



SHAPE YOUR FUTURE

Future trends:
implications for the
third sector in Wales

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Designed by Arts Factory.

Published by Wales Council for Voluntary Action,
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Baltic House,
Mount Stuart Square,
Cardiff,
CF10 5FH

Registered charity number 218093

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November 2016
ISBN 978-978-1-910340-13-4

This report was commissioned jointly by WCVA and the 19 County Voluntary Councils in Wales. The Shape Your Future exercise took place over summer 2016 to inform our strategic thinking. We also hope it will be a useful resource for other third sector groups in Wales.

Two reports have been published based on the Shape Your Future exercise. The first explores implications of future trends to 2030 for the third sector in Wales. The second explores four potential future scenarios and implications for our work today. Both can be found at www.wcva.org.uk

ACKNOWLEDGEMENTS

We're extremely grateful to all those who participated in the Shape Your Future exercise whether via the online poll, the three workshop sessions, the one to one interviews or the roundtable. The exercise was dependent on your participation. Thanks to all WCVA's staff who supported the project. Thanks also to School of International Futures for their support to WCVA in shaping the initial concept and outline project. Thanks also to Hazel Lloyd Lubran from CAVO for her input on behalf of the County Voluntary Councils, and Gareth Coles for the illustrations.

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FOREWORD

Looking to the long term can be a challenge for the sector when our role is often to support others facing immediate crisis of day to day survival.

Peter Davies CBE
Chair WCVA

The Wellbeing of Future Generations (Wales) Act sets a legislative framework that requires the public sector to incorporate long term planning into decision making. It also sets a duty on Welsh Government to produce a Future Trends report to provide the data that will shape future scenarios to better inform the decisions we make today.

We have applied this principle in reviewing the future role of the third sector. This report has provided a catalyst for engaging the wider sector in discussions to help shape our future planning as WCVA and CVCs. I hope the process will also support the sector in contributing to the development of the local Wellbeing Plans required by the WFG Act.

The sector will be at the forefront of tackling the implications of the major future trends such as climate change, demographic change, technological advance and disruptive economic change. The future wellbeing of our communities will be dependent on our ability to take early action to prepare for these changes, to build resilience for the long term through community led action and so to become 'a society that prevents problems from occurring rather than one that, as now, copes with the consequences.'

The nineteen County Voluntary Councils and WCVA have many shared goals. We all work to enable the third sector and volunteers across Wales to contribute fully to individual and community wellbeing.

Richard Edwards
Chair, Wales Association of
County Voluntary Councils

We know that we can achieve much more by working together, linking across our local, regional and national activities. This joint report exploring the future challenges and opportunities for the sector over the coming 15 – 20 years is part of this collaborative approach.

This is one of two linked reports and together they raise some fundamental issues, not all of which are comfortable reading. It's clear that if the sector is to play its full role in improving wellbeing over the longer term, we will need to work closely with partners across all sectors. We have involved a range of partners in this work and I hope we can continue to engaged with them as we take forward the findings.

INTRODUCTION

There is growing recognition of how valuable it is to plan for the long term. At the same time, the future appears ever more uncertain and complex.

The tools that we have used in the Shape Your Future exercise are designed to help organisations to plan ahead in the context of change, much of which we cannot predict.

The vote for the UK to leave the European Union could not be a clearer example of both the uncertain context in which we work and the need for organisations to be prepared to respond to change.

In this first report, we look at some of the big global trends over the coming 15 – 20 years. We look at what these may mean for society in Wales, and start to explore the potential implications for the third sector in Wales. This report also includes what we have identified as key drivers for change for the third sector in Wales.

The Shape Your Future exercise was both evidence-based and participatory. To identify the trends and drivers, we undertook a meta-analysis of existing evidence. To draw out which are the most important for third sector in Wales and what the implications may be, we involved others through an online poll, interviews with key individuals and a workshop discussion.

This report does not try to predict the future. It does aim to help us to better understand possibilities for the future. It's clear that there will be big changes that will impact on the sector, and the individuals and communities at the heart of the sector's work. These include globalisation, climate change, fast-changing technology, demographic changes and new relationships with public services.

It's equally clear that the sector has a vital role to play if we are to secure a positive future for our society. Whether it's speaking out for the most marginalised, driving social innovation or contributing to a fairer economy, the report challenges the sector to explore its role in shaping our future.

The Shape Your Future report was commissioned by WCVA and the CVCs to contribute to their strategic planning. It also aims to be a useful resource for the wider third sector and partners in Wales.



ECONOMY

CHANGING PATTERNS OF GLOBALISATION

RELATIVE ECONOMIC PERFORMANCE

NEW NOTIONS OF VALUE CREATION

THE REINVENTION OF CAPITALISM

01

CHANGING PATTERNS OF GLOBALISATION

Globalisation, fuelled by international trade, is expected to remain a key trend into the future. According to the OECD, 'global trade integration is expected to continue, albeit at a slightly slower rate than seen during recent decades. The shift in global economic weight will be reflected in trade patterns, with exports from OECD non-member economies rising from 35% of world exports in 2012 to 56% in 2060'.

The expectation is that in developed countries in particular exporting will grow further because the potential for domestic growth have already been exhausted. Foreign Direct Investment into other countries is also expected to grow and to exceed nominal GDP growth in advanced economies between now and 2030.

In emerging and developing countries the trend picture is very different. Domestic GDP growth is expected to exceed export growth as emerging and developing economies use their huge potential for growth in their domestic markets as their middle class begin to flourish. Even so, exports from emerging and developing economies are still expected to more than quadruple by 2030.

Despite recent 'turbulence' the BRIC countries (Brazil, Russia, India and China) are still expected to be the powerhouses of the next few decades with their share of worldwide GDP strongly increasing. Consumer expenditure in those countries is expected to grow significantly. Sectors like food, healthcare, education and transportation expenditure will more than double. A lot of new country clusters beyond BRIC are also expected to emerge.

However, international trade agreements are needed to underpin global trade and these are difficult times for governments wishing to agree trade agreements. Rules of different agreements often overlap and sometimes conflict with each other. The World Trade Organisation's Doha Round of negotiations has so far failed to overcome differences in the positions of industrialised and developing countries and so-called 'Mega-Regionals' such as the TTIP (Transatlantic Trade and Investment Partnership) between the EU and the US are being met with considerable public opposition.

Governments worldwide are increasingly using protectionist measures to support their national companies. Therefore, increasingly, jobs and manufacturing processes that had been exported to emerging nations are being 're-shored', as a reaction to market changes and as access to talent is becoming more important than lower wages. Such re-shoring could potentially affect economic growth in the emerging and developing nations significantly while leading to a recovery of manufacturing in the West.

Alongside this, the shift to a 'circular economy' has the potential to culminate in a new economic model that could 'focus efforts on circulation within the national or regional level economy rather than on a wider geographic scale.'

'Globalisation, fuelled by international trade, is expected to remain a key trend into the future.'

'Globalization is not an unstoppable, homogenizing force imposed from above, it is reproduced through local places.'

Potential implications for the sector?

The competitive pressures of globalisation will continue to affect lives in Wales by threatening jobs and creating difficult prospects for low-skilled workers in particular. At the same time, a potential reshoring of economic activities could create new opportunities for workers – who will continue to need support to upskill - and social enterprises – who will need to equip themselves to seize such opportunities.

