Fabian Society analysis paper

Shaping the futurescape

Notes on the near future

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Facing the Future is the Fabian Society's programme on Labour's renewal. It brings together a broad range of voices to challenge the Labour Party to do better for the people who need it most. Through events, publications and research, we are ensuring that Labour has the fundamental debate that it needs on its purpose, organisation and ideas. Labour must make itself relevant for the 2020s and broaden its appeal to people who rejected it in 2015.

Commentary: the left must prepare for the challenges of government in the 2020s

Only time will tell what form Brexit takes and how it will impact on our lives. The omens for the future are not good. But for now, the worst effect of Brexit is on our politics. It has sucked the oxygen from every other public debate and hidden the most pressing issues from the political gaze.

With rising poverty and consumer debt, failing public services and a crisis in business investment and productivity, Brexit is a distraction we can ill afford. So, for the parliament ahead, the left's task must be to broaden the national conversation to the things that matter even more than our relationship with Europe.

But in doing this, Labour must not just criticise and oppose. With a government that is so rudderless, reactive and distracted, the party cannot take its cues from what ministers do and say.

Instead Labour's central mission must be to prepare for the challenges of government in the 2020s. It needs to think deeply about how our world is changing and use that starting point to develop an agenda for a more optimistic and secure Britain a decade from now. This analysis paper seeks to lay the ground for that process by examining the economic, social, technological and cultural terrain of the 2020s.

The left needs to understand the extraordinary changes that will come from digital innovation. Ever greater data storage and computational power is delivering constant communication, extreme personalisation and personal visibility, and business models based on automation, networks and relationships not traditional products and transactions.

We know that these developments can commoditise labour and create new concentrations of economic power, so traditional social democratic economics will remain essential. The UK still needs to increase investment, technical training, housebuilding, worker power and business long-termism - and to deliver fair taxation.

But to be ready to govern, the left also needs a pro-innovation economic agenda for converting technological progress into higher business productivity and good jobs for the many. This will only be possible with active public leadership and support, as the Fabian commission on the future of retail found earlier this year.

The left also needs to tune in to how British culture and values are changing – and, it seems, polarising. With growing numbers of liberal-minded graduates, recent immigrants and older social conservatives, the UK could descend into social division and culture wars. We must not get trapped on one side of these conflicts but construct a politics that embraces Britain's attitudinal and social diversity. Labour can bring the Britain of the 2020s together: perhaps it is the only national institution that can.

Politicians on the left must also help people understand and prepare for the huge societal changes that will be brought by very long lifespans. The party of labour needs to lead the country in reconceptualising and redesigning 50-year working lives, as patchwork quilts of learning, work, care and leisure. And it needs to prepare families and public services for the reality that people will be disabled far longer before they die. The NHS and allied public services still have not grasped that their modern mission is not about episodic intervention but helping people with health problems to lead good lives.

Across all these issues, success will come with a fresh reimagining of the role of the state. The left must stop trying to recreate the public sector of an imagined past; and start asking how government can offer security, community, fairness and opportunity a decade from now. It is a mission on the scale of 1945 but with no plan yet written. So Brexit must not be allowed to distract: the left must start to write the next chapter.

Analysis: Notes on the Near Future

In Spring 2017 the Fabian Society convened a day-long summit, 'Future Left', to consider the challenges the left will face in the 2020s. This note summarises the key evidence and insights presented during that discussion, mapping the economic, social, technological and cultural terrain of the near future. It does not discuss in any detail how the left should respond – that is the debate that needs to happen next.

The notes draw on the expertise on all the politicians and commentators who participated in the summit and, in particular, the presentations delivered by Olivia Bailey (Fabian Society), Torsten Bell (Resolution Foundation), Tom Kibasi (IPPR), Dr Carsten Sorenson (London School of Economics) and Claudia Wood (Demos).

1. Political economy: trends and possibilities

Structural imbalances

Right now, the statistics for GDP growth and employment are positive. But whatever they say, the UK economy will face huge economic problems as it enters the 2020s. The list of challenges includes: low investment; low growth in productivity and real wages; a high balance of payments deficit; high personal debt; unbalanced public finances, over the short and long term; high inequality of earnings and income, and a declining labour share of GDP; unaffordable housing costs, high wealth inequalities and worrying intergenerational imbalances; rising geographic inequality between and within regions; a long-tail of unproductive businesses, many dependent on cheap credit; and insufficient action on carbon emissions and other forms of pollution.

The national economic conversation needs to shift to the search for solutions to these long-term, structural weaknesses. Without policy change, the medium-term outlook for UK households is gloomy. growth in real earnings and living standards is likely to be very low. Inequality and poverty will rise, as a result of economic pressures and fiscal policy choices. Housing affordability will not improve. Employment is unlikely to grow at the same pace as in recent years to offset other weaknesses. But none of this is inevitable: good policy choices could make a big difference.

