

# **Facing the Future**

*Policy Development Agenda*

## **Policy Paper 100**



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# Foreword

"The only reason to keep the Liberal Party alive," wrote Jo Grimond, "is to promote liberalism". I agree. Today our party is vibrantly alive - and kicking. Kicking against the vested interests that draw power away from people. Attacking the barriers to a fair, open society. Promoting liberal values in the international community. Laying the foundations for a sound, balanced economy. Building a more liberal Britain.

In Government, we are demonstrating that we have the mettle to take the difficult decisions to put the country's finances back on track and the imagination to reform our political system, our public services and our economy. The Liberal Democrats are the only party with both the steel required to fix the public finances and the zeal to build a fairer society.

We are also showing that coalition, so long feared as an alien political creature, is a legitimate, effective form of government for Britain. But as we are sharing power in Westminster with another political party, it is even more important for us to be clear about our guiding principles.

This document sets out our values; highlights the challenges that, from a Liberal Democrat perspective, we face as a nation; and summarises our priorities for policy development during this parliament.

As liberals we depart from the other two main political traditions in three critical ways. First, we place our faith in people, rather than institutions. States, markets and communities can give people power. But they can also hoard power - in state bureaucracies, market monopolies and social norms. Labour is a party of state power. Conservatives believe in the power of the free market. These are honourable political traditions. But they are not ours.

For us, the litmus test of any institution, law or reform is whether it gives more power to people to lead their own version of a good life. The exercising of power by people – individually and together – is the basis of social progress. As this paper puts it: "Our vision is of a society in which power (political, economic, social) is as widely distributed as possible and people have the capacity to make the lives they choose for themselves".

Second, liberals are the consistent optimists of politics. Optimism fuels our mission to redistribute power. It makes little sense to argue for people to have more power – in their workplaces, in communities, over public services – unless you trust them.

And thirdly, we instinctively look forwards, not backwards. For the other two traditions, gripped sporadically by nostalgia, the ideal society often seems to lie in the past. For us, it lies in the future. The advance of individual freedom, knowledge, reason, democracy and material wealth translate into real progress for real people. We are in this sense the most progressive party. It is also why we are so passionate about the need to protect the environment for future generations.

A quarter of a century ago, David Steel said: "I am not interested in power without principles. But equally, I am only faintly attracted to principles without power. ...We will do nothing, change nothing, achieve nothing unless we can first gain power and then use it wisely."

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We are setting ourselves a high hurdle. To govern wisely on the basis of our distinct liberal principles, and to set out a compelling vision for a more liberal future. We have to make this parliament a liberal one. And ensure that our period in office is not simply a pause in the swinging of the two-party pendulum - but the first instalment in a new, better politics.

A handwritten signature in black ink that reads "Nick Clegg". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Rt Hon Nick Clegg MP, Leader of the Liberal Democrats.

# Our Values

1.1 Liberal Democrats' starting point is the flourishing of the individual. The wellbeing and self determination of individual citizens are central to our values. That contrasts with conservative and nationalist thinking which place the interests of institutions - such as nation, race or family - before the individual and socialist thinking which, traditionally at least, sees people in terms of class allegiances. That is not to say that we do not recognise the centrality to most people's lives of social relationships, for example through local communities, voluntary groups, families and work. Often, people are at their happiest because of their relationships and collaboration with others. But we see such connections as a means to promoting the flourishing of individuals and not as ends in themselves.<sup>1</sup>

1.2 Because of this focus on the individual, we are wary of concentrations of power which can threaten the freedom of the individual. This applies to coercive state power, but also to corporate economic power and to informal but still potentially oppressive social pressures to conform to a certain way of life or thinking. Our vision is of a society in which power (political, economic, social) is as widely distributed as possible and people have the capacity to make the lives they choose for themselves, whilst acknowledging our responsibility to others. Challenging concentrations of power and seeking to distribute power as widely as possible is at the heart of the Liberal Democrats approach. We therefore favour the maximum possible devolution of political power to local communities (especially through local democracy), the break-up of monopolies, whether public or private and regulation of market power, and the promotion of education and a diversity of voices in public debate.

1.3 Liberal Democrats are champions of civil liberties and human rights. We believe in due process, the rule of law, and the right to own private property as a bulwark of liberty. The state only has a right to intervene when the actions of citizens have a negative impact on others. We also believe that there are basic human rights, such as the right not to be imprisoned without charge, which are inalienable and are not conditional on the citizen fulfilling any particular responsibilities. Liberal Democrats value each individual equally. We are firmly opposed to any unfair discrimination based on prejudice and uphold absolute equality in political and legal rights.

1.4 At the same time, those who wish their own rights to be respected must expect to honour the rights of others. Liberal Democrats expect all citizens to obey the law of the land and that there will be consequences for those who do not. The rule of law is the foundation stone of a liberal democratic society. We also believe that there are some positive benefits available to citizens in a liberal democratic state which bring with them obligations to behave as good citizens in a broader sense – for example those who do very well financially have a moral obligation to contribute proportionately more to fund the common needs of society, and those who are in receipt of benefits because of unemployment have an obligation to seek work actively. We value the idea of individuals contributing to build strong communities.

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<sup>1</sup> Our ideological inheritance is covered in greater detail in our values paper, *It's About Freedom* (2002)

1.5 Liberal Democrats see the market as a mechanism for creating wealth and enhancing individual power and choices, rather than as an end in itself. Markets can encourage enterprise, and promote innovation. But left to their own devices, markets can allow unfair accumulations of wealth and concentrations of power through, for example, the creation of monopolies, and cartels, thereby reducing individual choices and freedoms. Unchecked markets may also allow our natural environment to be damaged or destroyed, thereby endangering our prosperity and quality of life and those of future generations. Governments should therefore promote competition where that is practical and regulate dominant market players where it is not, or where markets alone will not protect the public interest. They should also ensure the provision of the public goods that markets alone fail to deliver and take action to ensure environmental sustainability. As Barack Obama said in 2008, 'government cannot solve all our problems, but what it should do is that which we cannot do for ourselves'. Liberal Democrats believe that government can be a means through which individuals cooperate to tackle their shared challenges and enhance their freedoms, using the power of democracy – an enabling state. We are also clear that each government intervention must be justified by its contribution to the public good, and must be subject to careful scrutiny by representatives of the public.

1.6 The reason we value these approaches is because we believe they are the best way of enabling people to have the best quality of life that they can, which should lie at the heart of policy-making. Recent developments which allow us to measure people's wellbeing effectively are important new tools in helping us to do this. If people having the best lives that they can is the most important goal – and it is difficult to see anything else which is more important – then we believe that the best way of achieving this is to equip individual citizens with the information they need to make informed choices about their lives, and the consequences for their long-term wellbeing. This is a distinctively Liberal Democrat approach, different from others who believe they know the choices that people should make about their own lives. Our approach to doing this, and specific policies towards achieving it are set out fully in policy paper 102, *A New Purpose for Politics*, (2011).