If protectionist tendencies prevail and lead to a restructuring of domestic economies, national and local issues may be reframed and new civil society groupings may emerge that have the potential to disrupt established patterns of third sector activities, structures and relationships. Globalisation will continue and can be a force for good, but needs to be balanced against the need to have stronger, connected communities that can build local resilience in the economy.

'Globalization is not an unstoppable, homogenizing force imposed from above, it is reproduced through local places.' This creates a challenge and an opportunity for the third sector in Wales with a role to play in helping to shape the specific effects of globalisation and forge positive global links for the benefit of people in Wales.

RELATIVE ECONOMIC PERFORMANCE

Wales' economic performance has been poor relative to other parts of the UK and Europe and patterns of economic success and failure within Wales are entrenched. This is not expected to change in the foreseeable future.

Uneven economic performance also continues to be the picture within Wales, with the main measure of economic prosperity (GVA) considerably lower for West Wales and the Valleys than for East Wales.

The concept of 'city regions' has put a renewed emphasis on the role of urban areas in driving economic activity in the UK. By devolving power to city regions politicians and policy makers hope to help address persistent disparities between cities in the UK while better integrating cities with their surrounding areas and generating better employment and growth opportunities for those areas too.

Manufacturing continues to play an important role in underpinning economic fortunes. However, the role of manufacturing is changing. 'In advanced economies, manufacturing promotes innovation, productivity, and trade more than growth and employment. In these countries, manufacturing also has begun to consume more services and to rely more heavily on them to operate.'

Private investment, a further determinant of the economic prospects of places, remains weak throughout the world. In Wales, relatively poor economic performance has been attributed to an entrenched lack of capital in terms of all five types of capital; financial, physical, human, natural and social. According to this view, this and the associated lack of economic 'critical mass' has been masked by public support which may not be sustainable in the long run.

Potential implications for the sector?

Alongside other sectors in Wales, the third sector will continue to be affected by uneven economic performance. The role of the third sector in Wales is likely to continue to be important in addressing issues around poverty and social justice that arise from uneven economic performance. Where policy chooses to address spatial imbalances, the third sector will need to be prepared to create an appropriate infrastructure to engage and interact with other organisations. Indeed, the expectation may emerge for the sector to play its part in adopting an advocacy and campaigning role around these issues.

Much third sector activity has focused on finding innovative approaches to finance. The sector has an important contribution to make, therefore, to improve access to capital in Wales as a whole and in its different parts. The third sector can also play its part in pushing for the kind of regulatory and macro-economic decisions necessary to nurture different kinds of capital and in developing strong investment propositions for Wales and its component parts.

'Patterns of economic success and failure within Wales are entrenched.'

'Relatively poor economic performance has been attributed to an entrenched lack of capital in terms of all five types of capital.'

NEW NOTIONS OF VALUE CREATION

An understanding is emerging that the purely financial measures of value are no longer sufficient. Triggered by sustainability debates and the idea of businesses reporting on the 'triple bottom line', a number of different trends are emerging that provide new ways of conceptualising, creating and measuring value.

For example, while the notion of 'shareholder value' has been dominant, more recently, there has been an increasing focus on revisiting what constitutes value. Similarly, in the business world, the ideas behind Integrated Reporting (IR) link reporting to strategic priorities for business and build on Corporate Social Responsibility (CSR) concepts. The basic challenge is 'that business should get the most out of society's limited resources, while returning greater value to society so that the pursuit of stakeholder value and a healthy environment helps a business to maximize its financial value.'

Alongside this, competitive pressures further drive new thinking about value creation. For instance, resource scarcities are driving businesses to engage in 'circular economy' thinking and practices by focusing a lot of strategic and operational effort on the identification and realisation of value from all available resources. This leads to new business models focusing on the need to be addressed by a product or service and on squeezing out every ounce of value from natural resource inputs. The OECD anticipates that 'a circular economy would create huge economic opportunities as new services and business models emerge and the relationship between producer and consumer, and between a product and its user, undergoes radical transformation.'

New notions of value creation are linked to the search for productivity gains in the developed world. For example, the Harvard Business Review predicts that 'organizational structure will have to change to meet the new reality of creativity as a core component of value and continuous innovation as the mechanism to sustain it.' While traditionally industrial efficiency and scale is seen as the key source of productivity gains and thus value creation, in the future, creativity and flexibility will be necessary - both of which require different organisational structures for an economy to succeed.

On the consumer side, these business trends are mirrored in thinking around the 'sharing economy' and the maker movement. Enabled by several interlinked innovations such as the 'Internet of Things', crowd funding and social lending, 3D printing, co-working spaces and the creative commons, 'makers' are actively getting engaged in producing their own goods and services. There are predictions that the maker movement has the potential to define the future of work with a Deloitte report suggesting that 'the Maker Movement will emerge as the dominant source of livelihood' and that 'traditional employment may decline as work is organised primarily around projects rather than job titles.'

There is a link here with the proponents of a citizen's income, who fundamentally question the link between paid labour and income and call for the basic income as a 'counterpart to social labour that is not remunerated today.' This is seen as a way to overcome a situation in which 'those not in work, either through unemployment, caring or sickness are devalued, even stigmatised.'

'An understanding is emerging that the purely financial measures of value are no longer sufficient.'

'Resource scarcities are driving businesses to engage in 'circular economy.'

'In the future, creativity and flexibility will be necessary.'

Potential implications for the sector?

New 'measuring stick' approaches that value social 'goods' could create an opportunity for third sector organisations to make a stronger case for their activities and therefore receive more social and financial support.

However, as a result of changing attitudes in business and in the public sector, boundaries between sectors will blur and organisations may be categorised more according to their ability to deliver a social return on their investments rather than purely on their legal structures. This may put pressure on third sector organisations to compete with private sector businesses that have the ability to invest considerable resources in perfecting impact measurement approaches.

Citizen's income has the potential to fundamentally challenge the assumptions underpinning voluntary sector activities with one commentator describing it as a 'change in the ecology of the social sector' and suggesting that 'some human and material resources will become unavailable while others are likely to come available to organizations as people respond to the changing incentive structure under a basic income regime.'

Having played an important role in championing 'co-production' concepts, developments around the 'Makers movement' could disrupt current voluntary sector patterns of service provision and engagement.

'Boundaries between sectors will blur.'

THE REINVENTION OF CAPITALISM

The concept of capitalism is being reinvented in a number of different, and often, conflicting ways. However, the reinvention of capitalism is more of a catch phrase than a unified trend with many different facets and patterns emerging.

These range from resurgence of state-capitalism to inequality critiques and an appreciation of the potential for ecological limitations on capitalism. With the emergence of crowd sourcing platforms and mutual fund development, business practices are also shifting away from a pure capitalist approach.

One aspect relates to the role of the state in capitalism. The received wisdom in the West suggests that states should play a very limited role in a capitalist economy, but other parts of the world from China to Brazil are championing a reinvention of state capitalism. Such a shift towards state-based capitalism has the potential to lead to a blurring of the distinctions between public and private and a less pivotal role for the market to dictate events.

