and still keep me working at it day

and night - remain unchanged. We are about building a fairer society - where we all owe a responsibility to each other; where every individual has a sense of their own intrinsic worth and has the opportunity to fulfil the potential that lies uniquely in them; and where every family can feel it has a stake in society. But our task is to work out how to apply those values to today's world, not kid ourselves that we can turn the world back to what it once was. We have to live in the world as it is, not as we might like it to be. And that world is a harsh, increasingly competitive world where no one owes Britain, or for that matter Europe, a living.

Second, our priorities. I think we have been more fortunate in the first few months of this Labour government than those of 1974 and 1964. In 1974 Labour ploughed ahead with implementing a manifesto drawn up for an election that Harold Wilson did not expect to win. That manifesto contained unsustainable and expensive commitments which had been drawn up at the time, regardless of the explosive economic inheritance of the disastrous Barber boom and Middle East oil price hike.

Similarly in 1964, Labour pushed ahead with public spending plans on the basis of forecasts of economic growth in an over-optimistic National Plan that proved disappointingly unrealisable.

This time the Cabinet has stood together to ensure that there has been no break in the realism and discipline of our approach to public spending. But we have done more than simply stick to our predecessors' spending totals. In his first Budget, Gordon Brown took the critical steps to get the economic fundamentals right for the long term.

The centrepiece of his Budget was a credible plan to reduce the public sector deficit over a five year period. The structural imbalance that the Tories left in the public finances will take time to be corrected. But once it is, we will have greater economic freedom to help create a stable climate for investment.

The Bank of England has been granted operational independence in key aspects. It is free from political interference to raise interest rates to an appropriate level in order to curb any resurgence of inflation from which the country was at risk as a result of the consumer excesses of the pre-election period.

Most significant of all we have initiated a comprehensive spending review to ensure that £300 billion plus of public spending reflects the new government's political priorities.

Make no mistake about this review. It is our chance this Parliament to get things right. It is the best means available for education and health to win the resources they need and build on Gordon Brown's decision to allocate extra to those programmes from next year's reserve, as he announced in the Budget.

This Government's clear sense of disciplined priorities means that we will not repeat the experiences of the 1960s and 70s - a near term increase in public borrowing; a mid term crisis with forced spending cuts and tax increases; and an end term electoral defeat.

Tony Blair's 10 point contract with the people set the course for the government. It set out our specific pledges on education, tax, economic stability, unemployment, the NHS, crime, welfare reform, the environment, political reform and leadership in Europe. Setting out these goals is a huge advantage over the previous government. It gives us focus. It sets us challenges. It keeps us on our toes. Tony Blair's plans to issue an annual report setting out government achievements and new targets will help reinforce this sense of purpose.

Third, we need to ensure that the government is able to govern effectively by keeping a firm grip on the levers of power.

We should make no apology for this. As Joe Haines wrote in *The Times* recently, "it is not about open or shut government but about coherent government". And as Sir Charles Powell wrote earlier in the *Sunday Telegraph*, "it is the right and inevitable way to go, and government will be more effective for it".

The Tories are on their own in charging that our government is centralising power in an unprecedented way. Nothing could be a wilder distortion of the truth.

We are determined that national government will be effective at what it does but we have no desire for centralised government to run everything ineffectively. That is why we have embarked upon the largest programme of decentralisation in British history: a Parliament for Scotland; an Assembly for Wales; elected mayors for our cities; and locally run development agencies for our regions.

And national government itself will be subject to new safeguards for the citizen with the incorporation of the European Convention on Human Rights into British law and fresh legislation on Open Government where we plan a White Paper this autumn.

The practice of the Major years cannot be our model. They were characterised by sleaze and incompetence and we have no intention of following their dismal example. But our purpose is for the centre of government to be effective co-ordinators, not control freaks: to ensure that Whitehall understands and implements our political priorities and is not prey to the ever-present dangers of Departmentalitis or of falling into the grip of vested interests.

Lastly, the relationship with the Party will be central to our success.

In government there is no way we can succeed without the active commit-

ment and support of our own party members. The Partnership in Power proposals being debated this autumn are emphatically not about strengthening centralised mechanisms of control. They are not a clever means for securing unthinking loyalty and passive acquiescence in leadership decisions. They are about putting in place a modern framework of policy-making and of creating a relationship of mutual respect between the leadership and party members.

And that relationship has to be two way. One of the frustrations of the 1970s was how little the party leadership of the time attempted to carry the party with it. I remember sharing that frustration as a young man at the time and have no intention of engendering it a generation later when the boot is on the other foot. The mistake of the 1970s was the tendency for the party to be ignored. Tony Blair has no intention of repeating that mistake.