Brexit

Any negative consequences from leaving the EU will come on top of all this. If the UK cannot negotiate an economic agreement with the EU that is broadly equivalent to single market and customs union membership then, by the end of the 2020s, business investment, the intensity of competition and productivity can all be expected to be lower than would otherwise be the case. More immediately, the UK will face skills shortages if immigrants are deterred from moving here, and lower business investment if there is high uncertainty or if the terms of any eventual deal are poor. This comes in addition to the devaluation of the currency which so far seems to be hitting real wage growth far more than it is boosting trade competitiveness.

Innovation

Recently there has been a lot of speculation about a new phase of automation destroying millions of jobs ('the march of the robots'). But at present the UK seems to have the opposite problem – weak productivity growth that is associated with high employment, low pay, low investment, and insufficient innovation and diffusion of new technologies and business models within sectors and regions. To succeed in the 2020s and side-step another lost decade, the UK needs more innovation, not less. But there is a risk that innovation in sectors like retail could lead to worse jobs or fewer jobs. The government and business will need to work together to create the support and incentives required to enable firms to adopt high value business models that also deliver good jobs at scale.

The labour market

The UK will face other labour market challenges in the 2020s. Raising the wage floor (the 'national living wage') without parallel productivity improvements risks creating 'one wage' towns and industries. More people are experiencing insecure and sometimes insufficient work. This affects groups who have always been on the margins of the labour market but also men in their peak working-years who would have once seen themselves as 'breadwinners'. Trade unions are in long-term decline in the private sector and are failing to make inroads among new sectors, insecure workers and the self-employed. The decline in worker power may help to explain why the labour share of GDP seems to be falling. Meanwhile, the UK's vocational skills system remains weak, investment in skills by business is declining, and there are fears that the expansion of higher education in recent decades is not yielding the expected returns for individuals or the economy.

Geographic inequality

Finally, the economy of the 2020s could be even more geographically unbalanced than it is today. London and the south east have become ever more economically dominant over the last 30 years. There is also unequal distribution within regions, with towns and city fringes doing far worse than urban hubs. This is a problem of unequal distribution of income and work, but also of education, aspiration, opportunity and social mobility. Each city and region has its own challenges, so policy makers must avoid leaping to a single diagnosis or solution. For example, the problem in Birmingham is low employment and in Sheffield low pay.

2. Social and demographic change: trends and possibilities

Ethnic and age diversity

Two major demographic shifts will dominate over the next decade and beyond. First, the ageing of the population, and especially the rapid growth of the number of people in late old age. Second, the rapid rise in the percentage of the population who are not white British in origin (including racial minorities and white Europeans). The latter shift will be particularly pronounced among younger generations, but there will be more older people from minority backgrounds too.

Social heterogeneity

Society, culture and the economy will therefore look and feel very different in 10 to 15 years' time. The cultural and consumer choices of older people will have much more weight. But tastes, preferences and attitudes are likely to be even less homogenous than today. Almost all cities will feel more socially and culturally mixed, and many will have a very high percentage of residents who are not from white British backgrounds. 'Mixed race' will be the fastest growing ethnic identity, but some communities will remain more culturally and ethnically homogenous. Integration and the navigation of identities will therefore be a central political and cultural task.

Fiscal pressures

The ageing of society has major implications for government. The dependency ratio (the percentage of the population not in work) will almost certainly increase, placing new pressures on tax, social security and public service spending (although non-demographic pressures on the public finances, such as the unit costs of healthcare, are a greater concern than pure ageing effects). Patterns of demand for public services will also change because of population ageing but also changing patterns of illness and disability.

More disability

Healthy life expectancy is rising less quickly than life expectancy, leaving many people facing more years of their life in poor health with long-term chronic illness or disability. In the 2020s more people will have health problems associated with unhealthy lifestyles (for example diabetes, COPD, mental illness); and with survivable conditions that were once terminal or life-shortening (such as cancer, stroke, learning disabilities). The main task for health, social care and related services will be to help people to manage their health conditions and live well, by developing collaborative, ongoing relationships with them. This requires a different skillset and mindset from traditional medical care, something that trainees entering the health and care sector need to understand right now. This agenda is about much more than diverting resources from healthcare to social care: healthcare is becoming social care.

Caring

All this means that health, care and support will be areas of growing employment. These jobs need to be well designed (and work alongside new technologies) to ensure they maximise service users' wellbeing and are rewarding for workers. There are major implications for families too. The incidence of family care will greatly increase and almost everyone will be a carer at some point. The greatest burden will continue to fall on women in mid-life, who will often face multi-generational caring responsibilities, when their children, parents and grand-parents are all alive.