In 2015 estimates suggested that sovereign wealth funds would outpace the size of private investment holdings by the end of that year and that around 90% of the world's oil would be state owned. This is described this as 'a new form of economic order' that for the first time presents 'viable competition for the neoliberal capitalism of the West.'

In the West, criticism of capitalism is mounting. There are calls to 'reanalyse and review the role of capitalism in wealth creation and wealth distribution' including Thomas Piketty's analysis of historical changes in the concentration of income and wealth and resulting inequality. Other, more fundamental critiques focus on the ecological limits to the current capitalist system.

In view of global economic trends and the expectation that 'the next 50 years will see the centre of gravity of the world economy shift east and south', these critiques are unlikely to lead to a top-down fundamental change in the capitalist regime. There is, however, evidence for a grassroots shift in business practices.

The advent of social enterprise with high profile advocates such as the Ashoka Foundation may be seen as a side show by some, but even The Economist, believes that 'entrepreneurs are redesigning the basic building block of capitalism', - namely the public company. It identifies a trend for start-ups beginning to offer a serious challenge to large corporates' way of doing business. In the process this creates a challenge to the current patterns of ownership and has the potential to change the way in which ordinary people have a stake in capitalism, through crowd sourcing platforms or mutual funds rather than through pension funds and stock markets.

A shift can also be detected in the education of tomorrow's business leaders. The Harvard Business School offer a course on Reimagining Capitalism: Business and Big Problems, which focuses on 'the moral roots of capitalism'. Other educational centres such as the Leuphana University in Germany and Oxford University's Saïd Business School are developing new thinking around the role of the firm in today's world.

'The emergence of crowd sourcing platforms and mutual fund development.'

'A grassroots shift in business practices.'

'New models and new thinking about capitalism offers the third sector a platform from which it may take advantage of, and even shape, emerging innovative notions of value.'

Potential implications for the sector?

The emergence of new models and new thinking about capitalism offers the third sector a platform from which it may take advantage of, and even shape, emerging innovative notions of value and the role of capital in society.

The increasing popularity and visibility of crowd sourcing and mutualism in a range of areas where the third sector is traditionally active provides fresh opportunity for innovative fund raising and financial instruments to emerge for third sector led causes and activities. The traditional concepts of the state's role in these areas are also being challenged – some see it strengthening and some weakening – as different ideas about state-capitalism emerge globally.

The third sector needs to produce a rationale for its role if it is to capture these innovative concepts and new thinking around the social value and the social benefits to be gained from non-capitalist based models of investment and consumption.



ENVIRONMENT

DEGRADATION OF ECOSYSTEMS

CLIMATE CHANGE – POLICY AND COMMUNITY RESPONSES

GROWING COMPETITION FOR NATURAL RESOURCES

02

DEGRADATION OF ECOSYSTEMS

The natural environment is made up of a plethora of different ecosystems that support all species including human beings. The value of ecosystems consists both in their intrinsic value and in the cultural (and provisioning) services they provide. However, current patterns of production and consumption exceed planetary limits and are predicted to lead to an ongoing degradation of ecosystems.

The WWF's Living Planet report sets out that 'for more than 40 years, humanity's demand has exceeded the planet's bio capacity – the amount of biologically productive land and sea area that is available to regenerate these resources. This continuing overshoot is making it more and more difficult to meet the needs of a growing global human population, as well as to leave space for other species.'

Different approaches to changing current practices and managing and protecting ecosystems better are in their infancy and will need to develop further to make a tangible difference. The future development of biodiversity and ecosystem services is strongly dependent on external factors and 'business as usual' will unequivocally lead to the further degradation of ecosystems. The key question therefore relates to the ways in which measures can be put in place to prevent further degradation.

Much government activity is focused on establishing the kinds of systems that are necessary to monitor the state of and protect ecosystems. An important strand of work focuses on the concept of 'natural capital' with the aim of integrating the monetary value associated with ecosystem services into gross domestic product (GDP).

A broader 'ecosystems approach' designed to protect the foundations that enable the complex workings of the natural environment, as advocated, for instance, in a UK White Paper, requires 'a strategy for the integrated management of land, water and living resources that promotes conservation and sustainable use in an equitable way'.

Finally, people are increasingly disconnected from nature; a recent report found that more than one in nine children in England have not set foot in a park, forest, beach or any other natural environment for at least 12 months. Concerns around this disconnect and the resulting difficulty of addressing the degradation of natural systems is reflected in the emergence of fields like conservation psychology and conservation social work.

'For more than 40 years, humanity's demand has exceeded the planet's bio capacity.'

'Existing environmental groups may gain more power and new voluntary groups may emerge.'

Potential implications for the sector?

The degradation of ecosystems and the way this is linked to current business practices and economic power creates a challenge for the third sector to develop clarity regarding its stance and role in such conflicts.

With increasing pressure on natural systems, protecting these may rise further on the agenda. Existing environmental groups may gain more power and new voluntary groups may emerge. This has the potential to heighten competition between different voluntary sector causes and approaches and will put pressure on the third sector as a whole to find ways of reconciling competing environmental, social and ecological demands.

New models of orchestrating public opposition using digital technologies and agile organisational structures, illustrated in the advent of organisations like Avaaz and 38 degrees, creates a considerable innovation dynamic for the sector.

The third sector traditionally makes an important contribution to civil society by enabling public deliberation. There may therefore be an expectation that the sector will strengthen its facilitation capacity and role.

Finally, voluntary work plays an important role in protecting the natural world and securing ecosystem services. It will be important for the third sector to secure a seat at the table of renegotiating the societal value of and returns for such work being delivered.

CLIMATE CHANGE – POLICY AND COMMUNITY RESPONSES

Climate change has the potential to heighten the competition for resources within and between countries. This competition is characterised by fundamental choices that need to be made between a focus on ‘technology fixes’ or responses that focus on strengthening community resilience.

Greenhouse gas (GHG) emissions are extremely likely to have been the dominant cause of the observed global warming since the mid-20th century. Climate change is expected to have profound impacts on future global water and food security. According to the IPCC, ‘extreme and variable rainfall will have major impacts on water availability and supply, food security, and agricultural incomes, and will lead to shifts in the production areas of food and non-food crops around the world.’

Climate change mitigation is one key plank of the policy response globally. The agreement and global action plan agreed in Paris commits governments worldwide to limiting global warming to well below 2°C. The 2°C Scenario (2DS) requires reductions in global GHG emissions by 2050 by 40-70% compared to 2010 and corresponds to increasing the share of low-carbon electricity supply from the current share of approximately 30% to more than 80% by 2050.

Uptake of innovative low-carbon technologies by emerging economies has the potential to account for almost three-quarters of the targeted global reduction in CO₂ emissions in the decades up to 2050. This will depend on international co-operation that supports technology and knowledge transfer.

However, as James Lovelock was already arguing in 2007 ‘it is probably too late for sustainable development. Enlightened living of this kind might have worked 200 years ago in Malthus’s time but not now’. This puts adaptation measures centre stage with a combination of technological solutions such as sea defences and irrigation infrastructure on the one hand and increasing adaptive capacity by strengthening community resilience to climate change on the other.

Adaptation favours engagement and empowerment of citizens, and multi-level governance. However, a Joseph Rowntree Foundation report asserts that ‘the meanings, applications and implications of the concept of ‘resilience’ are contested, varied and not well understood in the context of UK climate change action.’

