

Disruption: From butter mountains to big data mountains

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Disruption is perhaps one of the most overused words in business – Amazon disrupted book selling, Uber disrupted taxis, and Airbnb is disrupting hospitality. But disruption has also been a major feature of politics, going as far back as the financial crisis, and including the Eurozone crisis, political turmoil in places like Greece and France, and Trump.

Brexit is another major disruptor that is going to have significant implications for things like trade, labour, research, funding and borders. But the challenge at present is that we don't know exactly how this disruption is going to play out and just how disruptive it is going to be

In terms of trade, the UK will immediately be excluded from hundreds of treaties and agreements signed with the EU when Brexit eventually takes effect. The 759 arrangements, from customers procedures to agriculture quotas, will need to be replaced, renegotiated or remade. How this is done will massively impact on many Northern Ireland companies.

Brexit also has the potential to be similarly disruptive in terms of foreign direct investment. Will large companies operating in Northern Ireland remain, will potential new entrants be put off?

Some sectors of our economy for instance have become absolutely dependent on EU nationals for their labour - as have higher education institutions - and how Brexit plays out in relation to movement of labour will be critical for them, and they will have to adapt to the disruption. Some sections of society also hold the view that inward migration has taken the jobs of many local people, and from this perspective Brexit could deliver benefits for some. However, it should be remembered that many of the jobs migrant workers have been doing, the indigenous population either lack the skills to do or have shown no desire to do them.

But whilst Brexit is a big issue for the UK and EU, there are also major global factors at play when it comes to labour, trade, tax and borders, and technology is at the heart of them. In some respects, it is tech rather than globalisation or immigration that has been creating a dispossessed section of society, as e-commerce and automation have been taking many people's jobs. The book *The Rise of the Robots* highlights this issue, as it suggests that there is the threat of mass unemployment – both blue and white collar - resulting from technology.

But this isn't a new issue. Indeed, some people have been flagging it for the last 50 years, and it is now becoming real. The forecasts were correct, if the timing was a bit premature. In 1968, Martin Luther-King delivered a sermon entitled 'Remaining Awake through a Great Revolution', in which he spoke of a triple revolution of which technological revolution – with the impact of automation and 'cybernation' was one strand, alongside a revolution in weaponry and a revolution in human rights. The latter two were very much to the fore in the decades that followed, but it is only now that the former is truly coming to fruition.

Indeed, today there are many industries that didn't even exist when the UK joined the EU (the EEC as it was then). The big focus then and for many years to come was on areas such as agriculture. Today, we live in a very different world – in some respects we have moved from butter mountains to big data mountains.

Today, in the US, Trump has been shouting about protecting manufacturing jobs through a range of means such as curbing inward migration, increasing tariffs on imports, and increasing tax incentives. But the reality is that more and more manufacturing jobs are going to be lost to automation and artificial intelligence, and more significantly, retail jobs are being decimated by e-commerce. Indeed, they say that for every job created in e-commerce, three are lost in retail.

Since Trump was elected, the US retail sector has shed more than America's total employment in either coal, mining or steel, and it is expected that there will be more job losses to come. By some estimates, the US could lose up to a third of its 16m jobs in retail within Trump's term – this would rival the scale of manufacturing job losses since 2000. This is at a time when the beacon of online retailing, US firm Amazon, continues its inexorable rise. But whilst Amazon is enormous in terms of turnover and market capitalisation, it and other tech giants employ much fewer people than the stock market giants of yesteryear.

Similarly, in the UK, there is the danger of becoming fixated with Brexit. Liam Fox has promised 'zero disruption' to trade from Brexit by securing transition agreements to continue old trading terms, post-Brexit. We wait to see if this proves overly-optimistic. But the bigger issue is that no-one can guarantee zero disruption from technology.

We have a group of large tech companies – for instance Facebook, Apple, Amazon, Netflix and Google have a market capitalisation larger than the entire French or German stock markets – who live in an almost borderless world, where jobs, investment, and tax can be moved around the world almost at will. We also live in a world where protecting our borders and 'taking back control' is radically different from the past, with the ongoing threat of cyber-attacks for instance, and the fact that the technological world is almost borderless. Robots don't need a visa or passport to steal your job.

But whilst the rise of technology is a threat for many people, there are also very significant opportunities. Northern Ireland for example has been working to capitalise on the growing market that is cyber-security. Indeed, we hear that Belfast now has the highest concentration of cyber-security jobs in Europe. As we move increasingly to online services across for instance, retailing, banking and government, the need for cyber-security services and expertise will only grow. And there are many other areas of technological opportunity including bio-science, as well as the need for expertise in the likes of artificial intelligence. The key is to create more jobs in these areas than they are displacing in others, which is no mean feat. We can argue about how much disruption there might be from Brexit, but disruption from technology is inevitable. The challenge for businesses, governments, educational establishments and individuals alike is to adapt.

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