1.7 No system of values avoids difficult choices. There can be tensions between liberty and security, between private interests and the public good, between national standards and local flexibility, between individual choice and equity of provision in public services. However Liberal Democrats are strongly united in support of genuine equality of opportunity. Such equality of opportunity can promote freedom for those from the poorest backgrounds, while not running the risks inherent in any system focused on absolute equality of outcome. We believe there is an important enabling role for the state to make this a reality. Opportunities are not equally distributed in modern Britain. Where you are from, what your parents did, the school you went to, your social class, ethnicity and gender still have a significant impact on your chances in life, your educational attainments, your work prospects, and even how long you will live. In some respects, evidence suggests that the position has got worse rather than better in recent years. (eg. the proportion of children from the poorest backgrounds getting into the top universities has been falling). This can be tackled by both by strong public institutions to support broad-based opportunities (for example through a high quality, universally available public education system) and more targeted programmes to help those at particular disadvantage to improve their life chances. While rejecting absolute equality of outcomes

as an objective, we also recognise that high levels of overall economic inequality hold back social mobility, are linked to some social problems (such as ill health) and can undermine equality of political and legal rights. Inequality of wealth is particularly persistent and unlikely to be addressed without significant intervention. We also recognise the concerns which have been raised about fairness across generations.

1.8 Liberal Democrats believe that our focus on individual rights is fully compatible with support for flourishing communities. Human beings are not solitary creatures and thrive best in social environments. Local community action can be more effective than either national state programmes or market solutions in meeting many social needs. Communities, whether geographical or otherwise, are not a good in themselves but provide the necessary arenas for individuals to come together to meet their needs and attain their aspirations. It follows that community organisations should be open and accountable and, where they are spending public money, subject to democratic oversight. Different sorts of community, (for example local, national, belief) can be strongly bound up with individuals' sense of identity and the impacts of government policies and market forces on communities must be taken into account. However Liberal Democrats will always be sceptical about arguments to put the greater good of a community as a whole above the rights of individuals or minority groups within that community.

1.9 Liberal Democrats are instinctively against narrow nationalism – against building the solidarity of a state and its citizens through antagonism to others. This is distinct from patriotism – a positive pride in our country and the values that we share. Cooperation across frontiers promotes peace and prosperity; nationalist rivalries provoke conflict, as the history of the twentieth century bitterly demonstrated. Liberal Democrats believe that the kind of rights and benefits we aspire to in the UK should also be available to people throughout the world. Liberal Democrats support the growth of international law, and the development of democratically accountable international institutions as mechanisms for spreading and safeguarding human rights and protecting humanity from global threats.

1.10 In a highly-integrated global economy, Liberal Democrats support the use of institutionalised international cooperation, within a strengthened framework of international law, to promote the values of environmental sustainability and democratic choice. We want to ensure that freer and fairer trade is extended. However these international structures themselves must be made accountable and not a source of bureaucratic dictation or the top-down suppression of local cultures.

1.11 Protecting our environment is arguably the most pressing challenge which we, as a country and as a planet, face today. Pollution, threats to biodiversity, the wasteful use of resources, food crises and human-made climate change are all direct threats to individual freedoms and opportunities. A degraded natural environment damages personal health and quality of life, weakens our economy and harms local communities. This is as true for future generations as it is for present ones. So Liberal Democrats place sustainable development at the heart of our thinking. We use the definition of sustainable development from the 1987 Brundtland Report, 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. We recognise that the costs of environmental damage too often fall on those least able to bear them. Our vision of sustainable development therefore embraces the three 'pillars' of

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the economy, society and the environment. For Liberal Democrats, sustainability is not an option or an add-on policy but a principle that lies at the heart of everything we do.

# Challenges and Opportunities

## 2.1 Economic and Fiscal Challenges and Opportunities

2.1.1 Britain is slowly emerging from the deepest recession since the 1930s, with a total fall in national income of over 6%. Realistically we cannot construct an economy that abolishes boom and bust – as then-Chancellor Gordon Brown foolishly and hubristically claimed. But it is possible to design an economy that is resilient to changes in global economic circumstances.

2.1.2 The trigger for the recession was the worldwide crisis in the banking sector. Clearly one of the major challenges facing Britain, Europe and the international community is to reform the system of international financial regulation, which cannot simply return to the 'light touch' orthodoxy that prevailed before the crisis. A start on this has already been made, for example through the Basel Accords.

2.1.3 Britain was particularly vulnerable to the banking crisis because of the relative importance of the banking sector and the size of banking institutions which had become 'too big to fail'. The Coalition Government has committed itself to reform in this area, and will need to follow up the report of the Vickers Commission with a radical package of reforms. Meanwhile, the supply of credit to businesses is restricted relative to pre-crisis levels, and although the Government is trying to address this through the 'Project Merlin' agreement with banks and interventions like the Growth Capital Fund, securing a workable credit market to support innovation and prosperity remains a major challenge.

2.1.4 Another major source of weakness was the high levels of private debt prior to the recession. While most developed countries have had increasing levels of private debt, Britain topped the debt league table by 2008, with a private debt well over three times our GDP. Large debts leave people vulnerable to a downturn. If incomes fall, or interest rates rise, they can be plunged into the misery that comes from being unable to meet loan repayments.

2.1.5 Even before the current economic crisis began to develop, the British economy was already facing serious challenges from a Liberal Democrat perspective. Times of economic growth bring enormous benefits but can also have serious environmental consequences, and successive Labour and Conservative Governments sought economic growth with little regard to its environmental impact. The social impacts of increases in economic activity can also sometimes be negative, particularly if they are unequally distributed, for example between communities or regions. Consequently, even if the economy was not facing its current problems, we would consider the economic system to be deeply flawed and unsustainable. Policies aimed at restoring growth to the UK economy must be designed with the aim of achieving sustainable development, and contributing positively to each of its three pillars, economic, social and environmental (see 1.11). Some of the social and environmental challenges in this area are set out in sections 2.2 and 2.3 below.

2.1.6 To counter the recession, interest rates have been kept unprecedentedly low during the last two years. As a result, high levels of debts have not been as harmful as expected. Home repossessions, for example, have been lower than predicted. Nevertheless, high levels of debts do make households vulnerable, as well as adding risk to lenders' loanbooks, and we should not be sanguine in future if indebtedness rises. We need to improve financial education to tackle the culture of debt that has developed.

2.1.7 The best way to reduce debt levels is for house prices to increase below the general level of inflation, so that people can take out smaller mortgages while remaining well-housed, and pay off those mortgages more quickly. We welcome the Coalition's commitment to improve housing affordability by aiming for stable nominal house prices in future, which will also allow more young people to access the housing market.

2.1.8 A further major weakness was the poor position of the public finances prior to the recession. The public deficit reached 11 per cent of GDP, and contained a structural deficit of £120 billion. Put simply, Labour spent too much or taxed too little, putting us in a bad position to cope when the recession arrived. Sorting out that mess is now requiring tough choices in communities across the country, including in regions which did not benefit from sustained investment during the upturn. The lesson for economic policy is to ensure that a balanced economic development strategy that creates growth and builds export capacity is put in place during an economic upturn to cushion the inevitable downturn when it comes.