Energy generation and efficiency, for instance, is one facet of community level activities under this heading. A review of such activity in the UK suggests that activity is particularly prevalent in Scotland and South West England, relative to population density activity is greater in rural areas and that there are no marked differences between areas of high or low deprivation, albeit with some variation in the types of project being undertaken, with pure awareness raising more prevalent in deprived areas.

‘Adaptation favours engagement and empowerment of citizens, and multi-level governance.’

‘Climate change is expected to hit the poorest and most vulnerable in society hardest and fastest.’

‘A third sector role in framing the issue may become much more important.’

Potential implications for the sector?

Climate change is expected to hit the poorest and most vulnerable in society hardest and fastest and this cuts across many of the issues the third sector is already dealing with and has the potential to exacerbate social and economic inequalities. For instance, policies to mitigate carbon emissions in energy costs, travel, housing and lifestyles, are likely to raise prices.

As the effects of climate become more apparent, investment in low carbon energy technologies and other relevant infrastructures may need to be stepped up. This has the potential to compete with other ‘public good’ causes championed by third sector organisations.

When it comes to mitigation, making the choice between technological solutions or a focus on strengthening community resilience depends to a large extent on whether focusing on the physical impacts of climate change outweighs concerns regarding the vulnerability and capacity of communities to adapt. Here, the third sector has traditionally been a champion for the empowerment of communities and an advocate of community concerns in policy development. A third sector role in framing the issue may become much more important.

GROWING COMPETITION FOR NATURAL RESOURCES

The growing scarcity of natural resources has the potential to undermine current industrial practice and even to lead to conflict. Concerns over access to a range of vital resources have heightened in recent years.

The overall picture of resource scarcities is summarised in a UK Ministry of Defence (MOD) report as follows: 'Demand for resources of all kinds is likely to increase out to 2045, as the world's population rises to around nine billion. While the demand for food will grow, some countries are likely to experience significant declines in agricultural productivity. Water shortages are likely to be particularly acute in many areas, exacerbated by increasing demand and climate change.'

Considering water as a specific example, forecasts suggest that without mitigation action, by 2045 or sooner, around 3.9 billion people – over 40% of the world's population – are likely to be experiencing 'water stress.' The concern therefore is that, as demand for water, a resource that particularly lends itself to be diverted between different communities or countries, intensifies, there is potential for this to lead to conflict.

Even in the UK, if current trends were allowed to continue, water scarcity will increase. In a dry year in the 2020s the gap between water supply and demand in the UK could be nearly as large as the total current agricultural abstraction of 120bn litres per year.

Of similar concern is the fact that 'by 2045, food production is predicted to have increased by nearly 70%, to feed a larger and more demanding population – and it is possible that demand could outstrip supply'. Rising prices for both water and food as basic commodities have already led to unrest across the globe.

Price volatilities, however, have also been experienced by raw materials that key industrial sectors depend on. For example, rare earth element prices spiked in 2011 at about 50 to 60 times the 2005 level, before dropping to a level about 10 to 20 times higher than in 2005.

Global consumption of resources amounts to one-and-a-half times what the planet produces, and we are on course for consumption levels equivalent to more than two planets by 2040, (and six if we all lived by US standards).

There are expectations that either government intervention (through regulation and incentives) and/or market forces (through rising prices that will trigger innovation) will address this situation. So far, however, 'according to EU surveys, such as the Community Innovation Survey, the majority of companies still do not eco-innovate at all, or their actual material savings due to eco-innovation are not in the required order of magnitude.'

Governments have also often subsidised unsustainable resource use, thereby distorting those very market forces that might be expected to lead to such innovation. A 2015 report found that a package of measures forecast to cost the UK government \$2.7 billion between 2015 and 2020, 'will further drive investment that is expected to increase oil production by around 15%.'

'By 2045 or sooner, around 3.9 billion people – over 40% of the world's population – are likely to be experiencing 'water stress.'

'Potential to exacerbate inequalities.'

'Social innovation has a key role to play.'

Potential implications for the sector?

As climates change and globalisation trends continue, resource scarcities are likely to hit the poorest and most vulnerable in society hardest. They therefore have the potential to exacerbate inequalities and will impact on the role and work of third sector organisations in this way.

Social innovation has a key role to play in bringing about the kind of systemic change that will be necessary to address the issues arising from resource scarcity. Dissatisfaction with the technological emphasis in economic innovation literature and policy has led to calls for social innovation to be better understood and prioritised. Social innovation is closely associated with the third sector and in order to remain relevant, this area of work is likely to increase in importance.



POLITICAL

THE UNCERTAIN FUTURE OF LIBERAL DEMOCRACY
RESPONSES TO MIGRATION

03

THE UNCERTAIN FUTURE OF LIBERAL DEMOCRACY

By 2030 the BRIC states, the Gulf States and more groups of emerging nations will play a much more important role on the global economic policy stage. To increase the chances of rapid development and perceived political stability, an increasing number of the world's developing countries are expected to gravitate toward Beijing's state-centric model rather than the traditional Western model of markets and democratic political system.

This will herald a general global shift away from the West's liberal democratic traditions towards non-democratic models of governance relying on state-based capitalism, a blurring of the distinctions between the public and private and a less pivotal role for the market to dictate events. As more non-democratic global powers emerge there are signs that there is a shift away from the universal acceptance of human rights and a refocusing toward state control models.

These trends and the impact of the economic recession since 2008 provides a strong challenge to the principles and practice of liberal democracies and are expected to place strong pressure on those working in, and with, the least well-off in society in particular.

Dealing with large state-controlled actors who control and influence the global economy will require a response from liberal democratic governments, including from the UK, EU and USA.

Major powers such as China and Russia, and a number of emerging and developing countries, take a more relative reading of human rights and are uncomfortable with the sanctioning of regimes generally viewed as 'brutal' by the liberal democracies. Uncertainty over post-Arab Spring Middle East and the impact of Russia's actions towards Ukraine only raise further doubts regarding the robustness of liberal democracies to 'hold the line' in a more hostile global environment.

As economic prosperity in the emerging countries filters down to the new middle classes, their political attitudes may change and ultimately translate into an effective challenge to state-centric models by their own citizens claiming a greater role for independent stakeholders in economic and political decision-making.

However, in the Western democracies continuing austerity policies and the long running global economic downturn since 2008 combined with global resource depletion and population shifts from drought-struck Africa, could also lead to a return to isolationist and protectionist tendencies even in the Western democracies. This further challenges the liberal democratic traditions and assumptions of the past 60+ years and might also lead to calls for a stronger government role in pushing through required measures.

In liberal democracies this could lead to an acceptance of de-facto limitations on democratic control over economic policy, while, on the other hand, the stance taken by populist movements against global and supranational institutions such as the World Bank, IMF or European Commission may be interpreted as indicating that an inherent tension is already emerging.

'A general global shift away from the West's liberal democratic traditions.'

'A return to isolationist and protectionist tendencies even in the Western democracies.'

'It will be increasingly difficult, but ever more important, for the third sector to argue for the prioritisation of public funding for the least well-off in society.'

Potential implications for the sector?

