Sector Skills Council
for the Creative and
Cultural Industries

AFTER THE CRUNCH:

FUTURE PROOFING THE CREATIVE & CULTURAL INDUSTRIES

Speech by

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I want to begin by showing you a good example of what makes us all human– ultimately fallible and prone to hubris!

I've taken this quote from a core economics textbook currently being taught to many of our undergraduates:

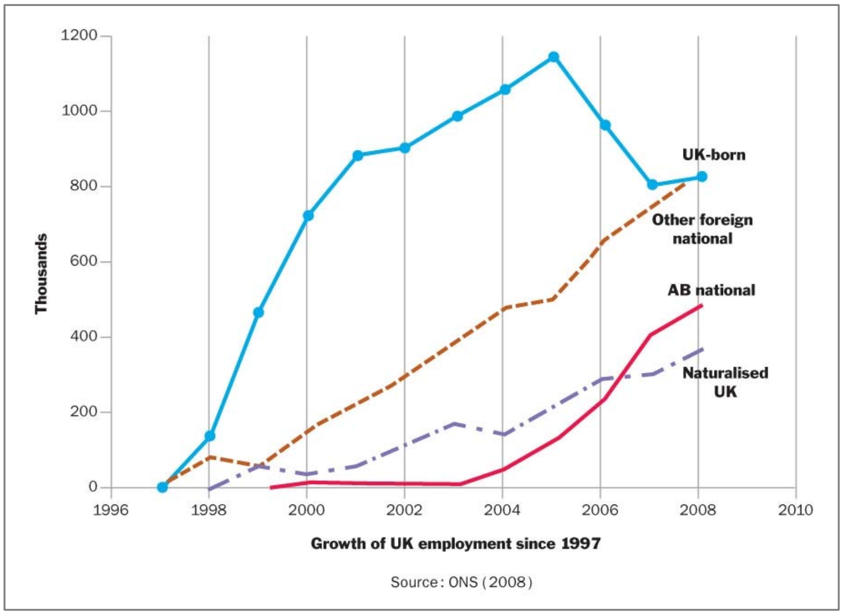
'Modern banking has systems of insurance that makes widespread bank failures less likely.... Economists know much more today than they did in the 1930s.... Our knowledge of how the economy works should help policymakers avoid past mistakes.' – Mankin and Taylor (2008) *Macroeconomics*

This is the first global recession to affect Britain in a post-industrial age. Traditional sectors such as manufacturing and retail have been affected, but newer sectors like financial services and the creative industries are also suffering. Unlike past recessions this current downturn has not been caused by systemic weaknesses in our industrial base. This recession has its roots in a global financial crisis: the bursting of housing and credit bubbles, simultaneously, that began in America. The result, as we all know, has been to starve the economy of the oxygen it needs to grow – consumer confidence, cash, investment and liquidity.

In my presentation, I want to share with you the initial research conducted by Creative & Cultural Skills, published today, on the impact of the economic downturn on our industries. The data comes from our Creative Blueprint research programme: the most comprehensive skills and labour market intelligence ever gathered about our sectors.

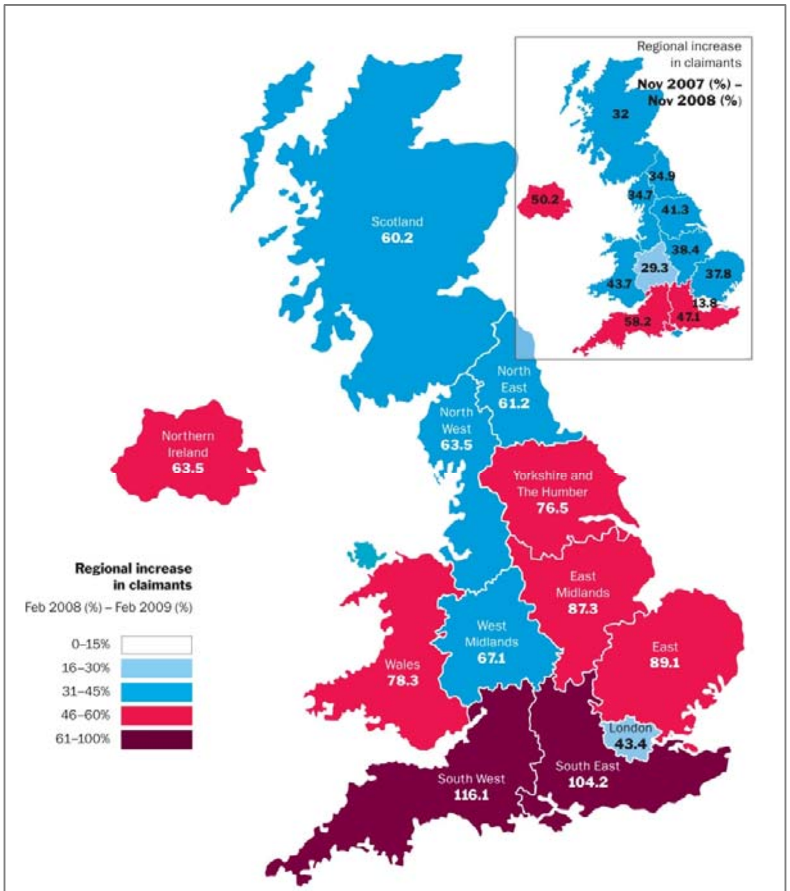
Importantly, I also want to set out briefly how we might 'future proof' our industries, by investment in skills and encouragement of the right policy framework.