2.1.9 This leads to a further challenge for the UK economy – dependence on a relatively limited number of sectors and on traditional international trading partners (EU and other G7 countries). Britain has many globally competitive firms in internationally-traded services (such as financial services, which includes a lot more than just banking), high technology manufacturing (such as pharmaceuticals) and creative industries. However these have their limitations. They are geographically concentrated in the richer parts of Britain. Banking has been very important but has taken a big set-back and is unlikely to recover to its previous levels in the foreseeable future. And all of these sectors tend to produce a limited number of well-paid jobs for the highly educated but few intermediate jobs.

2.1.10 While we need to develop new trade links with new markets, we also need to do far more to deepen and expand trade with traditional markets, most notably the EU. The UK needs to be at the forefront in driving forward positive, ambitious and bold single market measures and new free trade deals, building alliances with our European partners so that we can deliver new growth, jobs and greater competitiveness for the future.

2.1.11 The relatively small size of the manufacturing sector in the UK compared to EU countries like Germany and France has often been remarked on. Despite its small size, the UK manufacturing sector still includes quite a number of producers of low-technology goods vulnerable to competition from emerging economies. While not wishing to romanticise manufacturing or imagine we can go back to a golden age of Britain as the workshop of the world, we should be questioning whether there are changes to the UK's economic policy mix which could strengthen the UK's performance in the high to middle

technology manufacturing sector, as part of the overall challenge of broadening the economy sectorally, regionally, and in terms of our international trade relationships.

2.1.12 Britain's economic strengths should not be underestimated. In addition to the competitive sectors mentioned above, we have an effective and flexible labour market relative to most European countries, which is why unemployment has risen much less markedly than most economists expected. We have for example seen many people on short hours, resulting in fewer becoming unemployed. This is both fairer – in that it spreads the pain – and more efficient, in that people who are unemployed can see their skills atrophy, and can lose their connection to the labour market. Of course, we want to see short-time working end, just as we want to see unemployment fall. We also have to recognise that many emerging economic powers have even greater labour flexibility.

2.1.13 Over the long run our standard of living as a nation is determined above all by the skills of our workforce. The single most important long term economic policy is to educate everyone to their fullest potential. Unlike a century ago, when new technology replaced skilled labour, today new technology requires skilled workers to make the most of it. We therefore need people with skills as never before. This is particularly true in a globalised world in which many manufactured goods can and will be produced overwhelmingly in low wage countries.

2.1.14 In addition, Britain needs to have effective infrastructure. We need our roads, trains, planes and shipping to work effectively. We also need good telecommunications. The best time to invest in infrastructure is when financing costs are low, and construction prices keen.

2.1.15 There is increasing evidence that a strong competition policy is critical. Competition forces out firms that offer poor service or over-priced goods. Forcing firms to compete directly improves our standard of living in the short run, but also creates firms which can compete internationally, and who are well-placed to innovate and expand. Competition policy also needs to be sensitive to new entrants – new firms such as BlackBerry or Streetcar can shake up a market to good effect.

2.1.16 Despite the difficulties of recent years, Britain remains one of the most prosperous countries in the world with many world class firms and industries. Our vision for a sustainable and balanced economy is one founded on strong growth contributing to social and environmental aims, underpinned by long-term investment with a well-skilled and versatile workforce. This will be the foundation on which a fairer, resilient and open Britain will best compete on the global stage. But it must not mean a return simply to how things were before the recession. The new economy which emerges must be truly new, placing sustainable development at its heart.

## 2.2 Social Challenges and Opportunities

2.2.1 Britain is a much more unequal society than it was a generation ago, despite a long period of economic prosperity. Even if there were good economic reasons to accept this higher level of inequality, it is not an attractive aspect of the improvement in economic performance that we have seen in that time. Since recessions almost always increase inequality at least in the short term – some people lose their jobs – the period following the financial crash in 2008 is likely to be no different. The pupil premium holds out the long-term prospect that inequality will fall, but the effects will take a generation to come through. This is why we have prioritised the raising of the personal allowance which will take eight million low earners out of taxation altogether.

2.2.2 We recognise that there are particular groups in society that are likely to be more strongly affected by the recession. The largest of these groups is women. This exacerbates a situation in which women continue to suffer from a 'pay gap' with men. Also, the expansion of female participation in the labour force which was a significant feature of the 1960s to the 1980s has slowed down considerably. This may in part be a matter of personal choices, but it is also a reflection of barriers such as the extremely high costs of childcare – for second earners in a family, childcare costs can amount to an effective 88% marginal rate of taxation according to the OECD.

2.2.3. Tackling long-standing regional inequality must be prioritised. As noted at paragraph 2.1.8, a lack of sustained investment in some regions during period of upturn have left them at a disadvantage and over-reliant on public spending.

2.2.4 Youth unemployment has risen to levels that are deeply worrying. The recession has not seen as many middle-aged men lose their jobs as previous recessions, but it has seen an increasing number of young people, particularly those with few qualifications, unable to find work. We know that those who do not find work can easily lose their attachment to the labour market. A spell of unemployment can lead into a lifetime away from the workplace. Here the Coalition needs to take seriously the Wolf Report that shows that many vocational qualifications are worthless in the marketplace, particularly when competing against better-qualified workers from other EU countries. The volume-based approach to churning out more qualifications regardless of quality is not good enough. We need instead to ensure that as many young people as possible have effective and versatile qualifications that increase their likelihood of finding long-term work.

2.2.5 Going beyond the short-term effects of the recession, Britain is a society characterised by poverty that travels from one generation to the next. It is simply unacceptable to Liberal Democrats that those who are born poor will remain poor because the structure of society and the economy combine to limit their life chances. That is why we do not hesitate to trumpet our commitment to ensuring that everyone has a fair chance in life. It is an economic crime, as well as a social and moral scandal, that children from poorer backgrounds too often do so much worse than their potential.

2.2.6 The last Labour Government's approach to this problem was characterised by taxing the wealth generated by a lightly-regulated market economy during the boom

years and simply redistributing money to the less well off through the tax and benefits system. The limits of this approach are now obvious. While of course accepting the need for a redistributive tax and benefits system, we emphasise measures to help people where possible to succeed for themselves in the economy. We therefore applaud the creation of a pupil premium, and remain committed to expanding it significantly.

2.2.7 A long-term feature of the labour market in all developed economies which presents a difficult challenge for social mobility and increasing opportunity is the replacement of many traditional clerical, skilled and semi-skilled manual occupations by automation and IT. This means that we have a labour market with an increasing proportion of graduate-level jobs and still many low-skilled jobs, but with the middle range significantly reduced. It is obviously more difficult for people who wish to climb up the ladder when some of the rungs may have been knocked away. At the same time we still have a problem of too many young people who lack even the basic skills needed for any paid employment.

## 2.3 Environmental Challenges and Opportunities

2.3.0.1 We are heading for testing times. The effects of human-made climate change continue to get worse and worldwide greenhouse gas emissions increased by a record amount last year, to the highest carbon output in history. Vital resources such as land and water are under increasing pressure. The costs of raw materials are growing. Climate change, changing diets, rising food prices and a growing global population have pushed food security to the top of the international agenda.