A more hostile global environment and a less than robust response to the erosion of human rights and civil liberties by liberal democratic states suggests that there will be considerable scope for the growth and internationalisation of the third sector and the development of further NGO actions to fill the gap left by liberal democratic states.

Domestically, the combination of long term austerity policies and government spending cuts and growing disapproval of welfare spending and migration means that it will be increasingly difficult, but ever more important, for the third sector to argue for the prioritisation of public funding for the least well-off in society.

RESPONSES TO MIGRATION

Accelerating and persistent migration promises to be a constant challenge for many developed economies including the UK while attitudes and response of policy makers and communities tend to harden.

UN figures suggest that migration will continue to grow, reaching 2.5 million migrants a year with the majority of movement taking place from Sub Saharan Africa and Eastern Europe to Western Europe as well as between the rapidly growing economies in Asia and the Middle East. The recent conflicts in Libya, Syria, Iraq and Afghanistan have placed significant flows into the migrant system causing all too obvious suffering, distress for migrants and, for the host countries, a crisis of political, economic and social confidence.

However, not all migrants are refugees from conflict or economic catastrophes. In fact, most migrants originate from middle-income countries and in the last 15 years their number has grown more rapidly with the majority of migrants who are now living in a high-income host country having begun their migration from a middle-income country.

While migration inevitably increases the pressure on housing, jobs, education, social services and resources of the host countries, all the economic evidence indicates that inward migration also offers great benefits for the host countries.

Generally, the broad effect of migration is mainly positive in both the home and host countries providing increased economic activity, higher tax incomes, skills and activities within a host nation while remittances (money sent home) to the originating country are often vital to the families of the migrants in their home country and their local economies as a whole.

However, high levels of migration cause community, social and political unease and even unrest in the host country as local populations and communities turn against those who they feel are taking jobs away from them. In addition, there is a widely held perception that low skilled migrants will have a negative effect on wage levels and cause pressure on the host nation's welfare system.

In spite of the many benefits of migration, migrants themselves are among the most vulnerable members of society. They are often the first to lose their job in the event of economic downturn, often working for less pay, for longer hours, and in worse conditions than national workers, enduring violations of their human rights, abuse and discrimination.

Trends in levels of migration often vary significantly depending on short term factors such as local job availability, demographic trends and wars and economic conditions. As a result of this, migration rates are likely to fall in times when the host countries are in the down swing of a business cycle. In addition, climate change is expected to have an increasing effect on the level and direction of migration in the coming years, but it is yet unknown how significant this effect will be.

Potential implications for the sector?

The third sector plays a major role in the support provided by society in general and local communities in particular for migrants. This may range from legal and advice services to practical support through education, language classes, and more basic provision of essential living supports.

For the third sector the challenge is to be able to be a provider and a mediator while not being portrayed as an arm of government in carrying out or colluding in policies and programmes that may not always match the ethos of the third sector nor that of individual volunteers. Being 'caught in the middle' is a likely to be an ever present danger for the third sector in general and for individual volunteers and voluntary sector bodies in particular.

'UN figures suggest that migration will continue to grow.'

'Migrants themselves are among the most vulnerable members of society.'



TECHNOLOGY

THE WORLD OF BIG DATA

A DIGITALISED WORLD

HEALTH AND LIFE SCIENCES INNOVATIONS

04

THE WORLD OF BIG DATA

'Big Data' describes very large volumes of information, usually from a variety of sources that – if gathered, manipulated and mined effectively – offer substantial economic, scientific or public value. Where Big Data is managed well, it offers opportunities to increase productivity, support growth, contribute to personal, economic and social well-being and the ability to personalise public services. However, the amount of personal information needed to fuel Big Data raises both privacy and security concerns for communities.

Sometimes described as a new type of infrastructure, Big Data represents an unprecedented volume of data. Where it is available in real-time, it allows speedier use of data in decision making. Where it is shared as Open Data, combining information from a variety of both structured and unstructured sources, it can generate significant value and impacts for all activities. Big Data provides opportunities to increase productivity, foster inclusive growth as well as contribute to citizens' well-being.

The use of Big Data is already helping society better understand, model and adapt to environmental and climate change challenges. It offers an opportunity for greater openness, transparency, responsiveness and accountability of the public sector. These uses of Big Data are potentially transformative and key to future innovation and applications in particular in the area of the personalisation of products and to approaches to healthcare, education and the environment.

However, Big Data is not without its areas of concern.

For example, the huge amount of personal information needed to fuel Big Data gives rise to obvious concerns about both privacy and security for individuals, communities, businesses and governments. Fundamental issues regarding the governance and control of Big Data along a spectrum from closed, shared and open data, are likely to continue even in the long run. These concerns will cover questions regarding data ownership, the status of informed consent for citizens, issues of privacy and anonymity, the global application of Big Data rules and standards. In addition, many remain sceptical that questions around access, ethics, surveillance and transparency of the creators and owners of Big Data have been addressed.

'The use of Big Data is already helping society.'

'However, Big Data is not without its areas of concern.'

'New opportunities, such as better personalisation of services where the third sector is likely to be able to play a key role in the future.'

Potential implications for the sector?

More and more personal data is stored in the cloud, and the amount of personal information held by others is growing. This raises privacy and security concerns, but also allows for new opportunities, such as better personalisation of services where the third sector is likely to be able to play a key role in the future.

The third sector is also a potential 'aggregator' of data that it gathers on the communities in which it operates. While an increasing amount of information has been made freely available online, this has led some organisations, including third sector organisations, to 'give away' products for which they could potentially charge.

New models for third sector elements like membership of community groups etc may need to be invented along with a re-evaluation of what has monetary value.

A DIGITALISED WORLD

A hyper-connected and digital society is already enabling access to and exploitation of sophisticated networks of information systems. While the digital world offers significant developments and benefits across society, the economy and the environment, issues of data protection, security and the place of individuals, communities and, in particular, the exclusion of some groups from the digital world are of significant concern.

The sophisticated use of digital media is now so pervasive that a new generation of digital media users are frequently described as 'digital natives'. This describes people, usually but not exclusively, young people who are making extensive use of digital technologies and as a consequence changing their perceptions of self and of the world around them. At the same time, the Internet of Things (IoT), defined as the connection over time of almost any object and device to the Internet as a 'network of networks', is becoming a reality.

The digitalised world is expected to improve individuals, community and economic life through 'Smart' applications:

- **Smart healthcare** connecting our bodies to both personal health monitoring devices and professional health care systems will help monitor and manage internal and external health hazards and improve treatment of the chronically ill.
- **Smart energy** meters already offer two-way communication between consumers and the energy grid potentially reducing energy consumption by providing real-time information and reduce power outages and electricity waste.
- **Smart city** apps that are location-based and embedded into personal mobile phones can 'communicate' with managers and planners to provide real-time information and new insights into the use being made of infrastructure and public space.
- **Smart manufacturing** will improve the efficiency of factory operations and supply chains.
- **Smart materials** will increasingly gather and use both data and applications so that material and energy waste will be significantly reduced.

However, trust, security and personal and commercial privacy remain key issues and risks associated with a growing and ubiquitous digital world and views may diverge considerably between different generations.

ICT networks depend on a secure supply of electricity and the production of computer hardware requiring scarce raw materials. As systems become intertwined, the increased complexity of networks increases the risk and the impact of catastrophic systems failure.

