

Britain to 2050

Brexit and the Conservative Party leadership race saturate our national conversation. But there is something that matters more than this. It is more fundamental to the UK than its relationship with the EU. It should be analysed equally by remain voters and leave voters alike. And it was as true before the referendum as it is now.

It's the question of how we recalibrate our economy to future proof it against increasingly powerful systemic trends and how we recalibrate our society which is no longer seen as capable of lifting us up. We need a springboard economy, supported by a springboard society, if we want meaningful change and a sustainable path to take Britain to 2050.

Put simply, how do we completely reinvent what we mean by labour and the nature of work itself, change the way we think about education and skills, and see business as a partner in public policy, to reinvent our political economy to make it fit for purpose in globalised world? No small task certainly. But it's a task that can begin easily enough by identifying the most profound strategic global trends and processing their implications for the UK.

The first is geography. In other words, where is the action going to be on this globalised world everyone is talking about? Asia and Africa currently have three quarters of the world's population. Europe has 7%. 'New World' countries have 3.2 billion of the world's under 30s. The Old World (Europe plus N. America, Japan and Australasia) has just 440 million. So it's the New World, in a nutshell, where the action is going to be. For those interested in stock market fluctuations, and volatile returns in emerging markets funds, know this: Asia and Africa are still where the growth is coming from.

If you doubt this consider the following: internet penetration is above 80% in the USA and the UK. In China it is barely above 40%, in Nigeria it is just over 30% and in India it is less than 20%. We talk about living in an increasingly interconnected world, but there are still huge tracts of populations and with them, markets and new consumers, who are yet to come on stream – and they are all in emerging markets.

So just as President Obama has suggested it for the US, we have begun our own 'pivot to Asia' and the leading African economies. To be fair to the present government, particularly the Prime Minister and Chancellor, much has been done to build relationships with India, China and Africa. But we need to triple down on this bet. Many of the Conservative Party leadership candidates are coalescing around the idea of a new Brexit department to deal with the protracted negotiations to come. They should similarly coalesce around an emerging markets trade department and a reinvented and professionalised UKTI, equally well resourced, to start this realignment.

The second is about demography and work. It involves the old voting to leave and the young voting to stay and the economic opportunities afforded to the South, and those denied to the North. I have alluded to Europe's declining share of global population and its decreasing share of young people. But more challenging still is its gaining market share in global welfare rolls – 50% of the world's welfare in dollar terms happens in Europe. By 2050, there will be 1 old person for every two workers. The life expectancy of a girl born today is 105. This means that the old model of education to 21, work the same job till 60, followed by retirement, is completely unsustainable and soon will be dead. For Europe, our shortage of children will be a real burden on productivity – unless we change.

Work itself is changing. We are now highly unlikely to stay in the same job for life. A recent estimate from the World Economic Forum states that 65% of primary school children today, will end up working in a job that doesn't currently exist. Technology, automation and connectivity changes everything, all the time. It isn't therefore just people working in old industries who have had or will shortly have the employment rug pulled from under them. It is all of us.

But this is an opportunity as much as it is a threat. We tend to focus on how we can prepare our graduates for the ever changing world of work. But actually we need to do this for every age demographic. We need to ready those in old industries for new ones. We need to prepare older people to work longer in new ways. And we need education policy to reflect this accordingly. Education, academia and vocational training should no longer be about ages 4-21. It is about all of our citizens, all of the time. The Department of Education needs to be completely recalibrated, better resourced and elevated to the status of the current 'big three' ministries if we are to have a hope of matching the scale of the challenge ahead.

The third trend is the role of business in our societies. The referendum showed us the lack of trust not just in political elites but in business as well. Their success has not been shared with the many communities who voted to leave the EU and so whilst the status quo may have suited the CEOs, those outside their corporate embrace were only too willing to roll the dice on an alternative, however unknown.

This is because businesses are not doing enough to contribute, outside of the basic employment contract, to the communities in which they operate. As increasingly significant economic actors, they need to do more.

The Prime Minister once amended Margaret Thatcher's famous phrase to make it, 'there is such a thing as society, it is just not the same thing as the state'. But he left out a third; the role of business. Pre-Second World War, society, including business, did more than the state to provide a safety net for its inhabitants. The Post War Consensus changed this and the State assumed more responsibility. Business was and is seen as unsuitable to assume responsibility for social policy goals. This is what will now have to change – they are simply too significant an actor, and we need them. Business will soon realise that engagement is good for reputation and therefore for profit.

Investors currently focus exclusively on economic returns, or the 'Internal Rate of Return'. But a new benchmark is required that captures their impact on society as well, namely the External Rate of Return (ERR). This would capture their contribution to skills, IP created, sustainable supply chains and their impact on the environment. Investors, consumers, employees and government need to build an alliance that encourages businesses to focus more on this wider ERR.

B-Corp shows us the way ahead with their series of benchmarks that allow a company to be certified to demonstrate that it looks after all of its stakeholders, not just its shareholders. One example is developing shorter supply chains, to more closely align a business with the community around it. Many businesses are working hard to try to qualify with even Unilever recently declaring that one day, they too would like to be a 'B Corporation'. The Department of Business should shift its focus directly to this area and if and when the next Prime Minister forms a council of business advisors, this should be its focus. Through businesses, those societies left behind can connect to each other and new markets.

So as we continue to scramble for a Brexit plan, we must remember that unless we give serious thought to these much more profound strategic trends, our status in or out of the EU, the EEA or a free trade zone, won't matter at all. If we don't pivot to emerging markets, we will miss out on all the growth to come in the next 50 years. If we don't reinvent the way we see work and skills, to include all of the population for all of their lives, we won't be able to build a sustainable system or realise the potential of the whole of our citizenry. And if we don't do this, not only we will the lives of many of those in the Midlands and the North not improve, we as a nation, will not be able to compete globally. And finally if we don't bring business in, very directly, to the conversation of how we build sustainable communities, society and government will be left holding the bag. We need springboard economies, capable of lifting people up, and springboard societies to support them as they go. This is bigger than Brexit.

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