2.3.0.2 But we have massive opportunities too. A low carbon economy with green growth can give us more energy independence, protection from volatile oil and gas prices, greater security and new sources of prosperity and jobs. The global market for environmental goods and services is already worth around £3 trillion and could grow to more than £4 trillion by 2015. These are some of the most rapidly growing sectors of the world economy, and, if we are innovative and ambitious in our plans for growth, the UK has a real chance of establishing itself as a world leader in areas such as offshore wind, marine renewables and carbon capture and storage.

### 2.3.1 *Climate Change*

2.3.1.1 The balance of scientific evidence suggests that there will be a significant net harmful impact on the ecosystem worldwide if global average surface temperature increases more than 2 degrees Celsius above pre-industrial levels. Scientists predict that global warming will be accompanied by rising sea levels, more frequent and more powerful storms, shifting rainfall patterns, more flooding and droughts, food shortages and the mass migration of people from the worst affected areas to developed countries. The Stern Review showed that climate change is also likely to have devastating economic impacts.

2.3.1.2 Whilst poorer countries are likely to suffer most, the UK will also be affected. The UK Climate Impact Projections (2009) showed that failure to tackle climate change could lead to an increase in water shortages, heat waves and floods in this country which would have a serious, negative impact on people's health and quality of life, the economy and the natural environment.

2.3.1.3 If present trends continue, there is no chance of stabilising greenhouse gas emissions or of limiting the rise in global temperature. The figures suggest that to achieve the goal of peaking global emissions by 2020 – necessary if the temperature increase is to be limited to 2 degrees – the increase in global carbon emissions over the rest of the decade will need to be less than it was in the last year.

2.3.1.4 The core challenge is the delivery of a comprehensive international treaty with binding commitments on mitigation and adaptation funding. But of the five leading emitters – USA, EU, China, India and Russia – only the EU is willing to commit to binding mitigation targets and has the domestic backing for it. Britain and the EU should maintain our commitment to a comprehensive multilateral treaty. We should also be prepared to be creative in taking forward international agreements, for example through a 'building

blocks' approach, which aims at achieving agreements on such issues as finance, forestry and technology, which could later be embedded in a broader legal framework.

2.3.1.5 Given that some impacts of climate change are already occurring and further impacts are inevitable, we must start preparing now. One example is in water resources. The Environment Agency predicts that the amount of water available in England and Wales could drop by 10 to 15% over the next forty years. But the population is expected to increase by around 20 million by 2050.

2.3.1.6 The need to adapt to climate change also has implications for policies on land use planning; designing infrastructure; building regulations; and emergency planning.

## **2.3.2 Energy**

2.3.2.1 The Climate Change Act 2008 requires the UK to reduce our greenhouse gas emissions by 80% by 2050 (from a 1990 baseline). Reaching that target will require action in the three areas responsible for 80% of emissions – electricity, heat, and transport.

2.3.2.2 Demand for electricity is projected to double by 2050, partly because the most practicable means of decarbonising the transport and heat sectors is to deliver them via low-carbon-generated electricity. At the same time, there are also questions over the UK's energy security. Britain became a net importer of oil in 2004 and gas in 2006. All but one of our nuclear stations, and about half of our coal power plants, representing around a quarter of electricity generation capacity, will close by 2023 and must be replaced (although not necessarily, of course, on a like for like basis). The Government's aim is to deliver secure energy on the way to a low carbon future. This embraces a mix of renewable energy, new nuclear power and fossil fuel power stations fitted with carbon capture and storage (CCS) technology. The Government will subsidise the relatively new technologies of renewable energy and CCS, but not the much more mature technology of nuclear power; and is initiating a major programme of energy efficiency improvements in buildings and industry.

2.3.2.3 All of these goals need to be achieved without making energy unrealistically expensive for consumers or making the level of fuel poverty worse. In addition, although low-carbon industry sectors will see a significant expansion of activity, employment and exports, some other sectors, particularly energy-intensive industries such as aluminium and steel, will face difficulties in adapting to higher energy prices, and require some offsetting measures.

2.3.2.4 In its first year, the Coalition Government, under the leadership of Liberal Democrat ministers in the Departments of Energy & Climate Change and Business, Innovation & Skills, has made major strides in achieving carbon reduction targets. The Green Deal, a major initiative aimed at significantly improving the energy efficiency of homes and buildings, at no up-front costs to consumers, will be introduced from October 2012. Clear incentives for investment in renewable energy are being established through the reform of the electricity market, the feed-in tariffs scheme for microgeneration, and the Renewable Heat Incentive. And £1 billion has been allocated for the first commercial-scale CCS demonstration.

2.3.2.5 However, much more needs to be done to drive forward the clean energy revolution in the UK, in energy, transport and industry, and in particular in using innovative means to channel domestic savings (currently at a record level) and foreign direct investment into the low-carbon sectors – such as green ISAs or other financial products, and the proposed Green Investment Bank. Liberal Democrat policy, which sees no role for nuclear power, and aims at a more ambitious emissions reduction target than the government's, needs to be reviewed in the light of progress in the UK and EU and globally.

### **2.3.3 Resource Use**

2.3.3.1 Humans are living beyond the ability of the planet to support life. In 2003, the first report of the UN's Millennium Ecosystem Assessment showed that 60 % of the basic ecosystems that support life on Earth are being degraded or used unsustainably. The resources and absorptive capacity of about one and a third planets are now needed for sustainability; if everyone in the world lived like people do in the UK, three planets would be needed.

2.3.3.2 In Britain, we still landfill over half of our municipal waste, threatening the environment and wasting valuable natural resources. This is some way off the EU average of 40% and Germany and Holland landfill only 1% of their municipal waste.

2.3.3.3 UK households now recycle over 38% of their waste. But British households lag well behind those in other European countries: Austria (69%), Germany (65%), Belgium (60%) and Holland (59%).

2.3.3.4 The Coalition Government is committed to working towards a zero waste economy and is currently carrying out a review of waste strategy in England.

2.3.3.5 We are also profligate in our use of scarce resources such as rare earth metals, used in a range of vital technologies from computers to smart phones, wind turbines and hybrid petrol-electric cars, and other speciality metals like lithium. And many renewable resources, such as timber and fish, are being consumed at a rate exceeding their capacity to regenerate. There is increasing interest in, and experience of, systems of controlling supply chains so that, for example, timber, fish or palm oil which has been sourced sustainably can be clearly identified, or given preference in government and business procurement policies; these should be developed further.

### **2.3.4 Biodiversity**

2.3.4.1 Biodiversity loss is a serious environmental challenge that has received insufficient attention. The UN study on the Economics of Ecosystems and Biodiversity (TEEB) says that on average one third of the Earth's habitats have been damaged by humans and that the loss of biodiversity costs businesses up to \$50billion every year.