Digital networks have become the nerve centre of the global economy but are also prime potential targets for terrorism – 'cyber-attack'. Criminal, anarchist or terrorist attacks could conceivably disable the functioning of global networks and, more importantly, highlight security concerns and may 'dis-incentivise' the use of digital technologies and applications.

The vulnerability of computer networks is also an issue in the context of human and civil rights allowing repressive regimes to abuse the availability of online data about citizens or perpetrate digital technology-enabled transgressions against democracy, heightening concerns over online security and discouraging virtual exchanges.

'The exclusion of some groups from the digital world are of significant concern.'

'Digitalised world is expected to improve individuals, community and economic life through "Smart" applications.'

'An increased reliance on local communities, voluntary action, extended family networks and personal patronage.'

Potential implications for the sector?

The Futurist magazine describes the potential for the digital world in the future to result in new influences on people's identity, new ways of interacting, new variations of language and the formation of complex relationships between individuals on a global scale with more and more diverse cultural centres of excellence. For many people, the digital world can be expected to enable 'group' or 'community' membership to extend beyond physically proximate communities and potentially grow the 'reach' of third sector organisations and memberships.

In this context, many people are likely to regard their relationship with the state in consumerist rather than civic terms, while governance standards in many developing societies are unlikely to keep pace with economic and social change. As a result, formal civic support systems may decline paradoxically producing an increased reliance on local communities, voluntary action, extended family networks and personal patronage. Here the third sector is likely to be able to play an increasingly pivotal part.

HEALTH AND LIFE SCIENCES INNOVATIONS

Widespread developments in healthcare and life sciences and, in particular, increasingly low cost DNA sequencing open up the potential for new personal and regenerative medicines as well as advances in agriculture, energy and the environment. The societal benefits are obvious but there remain ethical, privacy and economic concerns and risks.

The mapping of the human genome has led to an increasing list of human, animal and plant genetic profiles. Driven by private and public investment, the costs of genetic profiling have continued to fall as productivity increases. The trend towards declining gene synthesis costs is likely to continue as competition drives companies to offer increasingly sophisticated design tools (e.g. bioinformatics). Research by The Economist has mapped the cost of genome sequencing and found its decrease to be faster than the cost of computing (Moore's Law).

As the costs for sequencing a human genome decline rapidly, new avenues have been opened up for personalised medicine, revolutionising medicines development and the treatment of cancer, and degenerative and cardiovascular diseases. Further price decreases are expected in the coming years.

The era of consumer genomics is now with us and all genetic information may eventually be available at any time to citizens. Citizens will want to, and will need to, actively manage their personal data, genetic data, as well as their health and wellbeing data.

The practical application of genomics is also well developed in agriculture where GM food technology has evolved. While controversial such technologies provide potential solutions to important demographic and climate changes. Biotechnology and genetics are also being used to engineer and adapt microorganisms in an effort to find solutions to environmental contamination. This opens up significant potential for the elimination of a wide range of pollutants and wastes from the environment.

Elsewhere, genomics has been identified as having important potential to address future global energy requirements. This has seen developments in areas such as biomass, as well as genetic engineering of enzymes is expected to be a key factor in optimizing development of biofuels that may potentially replace fossil fuels on a global scale.

These scientific developments will provide the basis for significant economic, societal and health related impacts. Countries and communities that are able to develop themselves at the forefront of these changes through research and appropriate regulatory frameworks are likely to gain the most. Societal and ethical concerns about the uses of genetic information may put pressure on activity in this area. Much will depend on the public consensus over controversial technologies and the way in which this is handled by governments.

These technologies can potentially lead to the processing of DNA data for unlawful purposes and genetic discrimination. Consequently, there is a concern that governments or private companies (eg, insurance companies) will have access to genetic data or to medical information on individuals. The main challenges are therefore preserving in particular the rights of individuals to dignity, integrity of the person, private life and personal data protection.

'The societal benefits are obvious but there remain ethical, privacy and economic concerns and risks.'

'Much will depend on the public consensus over controversial technologies.'

Potential implications for the sector?

Personalised medicine will offer the potential for a higher quality of life and longer life spans as personalised health treatments became the norm. This will further contribute to the dominance of the already ageing population in Western Europe and to the demands placed on public health and care services and the volume and type of care required for a growing older population.

The potential to offer new treatments for the benefit of patients, including better targeted treatment, is likely to result in increasing health care budget demands as more sophisticated and targeted pharmaceuticals and other treatments are found and exploited.

While citizens will want to own and actively manage their genetic and health data, social networks, including digitally enabled social networks, will be a driver for health change in the future. Here the Third sector may be able to play an increasingly pivotal part.

SOCIETY

INDIVIDUAL AND COLLECTIVE VALUE SHIFTS

CHANGING DEMOGRAPHIC PROFILES

DIVISIONS AND DEPRIVATION

THE CHANGING FACE OF PUBLIC SERVICES

05

INDIVIDUAL AND COLLECTIVE VALUE SHIFTS

A world on the move combined with rapid social and technological change is affecting the value bases that influence people's behaviours and decisions. While traditional family structures and institutional affiliations are losing influence in shaping attitudes and values and support for the welfare state as we know it is decreasing, many expect the Millennials' liberal attitudes and the desire to play a positive role in society to prevail and redress the balance.

Life chances and outlook are, for instance, associated with changing family and household structures. The extended family has almost disappeared in many countries, and the traditional family consisting of a married couple with children has become much less widespread as divorce rates, cohabitation, couples 'living together apart', single parenthood and same-sex partnerships have all increased. With rising migration, cultures and values have become more diverse, more women have taken up work, more young people are spending more time in education and training, and the elderly are living longer and increasingly alone.

There is evidence of a shift in social attitudes between individual and collective responsibilities. Overall, the proportion of people agreeing that it is definitely the Government's responsibility to provide the unemployed with a decent standard of living has halved since the 1980s while the percentage who believe that it definitely isn't the Government's responsibility has more than doubled.

The rise of the Millennials – often described as Generation Y in the UK – is often seen as playing a major role in reshaping social values. Half of Millennials (50%) now describe themselves as political independents and about three-in-ten (29%) say they are not affiliated with any religion with liberal views on many political and social issues also standing out. Millennials in the UK attach great importance to playing a positive role in society, with 67% of UK Millennials agreeing that they have a personal responsibility to help those worse off, whilst 44% would prefer to do work that is in the public interest. Fifty-nine percent also need to feel that they have achieved a level of social success and that it is recognized by others.

'The rise of the Millennials.'

At the same time, Millennials have low levels of social trust and far more likely to believe that they are treated unfairly. However, there is little evidence of resentment of older people by younger generations. This suggests that narratives about a 'clash of generations' are, as yet, misplaced.

This goes hand in hand, however, with 'the importance of personal autonomy, with power and achievement (social prestige and personal success), stimulation (excitement and challenge in life) and hedonism (pleasure/gratification for oneself) identified as important values for younger generations.'

There is some tentative evidence that may suggest that young people may be responding to the economic downturn with greater entrepreneurialism and an increase in the numbers that aim to start or are in the process of starting a business. These attitudes interact with a growing cohort of active older people, who want to look good, to feel good and – also – to do good. Later life is seen as more than a marketing opportunity but as a continuing arena for choice, autonomy, self-expression and pleasure with many opportunities for both consumerist 'autonomy' and civic 'generativity', towards both family and society.'