Compared to the early 1990s – the last recession – we are seeing a very different sort of picture emerge in terms of both employment and unemployment.



In terms of employment, this analysis of ONS data shows that almost all of the growth in new jobs since 2004 went to migrant workers. In other words, despite the government's massive investment in skills, basic skills and welfare to work schemes, this official data would suggest that hardly a single British born worker has benefited in recent times from additional employment growth.

I need to be clear. I'm not suggesting that migrants do not make a positive contribution to our economy and society – a diverse and dynamic country like Britain needs immigration. My point is that even before the recession began to bite, our skills policies were clearly having a limited effect in terms of encouraging employers to take on more home grown talent. I think we need some sober reflection of this fact, as well as an honest debate about what this might mean for employment and skills policies in future.

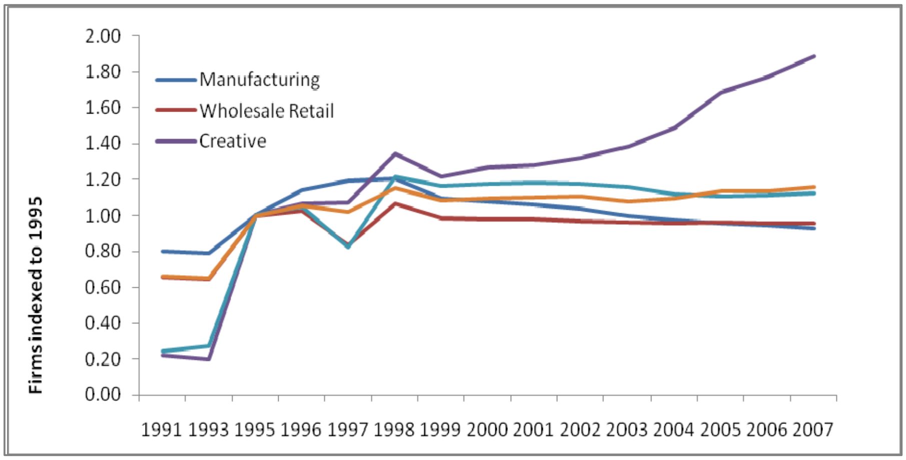


Source – ONS Nomis claimant count figures (non-seasonally adjusted)[2]

The impact of unemployment in our communities is, as ever, felt disproportionately. The North, during the last recession, was hit particularly hard – 80% of job losses came from manufacturing and construction. Today, in stark contrast, unemployment is rising faster in southern England than in just about any other part of the UK. Job Centres in Southwark are just as likely to be signing on hedge fund managers, as they are now former Woolworth’s workers.

So what does this mean for the creative industries? After all, we are not immune from this crisis.

So let's look briefly at what happened during the last downturn.