2.3.4.2 At the World Summit on Sustainable Development, held in Johannesburg in 2002, governments agreed to reduce significantly the loss of biodiversity by 2010. They did not

keep this promise. Nor did the EU meet its commitment to stop the decline in biodiversity in the Union by 2010.

2.3.4.3 The 2010 UN summit on biodiversity agreed to at least halve the loss of natural habitats and expand nature reserves by 2020. All signatories to the UN Convention on Biodiversity, are required to draw up national biodiversity plans. But the long term trends in the UK are still worrying. Last year, Natural England reported that more than two animal and plant species a year are becoming extinct in England and hundreds more are severely threatened by hunting, pollution, development, poor land management, invasive species and climate change. This represents about a quarter of all species in the best-studied groups, including every reptile, dolphin and whale species, two-thirds of amphibians and one-third of butterflies and bumblebees.

### **2.3.5 Food Security**

2.3.5.1 Global food prices are rising. This is partly due to climate change and extreme weather; a recent study estimated that since 1980 global wheat production had fallen by 5.5%, and prices had risen by 18.9% because of climate change. Price rises are also a result of rising aspirations in developing nations and to derivatives trading systems. At the same time as hunger is rising in some countries, other countries including Britain are experiencing a steep rise in obesity and a debate is being had about the sustainability of some of our food production and systems.

2.3.5.2 With increasing pressure to produce more from less, renewed questions are being asked in Europe about the potential of biotechnology to supply food and tackle climate change. Meantime, in the US, legal challenges to the GM industry by the agri-environment sector point to the difficulties of different farming systems working compatibly in one country.

## 2.4 Political Challenges and Opportunities

2.4.1 The greatest single challenge to the political system in the UK is growing cynicism about democratic politics. The popular image of politics is of a spectator sport, without public involvement: merely a Westminster game. Prime Minister's Questions are the dominant symbol of a political system in which personalities and ambition count as much as principle and policies. While politicians are themselves at fault in this development, it is also partly a product of a media culture which believes that the public would not be interested in a serious discussion of the policy issues and prefers to cover splits, rows and gaffes.

2.4.2 The crisis of confidence in politics is part of a wider problem of weakening of public trust in elites of any kind: bankers, business leaders, journalists and media proprietors all vie with politicians for popular suspicion. This in itself relates to a widespread feeling of disempowerment – that other people take decisions over our lives and there is little or nothing ordinary people can do about it. At the same time there is the development of a consumerist political culture, in which there is a mismatch between the demand for benefits and services and the acceptance of tax levels necessary to fund them. There is mixed evidence on whether the public *want* to take on more responsibility for political decisions, or take a more active part in public life.

2.4.3 For many young people, traditional politics (and traditional media outlets) seems wholly irrelevant to their lives. They see no reason to engage in a process that seems completely alien. Participation in elections for those between the age of 18 and 24 was 44% at the last general election.

2.4.4 There is an increasingly diffuse sense of national community. 10 million UK citizens now live abroad, while several million non-UK citizens live and work in the UK. Many major British companies and banks are now foreign-owned; Britain's richest inhabitants conduct their business, and pay tax, 'offshore'. The sense of mutual obligation which should hold together a democratic state is fraying.

2.4.5 The political parties themselves have been affected by this loss of confidence and interest in the political system. Membership of all parties is in long term decline, with a shift of political involvement towards single-issue groups and campaigns which are often more adept at using social media. To some extent this decline becomes self-fulfilling as the culture of political parties moves from that of mass movements towards a hard core of activists who expect a high level of time and financial commitment from other members, putting off potential but less committed supporters. The parties themselves need to find more varied ways of involving people in political activity. Parties also suffer from the perception that they are effectively the tools of their major donors; party financing reform is therefore also a key aspect of reviving political trust and engagement.

2.4.6 Liberal Democrats have traditionally critiqued the UK political system for two main failings: over-centralisation and unrepresentativeness. Our two main answers have been decentralisation and electoral reform. Following the defeat of the AV referendum, electoral reform for the Commons at least is unlikely in the near future. However, a

predominantly elected House of Lords is a more immediate prospect. Moreover, decentralisation remains a pressing concern. Effective political institutions at lower levels represent an opportunity to meaningfully involve far more people in the political process and to have a more human-scale system of involvement.

2.4.7 Now that Scotland, Wales and Northern Ireland have autonomous government, England remains as the most centralised state in the democratic world. Key political challenges for 2015 will therefore be delivering an effective devolution of power to democratically accountable local government in England, building on the current Localism Bill, and to find an answer to the 'English Question' – whether that implies an English tier of government, or regional or sub-regional bodies in England, perhaps based on cities or historic counties.

## 2.5 Foreign Policy and Security Challenges and Opportunities

2.5.1 The UK's international environment has been transformed over the past 20 years. The collapse of the Soviet Union freed Britain from direct military threat, for almost the first time in its history. The European Union has been transformed from 12 to 27 member states, while NATO has also expanded across eastern Europe. Fragile states, transnational terrorism and crime, and cyber-security have replaced the Red Army as major threats. The global economy, still dominated by Europe and North America in the late 1980s, is now being reshaped by the dynamism of Asian and Latin American economies, and by the accumulated surpluses of China and the major energy suppliers. Widening economic growth and continuing population increases have sharpened competition for energy, food and other raw materials. The United States, the world's dominant provider of security and economic leadership over the past 60 years, is no longer able to afford to maintain that role. The retiring US Secretary of Defense made it clear in May 2011 that European states must in future take fuller responsibility for their own security.

2.5.2 Yet the assumptions that underpin British foreign and defence policy have changed little. Britain has continued to spend more on defence as a proportion of GDP than any other European NATO members except Greece and Turkey. Its military posture has rested on the special relationship with the USA, and the procurement of weapons systems that maintain compatibility with the USA. UK forces in large numbers intervened in Iraq in 2003, and continue to deploy in substantial numbers in Afghanistan.

2.5.3 The Coalition Government inherited an unsustainable defence procurement programme, and has taken steps to reform and reduce the defence budget – while insisting in the National Security Strategy that this does not imply 'any shrinkage of our influence'. Thanks to Liberal Democrat influence in the Coalition, the Government has agreed to postpone the 'main gate' decision on the replacement of the Trident nuclear deterrent until after the 2015 election, and to permit a full study into affordable alternatives. It is likely that there will be strong competition over priorities in defence spending from 2015 on.

2.5.4 The UK has, however, significant resources of soft power. It is now the largest provider of overseas development aid in Europe. London is a global hub, with a dynamic and open multicultural society. The English language and the BBC provide additional assets. UK-based non-governmental organizations play a leading role in global networks. The country is widely recognised as a global leader in the climate change debate and in adopting its own climate targets.

2.5.5 Liberal Democrats welcome the conclusion of the Franco-British defence cooperation treaty, as proposed in our 2010 manifesto, and look to further cooperation as a means of maximising defence effectiveness at manageable cost. We recognise that the UK is no longer alone within the EU in facing a disillusioned public, and that the EU itself is facing a crisis of confidence over the future of the Eurozone and the management of economic imbalances. Nevertheless, we remain convinced that it is in the UK's national

interest to pursue practical cooperation with our European neighbours through the framework of the EU, and to use the powers available under the Lisbon Treaty to promote shared political and economic objectives. We support a common European response to the challenges posed by changes across the Arab world, in managing both the transition to more open regimes and the surge in migrants and refugees that insecurity across the Middle East threatens to create.