50-year working lives

Over the next decade the shape of the labour market will change in response to these trends, with more people needing to combine work and care, and expecting to work into their late 60s and beyond. In recent times the age of exit from work has been rising but not as fast as life expectancy, and lots of people over the age of 55 want to be in work but are not. But for people to work longer, they will need to be able to work differently. Working patterns will have to adapt for carers, people with long-term health conditions and people in their 60s (as well as parents of young children). The average length of a working week will probably decline a little, but work needs to be more flexible for workers not just employers. Non-standard patterns of work such as self-employment, short or variable hours and 'gig' jobs will suit many workers, but they must be accompanied by employment rights, pension contributions and investment in skills. Finally, the UK will need to become much better at supporting people back into work after breaks because of illness or care-giving, and at enabling people to acquire work-relevant skills and qualifications after the age of 40.

3. Technology change: trends and possibilities

Innovation

The internet age has brought extraordinary technological shifts, but the pace of change in the decade ahead could be faster still. Science fiction dreams are becoming reality, with instant translation, voice recognition and augmented reality. This is a result of the ever faster growth of computational power and data storage and the effectiveness of open, distributed networks of innovation (for example open-source coding and 'platforms' such as app stores as a route to market for starting up and scaling up).

Disruption

Pre-digital business models based on the ownership of products (such as CDs, books, cars, hotels) have been rapidly disrupted and the value chains of these industries are disintegrating. New forms of consumption are emerging based on the personalisation of services not the ownership of products, with people tailoring and managing what they consume, through relationships based on automation, networks and their own effort. In many cases, where prices are low or zero, consumers are capturing more of the value of the innovation too.

Labour market risks

These self-service, automated, often inexpensive customer relationships are likely to lead to firms in the 2020s deploying less labour in the core functions of service and product delivery. This creates the risk that workers will capture less of the value created, partly because consumers are capturing more (creating a paradox: how can citizens be both 'DIY' consumers and adequately rewarded workers?); and partly because automation allows the owners of capital and the founding innovators to share less with their smaller, more-peripheral workforces. Technology also enables firms that so wish to rely more on commoditised, outsourced labour, without the constraints of an enduring employment relationship. Over the next decade, this could lead to more insecure work, reduced supply of jobs, weaker bargaining power and a reduction in the share of economic output captured by labour. Meanwhile the number of jobs in some occupations may shrink over the 2020s. The advent of machine learning is likely to disrupt professional and technical roles that are based on applying knowledge and experience adaptively to new circumstances. New jobs will also emerge, but the pace of skills and job dislocation may be faster than in the past (this is a hotly contested debate).

Scale and monopolies

Meanwhile among firms and entrepreneurs, wealth and economic power is likely to become more concentrated, for several reasons: digital networks facilitate 'winner takes all' services (start-up is easier than ever, but there are only a handful of billion-dollar firms and a long-tail of barely paid tech innovators and entrepreneurs); platform technologies create monopolies where use of a proprietary network or marketplace is hard for consumers to avoid; and successful incumbents can copy emerging business models and buy innovation. However, some companies which appear very strong actually have business models that are vulnerable to imitation, commoditisation or government regulation.

Visibility and personalisation

We are also entering a world where people have the potential to be more visible and known by suppliers of services, governments, fellow citizens and hostile actors. More data about us will be captured using new devices; more will be retained using the rising storage capacity of cloud services; and more will be processed and combined, using rapidly increasing computational power. All this could provide huge benefits, in the shape of a new phase of even more personalised products and services. But it also brings great risks such as intrusion of privacy, discriminatory customer profiling, and vulnerability to crime. And the same technology could be applied to the surveillance and control of workers, bringing Jeremy Bentham's panopticon closer to reality.

Security and ethics

Over the next decade the digital economy will be increasingly vulnerable to crime, terror and catastrophic accidents, and there are insufficient incentives for any single actor to invest in security and resilience. This is just one of the ethical dilemmas and security risks which rapid developments in technology present and there is insufficient cooperation between industry and government to identify, evaluate and mitigate them all. The future path of innovation is not pre-destined or simply in the hands of the titans of tech. Politicians' decisions on investment, competition and regulation can and should steer developments.

4. Culture, identity and politics: trends and possibilities

Uncertainty and diversity

Culture and identity in the UK will shift significantly over the next decade, partly as a continuation of long-term trends but also in ways that few would have predicted a decade or so ago. Caution is needed when looking forward to the 2020s, precisely because many of the shifts of the last 20 years were not predicted – for example changing attitudes to LGBT issues, the rise of digital culture or the emergence of Scottish nationalism. But one thing we can fairly sure of is that culture and identity will become more heterogenous, as a result of demographic and technological change. Diversity is inevitable in a society with more graduates, more recent immigrants and more older people (whose attitudes do change, but not rapidly); and also with a wider range of more narrow media brands and peer networks. In this more plural society, it will be harder to anticipate which developments in culture and identity will go mainstream. The huge rise in support for Jeremy Corbyn in 2017 is a case in point.