'There is evidence of a shift in social attitudes between individual and collective responsibilities.'

'A growing cohort of active older people, who want to look good, to feel good and – also – to do good.'

'Changing patterns of engagement and volunteering need to be understood and acted upon.'

Potential implications for the sector?

Social attitudes and values play a key role in shaping social capital in the UK and is of vital importance for the functioning of the third sector. Social capital will depend on complex interactions between the expectations and choices of different social groups. It will therefore be important for third sector organisations to monitor and understand such trends.

In particular changing patterns of engagement and volunteering need to be understood and acted upon, both in terms of the mechanisms used (e.g. digital tools) and in terms of the preferences regarding what people are looking for out of volunteering, how time spent on third sector causes fits in with other life choices and which causes are most important.

Active older people, for instance, able to bring considerable experience and capabilities to formal volunteering may become more important, which may even change the balance between paid employment and formal volunteering for key roles in third sector organisations. Conversely, people working into later life and taking up caring responsibilities in retirement, could leave many older people with less time to volunteer in a formal capacity in the future.

Many commentators perceive that there is a strong will to change the world for the better amongst those in their 20s and 30s, the Millennials (or Generation Y) and their successors, Generation Z. These younger generations are deemed more likely to get involved than previous generations. Third sector organisations could gain from working with this 'self-organised, digitally-enabled, friend-focussed' generation.

At the same time, however, the increasing number of social entrepreneurs, often using digital tools and platforms, highlights that Millennials are more 'sector agnostic' than their elders.

Third sector organisations will need to adapt their models while monitoring the potential for further blurring of boundaries and what that might mean for traditional third sector functions (e.g. independent campaigning, advocacy).

CHANGING DEMOGRAPHIC PROFILES

The world's population is expected to grow during the 21st century. According to the UN's 2015 medium-variant projection, the global population will reach 8.5 billion by 2030 and 9.7 billion by 2050. The relative proportion of over 60s and over 80s is rising steadily throughout the world.

Globally, a combination of low fertility rates and longer life spans will lead to further ageing in all major regions of the world, so that by 2050, there will be almost complete global parity between the number of over-60s and the number of children.

The size of the global working-age population (15-64) is currently at an historical peak and will very soon begin to diminish. As a result, the size of the dependent population under 15 and over 65 years of age relative to the working-age population will increase.

In the UK, the ageing of the population is driven by two main factors – the very large baby boomer cohort (born after WW2) reaching retirement and increasing life expectancy. Both the UK population and its labour force is ageing as the 'baby boom' generation reaches state pension age and older people participate in the labour market for longer.

The demographic trends that underpin the ageing society are not uniform – although they are present in each UK Nation – with sharp disparities at local and regional level. Despite similar fertility and mortality patterns, Wales' population is ageing faster than England's – explained by both young people migrating out of Wales, and older people moving into Wales to live and retire due to its more rural appeal.

Ageing implies changes in lifestyle and consumption patterns, with significant implications for the types of products and services in demand. At the same time, the prevalence of non-communicable diseases and increased disability among the elderly place considerable burdens on healthcare and other services in local areas.

While the ability of elderly citizens to remain active and continue working beyond official retirement age is set to increase, this is not expected to be sufficient to meet workforce shortages. The OECD projects that of migrant workers will be an important factor to mitigate ageing in most economies and could potentially solve anticipated labour and skills shortages in receiving countries.

'Those over 60 provide more than half of all donations to the voluntary sector.'

'Isolation is expected to be a key area of need.'

Potential implications for the sector?

As the UK's population grows older, the third sector will need to ensure that its relationship with older people rests on a sound footing, focusing on 'empowerment, participation and inspiration' rather than 'peddling ideas of dependency, vulnerability and disengagement' while navigating a blurring of lines between donor, volunteer and beneficiary.

Older generations' volunteering will become more and more important and the sector will need to understand how the increasingly diverse older generations will prioritise their local, regional, national, and global participation.

In addition, the over 50s hold a substantial amount of the UK's wealth and those over 60 provide more than half of all donations to the voluntary sector. This represents an important opportunity for third sector organisations to secure additional donations.

Older people's needs will also become more pronounced, however. In the short and medium term, isolation is expected to be a key area of need for the increasing numbers of older people across the UK, an area on which the third sector has traditionally focused.

Just as all other sectors, the third sector will also need to think through the implications of the current demographic trends for its workforce.

DIVISIONS AND DEPRIVATION

Globally inequalities are on the rise, while the picture in developed countries like the UK is complex with multiple factors influencing specific outcomes for individuals. World-wide GDP is expected to more than triple by 2060, and generally disparities in GDP per capita are expected to narrow across countries.

However, inequalities within countries will continue to pose major political, social and economic risks. Over two-thirds of emerging and poor countries will experience growing inequalities. For many, the prospects are particularly gloomy. By 2030, two thirds of the world's poor could be living in 'fragile' states where there is no government that could effectively constitute a counterpart for foreign aid agencies.

Even in the world's advanced countries, the gap between rich and poor has reached its highest level for three decades. In OECD countries, the richest 10% of the population earn nearly 10 times the income of the poorest 10%. Over the last couple of decades, the risk of poverty has shifted markedly away from the elderly towards families with children. Also at risk are young adults, who make up an increasing share of the poor. The increase in youth poverty is to be found particularly among youngsters not in education, employment or training who run a greater than average chance of unemployment, lower wages, poorer health and therefore a greater risk of long-term 'scarring'.

In the UK, unemployment is a key determinant of poverty, with sharp disparities at the local level and between different groups. Although youth unemployment has fallen nationally to 17%, there are a number of UK regions where 25% of the 16-24 age group are unemployed.

Insufficient training is the most common cause of a risk of unemployment in the UK with 1 in 5 people still have no qualifications. In some places, including Wales, a comparably high proportion of over 50s have no qualifications.

Poorer children experience much less advantageous environments at home than children from better-off backgrounds and 27% of UK children still live in households with incomes below 60% of median income. The areas where the most disadvantaged children are being let down by the education system in 2014 are no longer deprived inner city areas, instead the focus has shifted to deprived coastal towns and rural, less populous regions of the country.

A European Commission Foresight report suggests that the 'future societal divide will be more than rich-poor; the uneven access to the digital world will widen the gap between those who have access to knowledge and those who don't.'

While the connection between low income and digital exclusion may not be quite as straightforward as sometimes assumed and there is an expectation that the digital divide may soon be bridged, the fast-moving nature of digital technologies has the potential to create new divides and patterns of deprivation.

'There are a number of UK regions where 25% of the 16-24 age group are unemployed.'

'The focus has shifted to deprived coastal towns and rural, less populous regions of the country.'

'There is evidence of geographical variation in voluntary sector activity.'

'Financing activities in more deprived areas may become ever more challenging.'

Potential implications for the sector?

With patterns of deprivation becoming more complex, but no less entrenched, to be effective third sector activities will need to be developed to address some of these issues and support and services delivered in a highly targeted way.

Where highly localised patterns of inequality and deprivation emerge, the third sector will need to find appropriate ways of integrating local responses with a strong voice at the regional and national level.