2.5.6 The British debate on our place in the world, and in particular our role in Europe, remains stuck in an outdated narrative of global status and distrust of Germany and France. Liberal Democrats over the next four years should be leading the national debate on how the UK develops an understanding of its foreign policy role and priorities more appropriate to the global transformation through which we are living.

## 2.6 Demographic Challenges and Opportunities

2.6.1 Britain's demography in recent years has been characterised by a birth rate at near or just below the 'replacement rate', increasing longevity and historically high levels of net immigration (peaking at 233,000 in 2007). 13% of workers in the UK are now not UK-born.

2.6.2 As a result, Britain's population will rise - it is expected to reach 71.6 million in 2033, from 61.9 million in 2009, and by the middle of the century may exceed 75 million. At the same time, there will be a significant increase in the number of people over 65, with nearly one in five people alive today expected to see their 100th birthday. The UN estimates that the old age dependency ratio in the UK in 2010 was 25 out of every 100 people, but is forecast to rise to 38 by 2050. The number of households is on the rise too, from 21.5 million in 2006 to an estimated 27.8 million in 2031. The composition of households is changing, with a big increase in the proportion of single person households as a result of more single people in the middle-aged and pensioner age brackets.

2.6.3 While changes like longer lifespans are of course in themselves good things, these trends present a number of challenges:

- **Economic effects and pressures on public services:** As the proportion of people in retirement rises, the costs of pensions both private and public will obviously rise. At the same time the ageing population will reduce the growth potential of the economy. Pressures on health and care services will grow, especially as changes in family structure mean that informal family care is likely to decline. Immigration counters these effects as young immigrant workers contribute to the long-term performance of the economy and help to pay for pensions and public services.
- **Environmental impacts:** An increasing population tends to increase the total resource use of the country. This is particularly true of an increase in the proportion of single person households. However some aspects of the ageing trend go in the other direction – for example older people tend to travel less than do younger people.
- **Housing impacts:** Given the chronic under supply of housing in the UK, and the regional mismatches between supply and demand, the increase in population will exacerbate pressure on housing in already densely populated areas. Again, the change in household type is as important as the overall population increase – single households tend to use much more space per person, so even if the total population was static demand for housing would be increasing.
- **Social and community impacts:** Immigration on the scale seen in recent years can have impacts on community cohesion, especially where there is a real or perceived clash over values. There can also be practical problems in terms of local service provision where immigration is unforeseen and unplanned for. While the economic evidence is that economic migration is in the long term

good for the economy as a whole, the evidence is less clear on the short run impacts on existing low-skilled workers. The change in the age profile of the population may also have affects on our culture and social attitudes – older people tend to be for example much more concerned about issues like crime and anti-social behaviour than younger people.

2.6.4 These challenges raise a number of questions for government policy. The first of these is how to respond to the increased demands for spending generated by an ageing population. How far can health, care and pension provisions increase as a proportion of GDP, should this be in the public or private sector, should we be cutting expenditure elsewhere or allowing the overall tax take to rise, are there implications for universal versus targeted benefits?

2.6.5 The second is the issue of the UK's housing problem, which is not solely a result of demographic change but which is highlighted by it. How can we achieve an adequate supply of affordable housing in the places and types of homes people want to live in, while upholding the principle of sustainable development? This is a key to answering many problems involving social mobility, debt levels, boom and bust cycles and economic competitiveness.

2.6.6 The third is the highly sensitive issue of economic migration and community relations. How can we reconcile a liberal migration policy which allows the UK economy to benefit from the valuable skills migrants can bring, while maintaining public confidence in the immigration system and addressing concerns about integration and the problems caused to local areas by sudden surges in immigration?

2.6.7 It is important not to overlook the opportunities that demographic changes bring. Many people will enjoy good health much longer into old age and be able to contribute much more, both economically and through involvement in families and communities. It is also necessary to be wary about long range predictions for population numbers – in the 1930s projections based on contemporary trends predicted a halving of the British population over the following half-century.

## 2.7 Public Services Challenges and Opportunities

2.7.1 As Liberal Democrats, we believe that the principle of distribution of power should apply to public services. Access to services like education and health care is essential to allow people to flourish. We want to see as much power as possible over the services people receive being located with individuals and local communities rather than top-down bureaucracies.

2.7.2 The Coalition Government has embarked on a radical programme of reform of public services. The backdrop to this is twofold:

- The belief that while the Labour Government put a lot of extra resource into the public sector as a whole, because of an inflexible top-down approach this did not necessarily deliver a commensurate improvement in services. On the Government's own figures, productivity in the public sector fell consistently throughout the last decade.
- The need during a period of austerity in public finances to make the most of available resources, with many services having to absorb 20% cuts (although the position for health and schools is much better than this, it is still highly constrained relative to the recent past).

2.7.3 A notable feature has been the pace of reform, with major reforms introduced simultaneously across a range of different services.

2.7.4 A major challenge for public services over the coming years will simply be to manage with fewer resources and to cope with the pace and scale of change.

2.7.5 While there is much about the Government's programme of public sector reform that Liberal Democrats can welcome (and indeed was drawn from the Liberal Democrat Manifesto, such as the Pupil Premium), there are also issues which will need to be addressed. In particular, how far local devolution is combined with local democratic accountability, how far local decision-making can be reconciled with national standards and entitlements, how far a holistic approach to people using different services can be maintained in an environment with a diversity of providers, and how far co-operation between services can be combined with competition between providers.

## 2.8 Challenges and Opportunities in the Criminal Justice System and Civil Liberties

2.8.1 There is clear evidence that crime rates have been falling since the mid 1990s, with overall crime as recorded by the British Crime Survey down 50% since 1995, including a 3% fall in 2010.

2.8.2 Despite the improving crime figures, there remain real challenges. Whatever the trends, the commission of 26,000 crimes a day, including 1,000 injuries being inflicted, represents an enormous amount of human suffering. And some categories of crime such as sexual offences have not shared the general downward trend. Crime and the fear of crime are unsurprisingly one of the leading public concerns in the UK.

2.8.3 The efficiency and effectiveness of the criminal justice system itself also presents a continuing challenge. Only one in a hundred crimes results in a conviction in court, with detection rates varying enormously between police services. There are particular concerns about the way rape is tackled. The government estimates that as many as 95% of rapes are never reported to the police at all. Of the allegations of rape that were reported from 2007 to 2008, only 6.5% resulted in a conviction, compared with 34% of criminal cases in general.

2.8.4 The police service will face real challenges in continuing to provide a high level of protection while having to manage cuts of 20% in central government funding. There will also be a new structure for police authorities based around a directly elected individual.