Politics and insecurity

Over the coming decade culture is likely to remain a much larger part of the political debate than in years gone by as, for now, the authoritarian/liberal cultural axis of politics seems to be more important than the left/right economic axis. Social attitudes, age and education were very strong predictors of voting patterns in both the 2016 EU referendum and the 2017 election. The success of the Leave campaign in the EU referendum, alongside other populist-conservative movements around the world, points to a turn against elite liberalism. When people feel under threat with respect to culture it provokes emotional responses, which we now know can easily trump rational and material considerations on issues such as the EU or immigration. Cultural insecurity may be linked to economic concerns but it is a phenomenon in its own right: at the EU referendum, voters' decisions were better correlated with their views on capital punishment than their family income.

Resilient liberalism

However, support for Brexit should not be equated with a broader decline in liberal attitudes, as Labour's surge in the 2017 election demonstrates. The British public is divided on the EU (with no sign of 'buyer's remorse' from Leave voters). But over the next decade public attitudes will become more liberal on many other issues, continuing the trends established in the 1960s and 1970s. Attitudes to lesbian, gay, bisexual and trans people, to the role of women in family and work, and to mixed-race relationships will continue to shift, because of the gradual permeation of new social norms and demographic cohort effects. Progress on race relations may not be so swift or sure, given recent evidence of hostility to EU citizens and Muslims. In the long term, however, prejudice against most minorities will decline as their number, longstanding presence and degree of integration comes to reduce the extent to which they are perceived as out-groups. This is particularly likely to happen with respect to central and eastern European migrants in the 2020s.

Community

More liberal views on social issues are not the same as a new globalist outlook, however. Attachment to community and yearning for the familiar will be strong, driven by higher feelings of threat, perceptions of rapid change and by the ageing of the population. Today people believe that community spirit is in retreat and there is a measurable decline in common spaces in communities (eg pubs, high streets, parks, post offices, libraries). As part of this yearning for the familiar, widespread hostility to current levels of immigration seems set to continue, even as settled minority groups become more accepted. Around three quarters of people in the UK want lower immigration and there is no evidence that this will change.

National identity

Conceptions of national identity have changed significantly over the last two decades, in a way that is unlikely to come to a halt. Scotland has become more culturally and institutionally separate from the rest of the UK, and this will continue even if Scots do not vote for independence. Meanwhile a rising proportion in England define themselves as English before British, and the Conservatives and Ukip have reacted to and sought to accelerate this trend (with, for example, 'English Votes for English Laws'). It is unclear whether this stronger English identity will become a civic, non-ethnic, future-looking nationalism, or an ethnic and cultural identification that is defensive, divisive and anachronistic. The first of these versions of English identity is unlikely to prevail until the public is able to view pro-European and left-leaning political figures as English patriots – and until a new sense of Englishness has traction within London. Longstanding cultural identities in Northern Ireland may also come under pressure in the wake of Brexit and the possibility of Scottish independence; while Welsh identity and exceptionalism could grow in response to rising English and Scottish nationalism.

Class

Over the next decade 'ascribed' forms of identity will become less important for many. In particular, class seems to be declining as a form of self-identity, with more than half of people saying they have no social class until prompted. The size of the working class is declining in material terms (in that there are fewer routine or manual workers) and cultural terms (in that fewer identify as working class). Many younger and more educated people are consciously creating identities for themselves (in terms of sexuality, lifestyle, popular culture, religion, political beliefs). But the decline of class identity means that younger cohorts in precarious, low-paid work may increasingly lack a sense of collective identity, let alone political agency. This decline in class identity and increase in cultural heterogeneity means that the long-term shift away from the Conservative/Labour political duopoly may well continue, notwithstanding the 2017 election result. The decline of class-based political identification is also likely to result in people continuing to feel disconnected from politics and mistrustful of political institutions.

The future of collectivism

The decline of class indicates how, although Britain may be more socially liberal, it is also more individualistic. In this respect, young and middle-aged adults really are 'Thatcher's children' - for example in their attitudes to welfare benefits and collective bargaining for pay. Rising individualism and declining support for collective action to solve society's problems undermines belief in politics as a force for good and limits what people see as politically possible. Individualism poses particular challenges for the pursuit of the left's political objectives (as seen in how support for government help for the unemployed has declined over decades).

The challenge for the left in the 2020s is how to create a political and cultural context that both goes with the grain of people's present individualism and nudges Britain back towards a more collectivist culture. The left cannot give up on collectivism and settle for social liberalism, because that will fail low-income Britain. For those with less economic power or cultural capital, individualism is linked not to choice, autonomy and self-actualisation but to atomisation, powerlessness and political disengagement.