What brings together vision, our priorities, and our desire for direction for the government and the party is our belief that if we are serious about transforming Britain, we cannot be a one-term government. To anyone with only a passing knowledge of post war Labour history, this truth must be self-evident.

Labour has an historic opportunity to set a new course for the country. We have the majority to implement our programme. We have a vision which is in tune with the public mood. We have a programme which will make tangible differences for the better. And we have a leader full of determination who is giving the country its pride back after years of drift. Our challenge is to carry forward the momentum of the first 100 days and secure our re-election for a full, second term.

Too often Labour governments have struggled in their first term of office to overcome economic difficulties only to see electoral defeat snatch away their just reward. Defeat in 1951 meant that my grandfather's generation lost the opportunity to reap the benefits of the post war boom for which Attlee's Chancellors had laid firm foundations. In 1970, we failed to capitalise on Roy Jenkins' post devaluation success - only to see its fruits frittered away under irresponsible Conservative stewardship. In 1979, the disaster of the winter of discontent allowed the Conservatives to run away with the full benefits of the North Sea oil windfall.

Tony Blair is determined that there will be no repeat of past experience. But to do this requires more than skilful economic management. It requires a government that reaches out beyond traditional constituencies of Labour support and at the same time maintains trust with the Party membership ●

## TACKLING SOCIAL EXCLUSION

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One challenge above all stands out before we can deserve another historic victory: tackling the scourge and waste of social exclusion. It is this area where the case against the Tories was most telling. It is in this area where Labour can show how we are different and prove that we can make a difference.

The extent of the Tory failure is truly shocking. Their legacy is 5 million people in workless households. 150,000 people are now deemed to be homeless. There may be as many as 100,000 children not attending school in England and Wales. Britain has a higher proportion of single parent families than anywhere else in Europe.

Behind these statistics, as the Prime Minister has said, are people who have lost hope, trapped in fatalism. They are today's and tomorrow's underclass, shut out from society.

The Tories' failure resulted from a profound misunderstanding of the modern world. True, this modern world offers rich rewards to some and a wide range of opportunities for many more. Where these are the results of genuine initiative and creative dynamism New Labour has no quarrel. But it also contains a great deal of insecurity for a broad mass. For a significant minority at the bottom of the social ladder, who are at best on the edge of the labour force, the result is social exclusion. We cannot tolerate this.

The philosophy of the Right is to accept this as an unavoidable fact of life, a piece of economic determinism that the hidden hand of the market deals out to hapless individuals who are left with only their own meagre resources to fall back upon. Indeed some right-wingers would go further. The workings of chance economic fate are to be applauded and should as far as possible be made easier. Only by making the world more insecure, they say, can we inculcate the fear needed to make our economy more competitive.

New Labour believes this approach is neither economically efficient nor socially just. Certainly we need the flexibility without which a dynamic market cannot function well and stimulate new jobs. Our Continental partners are now realising that they ignore the need for labour market flexibility at their peril.

But our case against the Tories' exclusive reliance on flexibility is twofold.



First, a permanently excluded underclass actually hinders flexibility rather than enhancing it. If we are to promote flexibility we must find ways of getting people off dependency and into the labour market. Second, flexibility on its own is not enough. It is the job of government to play its part in guaranteeing "flexibility plus" - plus higher skills and higher standards in our schools and colleges; plus partnership with business to raise investment in infrastructure, science and research and to back small firms; plus an imaginative Welfare to Work programme to put the long term unemployed back to work; plus minimum standards of fair treatment at the workplace; plus new leadership in Europe in place of Tory drift and disengagement from our largest markets.

These are the conditions needed for economic strength and to offer the confidence and opportunity individuals require to overcome insecurity. This is the heart of where New Labour differs from both the limitations of New Right economics and the Old Labour agenda of crude state intervention in industry and indiscriminate "tax and spend". It represents a vision of competitiveness and social cohesion that is relevant to both Britain and our partners in Europe as we move forward into the next century.

Now some may feel that this is all right as far as it goes, but isn't it all a very timid vision by comparison with the far grander ambitions to transform society that brought many of us into politics. Does it involve an acceptance as Roy Hattersley has argued that the Labour Party is no longer a "force for a more equal society"? I say emphatically no.

In politics the acid test is what you end up achieving. I say to the doubters, judge us after ten years of success in office. For one of the fruits of that success will be that Britain has become a more equal society. However, we will have achieved that result by many different routes, not just the redistribution of cash from rich to poor which others artificially choose as their own limited definition of egalitarianism.