2.8.5 The direction of penal policy over the last two decades has been ineffective, with the number of people in prison having nearly doubled to 83,000 despite clear evidence that community-based sentences are better at reducing re-offending and therefore at cutting crime in the long run. 92% of young men serving a short sentence re-offend within two years. Liberal Democrats very much welcome the new focus on non-custodial sentencing and the development of the principle of restorative justice from the Coalition Government which reflects the policies of our 2010 Manifesto.

2.8.6 In response to fear of crime and terrorism, the last Labour Government introduced a number of measures curtailing liberties including the national ID card system, greatly enhanced surveillance including CCTV, and detention without charge for up to 28 days. Thanks to Liberal Democrat influence, the Coalition Programme is very strong on protection of civil liberties whilst ensuring an effective response to terrorism, reflecting much of the Liberal Democrat Manifesto. The Government has begun to repeal many of the most illiberal measures of the Labour Government. However there are always pressures to trade away liberties in the name of security, as attempts to water down the protections in the Human Rights Act have demonstrated, and so liberals must always be vigilant.

2.8.7 Finally, one product of globalisation and increasing mobility is the growth in cross-border and organised crime. Human trafficking, smuggling, counterfeit goods trade, money laundering, cybercrime and other serious transnational crimes are on the rise and these demand international responses. These threats to our security cannot be dealt with exclusively at the domestic level. They require a coordinated and international response. In addition, we must work to ensure that the high standards in our criminal justice system are exported abroad for the benefit of British nationals abroad as well as to pursue the broader adherence to fundamental

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human rights across the world. Liberal Democrats welcome much of the ongoing work at the European level to meet these challenges for the future. We will work to ensure that our domestic efforts to safeguarding our hard won civil liberties and protect the public from crime, is also reflected in our approach to European Justice & Home Affairs measures.

## Policy Development Priorities

3.1 This final chapter brings together the statement of our values and the analysis of the major challenges and opportunities facing the UK to map out a programme of policy development for the Liberal Democrats for the remainder of this Parliament, to form the basis for a distinctive Liberal Democrat Manifesto for the expected 2015 General Election. The projects listed here are all significant pieces of policy development work. In many cases these will be taken forward through formal Policy Working Groups and result in policy papers to the Party Conference over the next few years (2012-2014). There may be specific issues that are dealt with by Policy Motions. In some cases work may be done on cross-cutting or technical issues to feed into Policy Working Groups but without issuing in a full policy paper.

3.2 This is not an exhaustive list – there may well be other issues which emerge during the Parliament on which the FPC and Conference decide they wish to commission further Policy Working Groups. In addition, the party will of course continue to develop policy through individual policy motions to Party Conference. We also currently have strong policies in many areas and do not need to do much additional work for the time being. Nearer the next election it may be necessary to update our policies on some or all of these topics through individual Policy Motions or a new policy paper. The FPC is also going to consider new approaches to running policy development, for example having a single Working Group produce two policy papers where the subjects are related.

3.3 The FPC is also presenting policy papers on Quality of Life and Information Technology to the September 2011 Conference.

3.4 A comprehensive review of **Taxation** policy will be essential for our economic programme for 2015. Policy on tax relates to our objectives on prosperity, sustainability, and social mobility. Our current main policy to assist low-to middle-earners of lifting the starting threshold for income tax to £10,000 should be delivered by 2015. We will therefore need to produce new ideas to promote economic opportunity. We will need to further develop our thinking looking at wealth taxes, land taxes, green taxation, and localisation of revenue-raising. Making the tax system incentivise innovation and enterprise is also vital. Hopefully by the end of this Parliament we will be in a position to address the opportunities of sharing the proceeds of growth between spending, tax cuts and debt repayment. This will also take forward our agenda on reducing tax evasion and avoidance, building on the work we have been doing in the Coalition.

3.5 We will need to develop new policies on the **Sustainable Sources of Growth and Jobs**. This will start from an analysis of how Britain can generate prosperity in the future in terms of sectors of activity and the policies and economic institutions that can support them. Delivering investment in infrastructure – telecommunications, transport, energy – will be key, as will developing credit markets that firms need to access to raise capital and making Britain an attractive home for inward investment. We will need to address how prosperity can be spread across all regions, and also whether policies can promote the creation of more jobs in the middle skill ranges. In addition, we will consider how we can generate new growth, jobs and prosperity through deepening and expanding the EU's single market, as well as developing new trade opportunities with emerging markets. Over the next two decades, Britain will need to substantially convert its energy and transport infrastructure to low-carbon options, with the

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accompanying need for major new investments in energy efficiency, renewable energy, electric vehicles, and so on; among other benefits, this will also help develop energy security and insulate the economy from fossil fuel price shocks. We will need to consider how to maximise the opportunity for Britain to benefit from this transition, fully realising job creation and export opportunities, and seeing Britain develop as a world leader in technologies such as offshore wind, marine renewables and carbon capture and storage – all sectors in which the world economy is expanding rapidly. Building on the work of the Quality of Life Working Group, we will propose ways of measuring and monitoring progress that are more meaningful than just GDP growth.

3.6 A key issue which underlies many of the problems around private debt levels, economic volatility, erosion of communities and equality of opportunity is the dysfunctional UK Housing market. The party should therefore undertake a comprehensive review of **Housing** policy, considering all aspects of the functioning of the housing market, social housing policies, land use planning issues and sustainable housing.

3.7 **Tackling Inequality and Improving Social Mobility** is one of our key objectives. We will continue the policy development work already begun by the Inequality Working Group looking at all aspects of increasing opportunity and removing the barriers which hold people back from achieving their full potential. This will build on important initiatives by the Coalition Government including the pupil premium. It will need to address both social mobility over generations and within individual lifetimes. Ensuring that all members of society are able to contribute fully is not only in their own interest but will also boost the economic performance of the country as a whole.

3.8 We also recommend a cross-portfolio working group to examine the range of problems faced by **Working Families**. This group of low-to-middle earners had seen their standard of living stagnate even during the relatively good economic years of the last decade, and given current movements in wages and prices are likely to see them worsen before they get better. The group will need to consider among other things the cost and availability of childcare, welfare policy, and transport needs. Housing costs are very important and there will need to be close co-operation with the work on Housing policy.

3.9 The international scene is going through a period of transformation, with the rise of new economic powers in Asia and Latin America, and challenges to the credibility of many of the institutions on which British foreign policy has rested for decades, like NATO and the EU. On the specific issue of Britain's nuclear deterrent, a final decision on renewal of the Trident nuclear system will not take place until 2016, after the next election. Alongside 'initial gate' preparations for Trident renewal, the Government will also be undertaking research into alternatives to Trident. A major decision for the party before the next Election Manifesto will therefore be on our policy on the British nuclear deterrent.

3.10 We therefore propose a comprehensive **Defence** policy paper to consider how Britain's foreign and security policies should respond to the new international situation. It will need to cover Britain's defence posture in an overall strategic context. This work should be timed to take place once the results of the Government's work on alternatives to Trident is available.