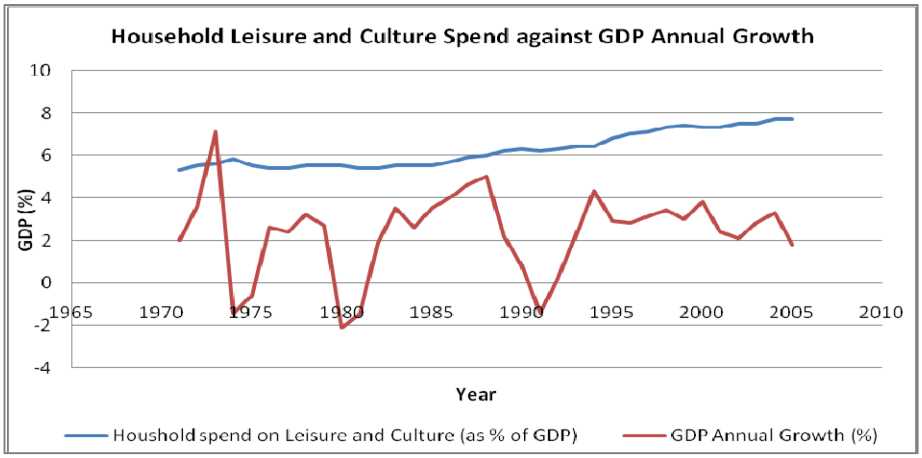


Creative and cultural business failures were lower than average coming into and out of the Nineties recession. However, actually *during* the last downturn, the rate of failure among these businesses was higher than average. This can be explained by the fact that 87% of creative organisations employ less than 10 people. Large companies tend to cut jobs and save costs. Yet when small firms make redundancies they are more at risk of completely going under. Similarly, cultural organisations and practitioners generally have less access to finance than other sorts of businesses. Let's hope the announcements in the Budget yesterday, in particular – that the creative industries – will get help and a share of a new £2.5 billion growth fund to support future highly skilled jobs.

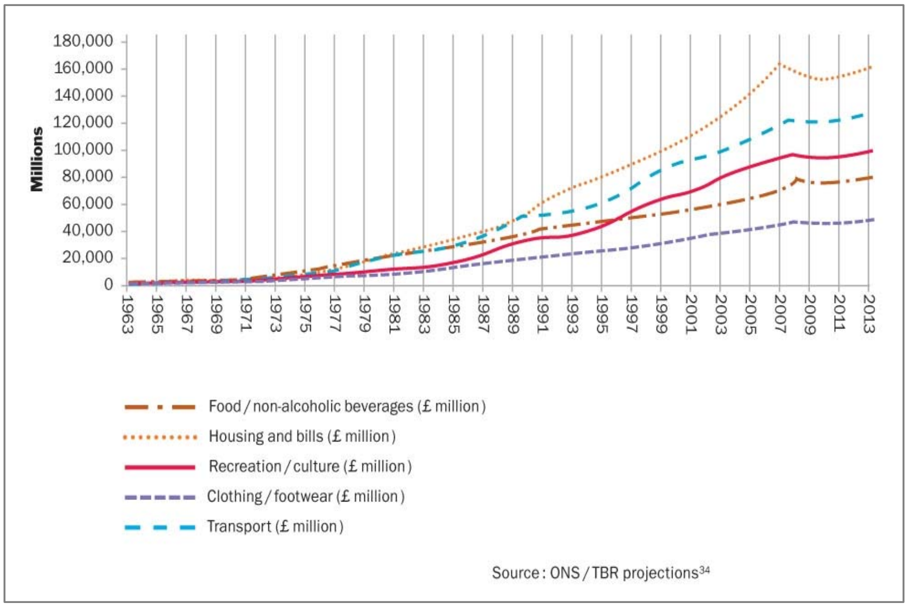
What I find very encouraging about the data from the last recession is the resilience of the creative business sector, in terms of the rate of business start-ups, compared to other sectors. The graph shows the creative sector towering ahead of both manufacturing and retail coming out of the nineties recession. From 1997 onwards, the creative industries grew by 4% per annum compared to 3% for the economy as a whole.

The historical data is also encouraging in terms of the impact on consumer spending. As you would expect, recessions result in us all spending less. Reduced spending in the economy leads to fewer jobs and falling output.

But the long-term trend shows that spending on culture and leisure is actually increasing as a proportion of household budgets, even during recessions.



This graph, for example, shows the peaks and troughs of our economy going back to the 1960s. Yet look at how buoyant and rising consumer spending on culture continues as a growing proportion of GDP. It increased from 5% in 1963 to 7% in 2008.



Indeed, a similar pattern emerges if you examine household expenditure. Recreation, leisure and culture now accounts for the second highest weekly expenditure of UK households after transport. And this trend is set to continue right up to 2013.