Let us be crystal clear on this point. The people we are concerned about, those in danger of dropping off the end of the ladder of opportunity and becoming disengaged from society, will not have their long-term problems addressed by an extra pound a week on their benefits. Of course I would like to see the badly off have more money in their pockets and purses. Not only is Labour committed to protect the poor against inflation, we are also determined to do more for those on the lowest incomes when economic circumstances and the re-ordering of public expenditure make this possible.

The introduction of a national minimum wage will play its part in this. Groups such as poor pensioners as well as the chronically sick and disabled who are little able to help themselves and for whom the message of opportunity must

seem hollow should be stakeholders in Britain's economic success and share its rewards.

But our first efforts must be to help individuals who can escape their situation to do so, in the knowledge that personal skills and employment are the most effective anti-poverty policy in the long run. That is why the top priorities of our government are welfare to work and tackling the problems of bad schools and low educational standards. Preventing the growth of social exclusion, wiping away the poison that seeped through the Thatcher years and corroded our society, starts with these programmes.

However, these are simply the first steps in the development of a new set of comprehensive policies to tackle social exclusion and multiple deprivation: policies that will involve inter alia improved public health, far-reaching changes to the education system, new social housing to rent, radical reforms of youth justice, and locally based economic strategies to stimulate new jobs in the estates and inner city areas that suffer high, hard core unemployment.

None of this is easy. These are the difficult, inter-related issues no past government has successfully tackled. But this Government will not for that reason run away from them.

Let me summarise the themes of this lecture in this way. Our vision is to end social exclusion. Our priority is to redirect and reform social programmes and the welfare state towards that goal. Our strategy is to build a broad ranging political consensus for action.

This action was presaged in a speech the Prime Minister delivered at the Aylesbury Estate, Southwark on June 2. But it is not enough to rise to the scale of the challenge we face.

The Prime Minister believes that the Government's efforts, for all their fine intentions, are insufficiently directed. That we spend a great deal of money and energy but too much of it goes to alleviating the effects of social exclusion rather than preventing it from happening. There is a proliferation of programmes with insufficient collaboration between the different agencies involved at national, local and area level. As a result we are spending vast sums of money, often over and over again on the same people through different programmes, without improving their ability to participate in the economy and society.

There have been many discussions involving Ministers, the No 10 Policy Unit, the Cabinet Office and Permanent Secretaries about the best way of concerting Government action to tackle social exclusion and the Whitehall machinery needed to do so.

The Prime Minister has decided to establish a special unit in the Cabinet Office to take decisive action at the heart of the government machine. This will

draw together a panoply of new initiatives, shift the focus of government programmes towards preventing social exclusion and make recommendations for changes in policies, programmes and machinery effectively to attack social exclusion. All policy decisions will be made by the appropriate Cabinet committee. We cannot afford delay and the unit's work will get underway by the end of September. It is so important that the Prime Minister, himself, will steer the unit with whatever support is necessary at Ministerial level.

It is the most important innovation in government we have made since coming to office. It will harness the full power of government to take on the greatest social crisis of our times.

### ***Conclusion***

The task of tackling social exclusion will not be easy. But it is essential for the government's success. The enthusiasm with which we go about it will give character and purpose to the government. It will nail forever the Tory lie that we are no more than a highly professional election winning machine, by showing the real difference that a Labour government can make. It is a huge test for our vision of society, and a test that we must not fail.

Let everyone be clear. There is no complacency at the heart of New Labour. Instead a driving ambition to secure lasting and effective change. After a hundred days in office, we know what we are about. We hit the ground running. We are motoring ahead. We have a vision of a modern, competitive, socially cohesive country. And we will deliver it ●

## LABOUR'S NEXT STEPS: TACKLING SOCIAL EXCLUSION

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Social exclusion is one of the great scourges of modern times. Driving communities apart and leaving broken lives in its path. Many of the problems we faced at the start of this century have come back to haunt us at the millennium.

Now we have a new Labour government committed to creating a society for the many and not the few. This is a challenging task that will not be finished inside five or even ten years. Yet what makes this government different is that senior figures are committed to making a start. They want to see poverty addressed and opportunities given to all.

In this new Fabian pamphlet Peter Mandelson, a key figure in the battle against social exclusion, outlines how the government intends to start tackling the problems. He announces a new Social Exclusion Unit, to be based in the Cabinet Office and chaired by the Prime Minister. He tackles the allegation that only by spending ever more money can Labour achieve change. And he makes it clear that new Labour will bring every part of government together to make Britain a better place to live.

If you are serious about facing up to the problems left by the Tories you must read this pamphlet. It contains what must be the most significant announcement made by the new government to date.

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The Fabian Society brings together those who wish to relate democratic socialism to practical plans for building a better society in a changing world. It is affiliated to the Labour Party, and anyone who is eligible for membership of the Labour Party can join; others may become associate members.

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