3.11 Many of policy challenges identified in this paper require effective action at the European level if they are to be met. In the same way that our commitment to sustainable development is a thread that runs through all of our policies, we need to consider how EU level action can add

value to our domestic efforts across the piece, and develop priorities for action at the EU level, recognising that the UK can shape the EU agenda if it has the political will and ideas to do so. Nevertheless, while there will need to be attention paid to the European dimension in each policy working group, we should also produce a **Europe** policy review for the Autumn 2013 party conference as a precursor to the 2014 European Election Manifesto. This will draw out our vision of the policy priorities for the European Union.

3.12 A particularly sensitive policy area where we will need to refresh our policies is **Immigration and Identity**. We need an evidence-based approach to the issue of economic migration which allows the UK economy to benefit from the valuable skills migrants can bring, while maintaining public confidence in the immigration system. As Liberal Democrats, we celebrate the diversity of cultures we now have in Britain. However, our vision of multiculturalism does not mean segregation, with communities leading parallel lives. Multiculturalism has to be seen as a process by which people respect and communicate with each other, rather than build walls between each other. Many Black and Minority Ethnic groups in the UK experience disadvantage in a range of areas including employment, education and health. We also need to develop policies to address these, while recognising that different groups often have very different experiences. We propose a policy working group to tackle this complex mix of issues.

3.13 It is now nearly a decade since the party's last comprehensive review of **Public Services** (usually referred to as the 'Huhne Commission' of 2002). The public services are central tools in achieving our goals of individual empowerment, social mobility and thriving communities. While political discussion is frequently driven by particular issues that flare up over specific service portfolios, and the party has been adopting policy on schools and health in response to the Coalition Government's reforms, it is vital to develop a considered and coherent overall approach based on our own distinctive vision for public service reform. We therefore propose to conduct a major review of policy on the public services as a whole, to be undertaken late in the Parliament in order to make maximum use of lessons from the implementation of the current reform programme. This work will need to consider the challenge of dramatic demographic change and the impact of an ageing population on health and care services.

3.14 A specific area which we wish to prioritise is **Skills and Post-16 Education**, including Higher Education. Skill levels are vital to overall economic performance and individual opportunity. Key scientific and technical skills will also be needed to make the transition to a low carbon economy. The UK has traditionally trailed some of our main competitors in the skills of the workforce. This has led to an emphasis in policy on the sheer number of qualifications being gained in order to catch up, but we need to find ways of giving people the right skills they will need to succeed in a modern workforce – for example through apprenticeships. In particular we need to help young people with low skills and those who have been languishing in unemployment during the recession. We also need to find policies to support people getting beyond their first job to move up the labour market – far too many people are stuck in dead-end jobs or continually circulating between periods of unemployment and low-paid work. Clearly we need to review our party policy on Higher Education, with the key objective of improving access. It makes sense to consider all post school education holistically.

3.15 The principle of sustainable development should run through all of our policy commitments. Liberal Democrats had a very strong platform on climate change issues going into the last election and the Coalition Government has made good progress with bringing forward new targets and policies to meet the UK's carbon budgets. Given the ever developing

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understanding of the science of climate change and its impacts, and the need for bold and urgent action to achieve our ambitious targets to reduce emissions, we need to undertake a comprehensive review of policy on **The Transition to a Zero Carbon Britain**. This should focus on the international treaty and institutional framework, and international and energy (including electricity, heat and transport) policies and the roles of particular sectors, using a cross-government approach. It should address the need for new measures to adapt to the consequences of climate change. We will also need to undertake wider work on the issue of sustainable resource use to inform policy development generally.

3.16 We have highlighted in this paper some of the continuing barriers to full equality of opportunity for women. We therefore propose to develop new policies on **Gender Equality**. These would among other things address the persistence of the pay gap between women and men and the continuing under-representation of women in public life.

3.17 We will need to further update our policies on devolution of power to communities and citizens. This will take things forward from the Government's localism bill, the Scotland Bill and granting of legislative powers to the Welsh Assembly, and the possibility of a referendum on Scottish independence. We will have to grapple with the English question, considering both the case for an English Parliament and for devolution at a lower level within England such as counties and city regions. Going beyond formal constitutional changes however, we will also have to give serious thought on how to re-engage people with democratic politics and redefine what it means to be a citizen in the twenty-first century. This will mean creative thinking about models of participation at all levels. We will therefore conduct a policy review on **political reform and participation**.

3.18 We propose a major policy exercise to take forward new ideas on **Crime and Justice**. We will have to consider our policies on policing and the need to use resources more efficiently based on evidence on what works to reduce crime and reassure the public. In particular we will need to develop policies to meet the growing challenge of e-crime. We will also need to consider how to move forward policies on restorative justice, rehabilitation and reducing reoffending, in the light of significant moves in that direction under the Coalition Government. In addition, we will need to consider how to deal with the growth in serious, organised and cross-border crime, including the opportunities for coordinated international action at the European level.

3.19 The Coalition Government has embraced a traditional Liberal Democrat theme of **Mutualisation, and Employee Ownership** primarily within the public sector. Liberal Democrats have always identified employee participation in the workplace as an important feature of dispersing economic power, and promoting enterprise. We believe mutual forms of enterprise offer the possibility of greater job satisfaction to those who work in them and a more responsive service to customers. There is a clear opportunity to use the newfound popularity of mutualism to further develop this model so that it becomes much more widespread in the private as well the public sector, as part of our agenda for rebalancing the capitalist economy. Recognising that most businesses will however not become mutuals, this work should extend to consider how to improve employee participation in decision-making in businesses generally.

3.20 Given the demographic changes identified as a decisive feature of British society in the coming years, we propose to undertake a review of **Challenges and Opportunities of an Ageing Population**. This will need to consider traditional public policy questions such as how to meet the need for pensions and care services, but will also look at the social and personal

challenges arising from increasing numbers of single older people, such as the risk of social isolation. It will also explore the positive opportunities for greater physical, social and economic activity in later life and what support is needed to help make these opportunities into a reality.

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### **Facing the Future - Policy Paper 100**

*This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. The Party in England has chosen to pass up policy-making to the Federal level. If approved by Conference, this paper will therefore form the policy of the Federal Party on federal issues and the Party in England on English issues. In appropriate policy areas, Scottish, Welsh and Northern Ireland party policy would take precedence.*

*Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.*

### **Working Group for Facing the Future**

*Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in this Paper.*

Norman Lamb MP (Chair)  
Baroness Brinton  
Baroness Falkner  
Bridget Fox  
Professor Richard Grayson  
Sarah Harding  
Jeremy Hargreaves  
Dr Evan Harris  
Professor Noreena Herz  
Martin Horwood MP  
Dr Julian Huppert MP

Dr Susan Juned  
Dr Tim Leunig  
Baroness Parminter  
Peter Price  
Dr Ed Randall  
Dr Julie Smith  
Neil Stockley  
Lord Wallace of Saltaire

### **Staff:**

Christian Moon  
Ruth Gripper  
Nick Lane

Comments on the paper are welcome and should be addressed to:

Policy Unit, Liberal Democrats, 4 Cowley Street, London SW1P 3NB

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Tel: 01252 510 005 Email: libdemimage@ldimage.demon.co.uk

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