Indeed, this is one of the unique features of our economy – and a source of future competitive advantage. Our language gives anglophone producers significant advantages in global markets – particularly via the Internet. Relative to GDP, the UK has the largest cultural economy in the world.

But it would be complacent of us to think that this long-term trend of growth will continue. Even now, the picture is mixed in terms of the impact the downturn is having on the creative industries. Some sectors, like the live arts, continue to grow significantly. Last year, London theatre audiences rose to record levels – nearly 14 million attendances, up 4% on the previous year.[1] Recorded music sales actually rose in the last quarter of 2008, in large part due to a surge in legal downloads. Tickets for this year's Glastonbury sold out in a record 5 hours. So when times are hard in Britain, we take solace by heading out to a muddy field to listen to music and drown our sorrows!

With the fall in sterling attracting more foreign tourists, the mood in the performing arts community remains high, but justifiably cautious. Similarly, record levels of public investment in the arts more generally over the past decade also provide the prospect of subsidised culture, perhaps, weathering the worst of the economic storm. It really all depends on whether the Arts gets the brunt of the planned public expenditure cuts announced yesterday.

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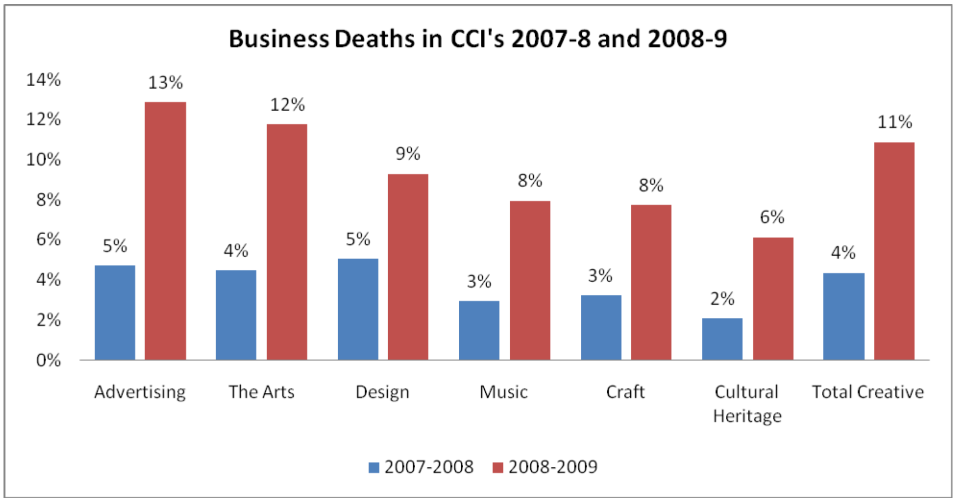
[1] Society of London Theatre, www.solt.co.uk/



Our analysis shows that business failures have picked up significantly in the past year across all the sectors represented by CC Skills. This is particularly marked in advertising, perhaps the worst hit commercial creative industry where advertising revenues this year hit the largest single fall since 1975.

Ultimately, of course, the prospects for Britain's creative economy are tied to the fortunes of the real economy. Government can, however, take a more active role in ensuring the right support is in place for the creative industries to flourish.

In February 2008, the government published *Creative Britain: new talents for a new economy.* This was the first time that a cross-departmental group of Ministers – which included a foreword by the Prime Minister – had put their names to a strategy that was, and I quote, 'intended to make it easier for creative people to build on their success'[2]

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[2] DCMS (2008). *Creative Britain: new talents for a new economy,* HM Government. www.dcms.gov.uk/reference_library/publications/3572.aspx

Our industries – working with and through –Creative & Cultural Skills, are playing their part in ensuring all the commitments set out in Creative Britain are delivered on and that government stays true to the 26 promises made in the plan.

So what are we – the sector skills council – doing to support these industries, both now, and through to the recovery?

The creative industries, as you know, thrive on realising value or expressing artistic ideas through people. We are probably the most people centred industry in the world – in terms of both the practitioners that produce, as well as the audiences who participate. Our people are as likely to provide ideas and 'experiences' as they will make or sell goods and services.

That complex, and not always monetised, existence requires an array of different skills. Our education system – at school, college and university level are absolutely crucial in nurturing our creative talent.

For nearly 5 years now we have been working at that interface between industry, four nations government and education. What we are here to do is bridge the gap between those 3 very different worlds.

I'm sure we haven't always got it right, but what we are absolutely and passionately committed to ensuring is that the pipeline of talent continues to come through so that our sector can build on its success and prosper in future.

