

Why Global Inequality is a Board Issue

On the back of this years' World Economic Forum (WEF) annual meeting in Davos, **Mark Spelman**, Member of the WEF's Executive Committee, explains why business leaders should address inequality. **Mary-Anne Baldwin** reports





Good businesses see the importance of social responsibility, but rarely to the extent that global inequality becomes an item for the board agenda. Such widespread moral conundrums may seem irrelevant to shareholder return, yet **Mark Spelman**, Member of the World Economic Forum's Executive Committee, took to the stage at a recent [Criticaleye Executive Breakfast](#) to persuade leaders otherwise.

Whether it's Brexit, Trump or the rise of the far right, it's hard to find a recent headline that doesn't depict some aspect of the geopolitical maelstrom we're in.

Widespread public resistance to globalisation and a growing gulf between the haves, the have nots and the squeezed middle is generating seismic waves of change across both politics and business. According to **Mark**, the two cannot be separated. "As leaders, we can't duck the populist trends that are going on, why that is happening or how to respond," he urges.

His argument is not predicated purely on ethics but on the realisation that we now live in a world dictated by fast-changing popular views.

"Digital creates a decentralised world – it puts power in the hands of the citizens. There will be much more decision-making at a local level and it will change the way democracy takes its form," says **Mark**. "Real time information will play its part in business as it does in politics."

Globalisation Hasn't Delivered

Central to this unease is the reality that global market capitalism is not benefitting everyone, as **Mark** explains.

*“As leaders,
we can't duck
the populist
trends that
are going on”*

"There is a very real sense that globalisation has not delivered for the majority. The current model has grown the size of cake, but it's not being divided equitably," he says. "No business leader should sit and ignore those issues of inequality."

Reflecting this, a December 2016 poll of voters by market research company, ComRes, found that 49 per cent of participants felt globalisation had a negative impact on British wages, with 51 per cent believing its heightened inequality.

Yet while the public rallies against globalisation, the wellbeing of the world's poorest relies heavily on economic growth. As **Mark** notes: "If we are to address extreme poverty we need to lift global growth, which is at about three per cent."

So how should business leaders respond to this uncomfortable paradox? "The key is working out how to benefit from globalisation while getting more equity at the same time," says **Mark**. "As leaders, the top line issue is growth and the bottom line is improving standards of living – which includes jobs, income and quality of life."

This social divide was highlighted in the run up to Davos with findings from Oxfam suggesting that the richest one percent now own more than the remaining 99 percent combined. The same concerns have been expressed over executive pay, with salaries for the bosses of FTSE 100 companies averaging £5.5 million.

The Digital Revolution Will Divide Us

This divide is set to increase with the rise of technology and what leaders at Davos last year termed, 'The Fourth >

WEF'S INCLUSIVE GROWTH AND DEVELOPMENT REPORT 2017

The WEF released findings of its global Inclusive Development Index (IDI), which charts economic performance and global inclusivity.

Significantly, 51 percent of the 103 countries surveyed saw their IDI scores decline over the past five years, reflecting the difficulty in translating economic growth into social progress.

In 42 percent of countries, IDI decreased even though GDP per capita increased. In over 75 percent of economies, wealth inequality was a chief culprit. It rose 6.3 percent on average during this period.

Read the 2017 World Economic Forum's (WEF) report, [Inclusive Growth and Development](#), featuring the Inclusive Development Index (IDI), which measures 109 countries for inclusive growth.



Industrial Revolution'. Spurred by digital advances such as AI, robotics and blockchain, the current technological revolution will create drastic change, large scale job losses and a widening gap between those with and those without.

"A lot of people are concerned about what's happening with job creation versus job destruction," **Mark** warns.

In particular, there is growing anxiety about the impact automation will have on the workforce. The WEF has estimated that by 2020 seven million jobs will be replaced by automation; with only two million new roles created, that will leave a deficit of five million jobs.

"There will be a hollowing out in the middle that will widen the gap between the haves and have nots. What that means for business is a war for talent," says **Mark**.

He urges leaders to reposition their approach to this trend. "I don't think enough of the conversation has been about humans and robots – the argument has been focused on 'us versus them'. We need to rephrase the conversation to be on augmentation," he advises.

Why is it imperative to do so? Because if the new style of anti-establishment democracy is to impact business as it has politics, we could be walking into another social uprising, this time against technology.

"We have seen a trend for anti-globalisation. In a similar vein, we should be very wary that we could see a trend against technology, especially as we see more job losses," says **Mark**.

“We could see a trend against technology, especially as we see more job losses”

It is hoped that by addressing inequality, we can restore public confidence in technological progress and global collaboration, allowing us to progress further and at a quicker pace.

Responsible Leaders Reskill Their Staff

There are significant challenges to consider. While the UK is loosening its ties with Europe, global technology, investment and digital markets call for greater co-ordination and standards. Leaders must ensure the UK is not left behind.

This issue will be doubly impacted by the war for talent. According to **Mark**, just as the UK raises the drawbridge on immigration, the EU is likely to stem the drain of its local talent. This double-edged issue really threatens the UK's access to talent, such as digital and data scientists.

In 2016's post-Davos [address to the Criticleye community](#), **Mark** told us: "There will be growing requirements for roles in technology, design, science, engineering and architecture.

"We need to help people at secondary school level understand the job market and we can't expect teachers to understand the future market dynamics."

His departing remarks this year echoed this call to arms but with even more urgency. "To be responsible leaders we should help people equip themselves to keep learning," he told leaders.

"We've got to use the digital revolution to efficiently create equity." Releasing human potential will mean fewer are left behind. ■

This feature was inspired by a Criticleye Executive Breakfast, at which Mark Spelman presented the [The Global Outlook 2017](#).



Mark Spelman

Co-Head, Future of the Internet Initiative, Member of the Executive Committee The World Economic Forum

Mark works at the World Economic Forum where he is in charge of the Future of the Internet global challenge, examining issues of digital transformation, access and cyber resilience.

With more than 20 years' experience at board level, Mark is also a Council member of Chatham House, sitting on its finance and nominations committees. He is also chair of an EU-China expert group studying the future of the digital economy.

Contact Mark through: www.criticleye.com