There is evidence of geographical variation in voluntary sector activity, which – with a growing marketization of third sector activities – creates a risk of sources of finance increasingly also being tied to local areas so that financing activities in more deprived areas may become ever more challenging.

THE CHANGING FACE OF PUBLIC SERVICES

The current pressures on public services is expected to only increase in the years to come. When combined with new technologies and competition between different organisational models, this has the potential to fundamentally change the relationships between citizen, state and society. A number of trends, globally and closer to home, are challenging the current model of public service provision.

- Demographic change is expected to increase the demand for public services. 10.7 million people in Great Britain can currently expect inadequate retirement incomes, over 50% more people are expected to have three or more long-term conditions in England by 2018 compared to 2008 and over 80% more people aged 65 and over will live with dementia (moderate or severe cognitive impairment) in England and Wales by 2030 compared to 2010.
- Uncertain and volatile economic growth and a general backdrop of fiscal deficits/ debt make it likely that governments will opt for budgetary austerity for years to come.
- Most commentators on the future delivery of public services assume that there is a 'productivity imperative' that requires governments to deliver more for less. At the same time, public bodies are being expected to slim down or simplify the process of delivering public services and visibly reduce the complexity of the institutional landscape that citizens confront in trying to access public services.
- Developments in modern ICTs have already changed the way governments interact with citizens and this will continue to speed up. Citizens have become more demanding and shifted their public service consumption behaviour. For example, as early as 2000 more than 50 percent of people expected access to the services they need in the evenings and on weekends.

Regarding future relationships, the RSA 2020 Public Services Trust advocates the principle of 'social citizenship' which is associated with 'a duty to contribute as well as a right to receive support'. In terms of current trends, privatisation, mutualisation and personalisation are all expressions of an ongoing process of externalisation as part of the changing relationship between citizens, state and society. This is accompanied, however, by shifting patterns of organisational structures and ownership.

There has been a trend towards de facto privatisation of public services. As a result of the shift towards the provision of public services by external providers, 'more than 60% of total UK public revenue expenditure will soon be delivered by the private sector' and 'private equity has a 5% to 25% share of various sectors within this market [elderly care homes, education in special schools and colleges, homecare and private hospitals]'.

Public services are increasingly seen as an industry sector and compete with other activities and places for talent and investment with direct implications for the recruitment and retention of people in public services .

The parallel trend of a 'mutualisation' of public services is seen as highly ambiguous with unclear definitions and highly varied patterns of accountability and ownership.

Finally, running parallel to this privatisation trend, in the wider world there is a parallel trend towards a (re)municipalisation of certain public services such as water and other utilities.

'Part of the changing relationship between citizens, state and society.'

'More than 60% of total UK public revenue expenditure will soon be delivered by the private sector.'

'This will require them to continually adapt to shifting patterns of funding and different kinds of activity.'

'This may also lead to new models of volunteering and different perceptions of volunteering in society.'

Potential implications for the sector?

Third sector organisations will have to navigate an ever more complex and demanding public service landscape. In the first instance, this will require them to continually adapt to shifting patterns of funding and different kinds of activity, such as, for instance, personal budgets.

They will also have to create transparency about the organisational models, patterns of ownership and governance and practices they adopt in order to safeguard their legitimacy and credibility. This will require them to engage in the big debates about how public services should be funded and delivered and will create an ever stronger pressure to innovate.

From a civil society perspective, there is the potential for the third sector to play a role in demanding and facilitating a process of citizens engaging in the political debate around the future of public services and helping to shape future delivery. This may also lead to new models of volunteering and different perceptions of volunteering in society.



UNCERTAINTY

Value shift
Economic growth

Trust

Austerity

Inequality

Demographics

Climate change

Info and communications

Funding

SIGNIFICANCE

KEY DRIVERS FOR CHANGE

KEY DRIVERS OF CHANGE: THIRD SECTOR IN WALES 2030

Introduction

Drawing on the evidence gathered through the future trends report, a number of key drivers for change were identified. A meta-analysis identified a recent and relevant report on the the future role of civil society by the World Economic Forum¹. The set of previously-tested drivers contained in that report was a solid foundation on which to discuss the future of the third sector in Wales. These 'Drivers of change' are important forces that shape and alter the context for organisations and individuals. These emerge from changes in the economy, society, technology and environment. The drivers identified are briefly described in the table below:

Drivers of change for the third sector

Driver	Definition	Trends Report and Evidence
Level of inequality	The level of wealth and income inequality between and within nations.	Relative Economic Performance Divisions and Deprivation The Reinvention of Capitalism
Degree of trust in institutions	The level of trust expressed by citizens towards governments, business and international organizations. This is linked to the ability to determine trustworthiness as well as external events.	Individual and collective value shifts
Democratization of information and communication	The level of access to skills, infrastructure and devices that enable information sharing and general communication.	A digitalised world
Economic growth rate	The rate of economic growth, both globally and within different countries and regions.	New notions of value creation Relative Economic performance
Geopolitical and geo-economic power shifts	The shift in economic and military power away from Europe and North America.	Changing Patterns of Globalisation The Reinvention of Capitalism The Uncertain Future of Liberal Democracy
Level of citizen engagement with societal challenges	The propensity of citizens to direct activity towards or to identify with societal challenges and care for others.	Individual and collective value shifts
Environmental degradation and climate change impacts	The extent to which climate change and damage to the environment manifests as significant costs or recurrent crises for populations, particularly vulnerable ones.	Degradation of ecosystems Climate change – policy and community responses
Scarcity or abundance of natural resources	The abundance or scarcity, both physical and economic, of key natural resources such as energy, food, water and minerals.	Growing competition globally for natural resources
Demographic shifts and migration	Changing population age profiles, dependency ratios and the impact of movement of people across borders.	Responses to Migration
Generational Value Shifts	The impact of changing attitudes in society, driven, for example by Generation Y (approx 1980s to 2000) and Generation Z (2000-).	Individual and collective value shifts
Level and sources of funding for third sector	The level and sources of funding for development, such as bilateral donors, individual giving, foundation grants etc, and the development, implementation and uptake of new models for funding, such as social investment bonds.	Individual and collective value shifts Changing face of public services
Geopolitical conflict and state of global integration	The risk of widespread conflict and state of globalization in the future.	Changing patterns of globalisation The uncertain future of liberal democracy Responses to Migration
Austerity and the retrenchment of the state	The degree to which the State withdraws or changes its role in the lives of citizens	Changing face of public services Relative economic performance Changing patterns of globalisation

¹World Economic Forum, The Future Role of Civil Society, World Scenario Series, January 2013

During a one day workshop session, third sector groups discussed the drivers in detail, identifying which were particularly important to the sector and which would more or less certain. Where drivers are almost certainly going to go in a particular direction, there's less scope to influence how this might play out in the future. The greater the uncertain, the greater the potential to influence.

Two drivers emerged as being both particularly important for the sector and less certain. These were:

- Levels of citizen engagement with societal challenges
- Levels and sources of funding for the third sector

The second Shape Your Future report looks in more detail at four scenarios based around these two drivers. As the project developed, the potential impact of digital technology also emerged as hugely important to the sector and its beneficiaries, and something which the sector can engage with and influence.

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