That begins with industry relevant careers advice and guidance, opening up new entry routes through creative apprenticeships, and ending with access to continuing professional development and leadership opportunities.

At this conference in Liverpool last year, we launched Creative Choices: the first online portal to provide people coming into or working in our industries with the tools, knowledge and networks to succeed. If you haven't visited the site already please do at www.creative-choices.co.uk

Creative Choices has attracted a huge amount of attention. Over 100,000 unique visitors have already come to the site. It has a rich body of content to offer, including real stories told by real people working in the sector. I call this rich multi-media offering, "CCTV for your CV", and it is going to be a vital resource for students and professionals as they look to navigate themselves through this recession. Not only is there a find funding database, management & leadership modules from the Open University and practical guides to setting up a creative business, Creative Choices is increasingly a knowledge hub for all the information available about the creative economy. It is the online home of the After the Crunch book and initiative Tony launched earlier today.

In the coming weeks, David Parrish, author of "T-shirts & Suits, a Guide to the Business of Creativity" provides a series of business master classes. Over 12 weeks he will cover: Business feasibility - Competition - Customers - Advertising - Business set-up - Protecting ideas - Collaboration - Finance - Loyalty - Pricing - Enterprise - Growth.

Ladies and Gentleman, we are never going to have a truly diverse creative workforce unless we tackle head on the problem of the 'work-experience, work-for-nothing' culture in our creative industries. I have no problem with structured, time limited work experience programmes. But these cannot become a cheap or exploitative way of recruiting people of a certain social background to the sector. The sector is already 95% white, and in some sub-sectors that figure is even higher. We will never rise to the diversity challenge unless we find news ways for a much broader pool of talent to access our sector.

That's why in the last year, with both government and strong employer backing, we have launched the first formal Creative Apprenticeships for parts of our sector. Since September last year, when the scheme went live, over 100 non-graduates are already being given the opportunity to paid jobs with industry training in areas ranging from technical theatre, cultural venue operations, to community arts and education.

But this is just the beginning: we still have a huge mountain to climb if we are to embed an apprenticeship culture in our sector. Our employers seeing the value of non-graduate level recruitment is one key challenge; and so is working with our further education colleagues to ensure the delivery of the training is in place. We need to increasingly work with higher education so that apprenticeships become a progression route to university, not a dead end. I'm delighted that we are already exploring a pilot on this theme with Goldsmiths.

We're one of only 10 sector skills councils to win approval to develop an industry-owned National Skills Academy for the creative and cultural sector.

Our acting Managing Director, Pauline Tambling, will say a lot more about the NSA in the next session. But I just want to highlight that this is an incredibly exciting and important project – precisely the sort of vision we should have for a post-recession Britain. With a state of the art new building in Thurrock, linked to specialist training network of Founder Colleges, the NSA will increasingly become the means, on the ground, of practically delivering the skills council's, and therefore our employers' ambitions for skills and workforce development. Initially covering the backstage areas of live music and theatre, the NSA aims to plug an estimated gap of 30,000 technicians needed between now and 2017.

Conclusion: grounds for optimism

In conclusion, this is not the time to be talking the country into depression. London is not about to become Reykjavik-on-Thames. As Mark Twain once said: 'history does not repeat itself, it merely rhymes'. There is nothing inevitable about this downturn. Undoubtedly, more livelihoods are going to be lost. If human fallibility – and some risky financial practices – got the world into this calamity, then human ingenuity will find a way out. Confidence has been shaken but with the right response growth can be restored. The UK still requires an additional 2 million jobs over the longer term and, as in the last recession, new skills and product strategies will emerge.[3]We are at the dawn of a new era of green collar jobs; digital industries and our creative industries lowering the cost of information and trade; as well as the shift to a low-carbon economy.[4]

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[3] UKCES (2008). W*orking futures 2007–2017*. UK Commission for Employment and Skills. www.ukces.org.uk/Default.aspx?page=4685

[4] 'The future of work is green'. Hickman L. *The Guardian* 12 February 2009, www.guardian.co.uk/environment/2009/feb/12/green-collar-jobs-environment

That is an exciting future. Working together, we have the opportunity now to decide what sort of skills we are going to need to take our industries forward to growth and recovery.

Let’s begin writing the future proof plan today.

At CC Skills, I know we will only be able to deliver on that plan by working even more closely with you.

Thank you.