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[Recording begins after start of presentation]

I've no idea why retail and construction have wandered onto this list the government has come up with, but doubtless we'll find out in time. Now the weakness of this process is, of course, we were expecting a growth White Paper in November, which would have told us all the ideas the government had for driving growth in each of these sectors, and it didn't happen. Instead we have a growth process, which I don't understand, but we've got one. I think in many ways the idea of having continuous process is attractive, but what we've got is essentially a really hurried consultation which will tell the government nothing it doesn't already know, in time for an artificial timetable for the Budget next month. And what I'm hoping to see is that actually the process will settled down a bit more after the Budget and we can have a much more sensible discussion about how we would drive expansion and growth and job creation in all those sectors, and particularly around the digital and creative industries.

Now one of the big exam questions, which we thought we'd answered, but weren't sure about whether it was still true, is how well do we do in the world? One of the reasons for picking out creative and cultural industries is that in the UK we are well ahead of many other countries. We have what we call comparative advantage. Now we've made two stabs at trying to measure it, and basically it's quite difficult to measure the creative economy. You can either have really accurate figures in terms of coverage, which are out of date, or you can have really up to date figures which aren't quite right, they don't quite capture it. So we've gone for up to date and they don't quite capture it all, but they capture enough of it. And it's particularly interesting, looking at that left-hand slide there, the arts entertainment and recreational service standard industrial category, there you'll see that we are on a par with the United States and well ahead of the rest of Europe. I wish I was more confident in being able to tell you why we are in that position, but that's where we are, and that's why it's important, we are actually rather good at this compared to other economies. Probably less so on the information and communication services, that's the digital end of the industry, also includes areas like telecoms which strictly speaking aren't part of the creative industry, and there we don't do badly, but it's not as outstanding as on the arts, recreation and entertainment areas.

Just to give you some idea of the history of all this, this is going back to 1979, looking at the sources of job growth over the long-term, and again we are a bit constrained by the form in which the statistics are available, so this is the closest we can get to some of the creative sectors, and I've picked out the two which we had before, arts, entertainment and recreation. 66% growth over that period, that's nearly five times more than the growth across the whole economy. Information and communication services doing less well, and I'll say a bit more about why that is doing less well and probably isn't going to be a big source of job growth in the future. What's interesting is the contrast of financial services, which we've lavished a lot of attention on in this period, a much lower job growth rate, that all happened in the Big Bang in the '80s, the financial services have contributed no new jobs since the mid 1990s, in fact going back to the late '80s they've contributed no new jobs to the whole economy, yet think of all the attention and focus there's been over the years on that particular sector, but it's not actually generated much in the way of jobs.

So how many jobs, what sort of growth rate could we expect to come out of the sector? And to try and answer that question we looked at two recoveries, each of those bars, the first two bars in each of those sets of three are looking at the previous recovery, so '83-'90, '93-2000, I've added in what we are calling the NICE decade, and that is Mervyn King's description of the ten years coming up to the crash, and NICE stands for non inflationary continuous expansion. And you may guess we are probably not in a nice decade at the moment, we may well be in a nasty decade, but no-one's quite come up with the right description of it. And if you look at those blue bars in the middle, again that's the arts, entertainment and recreation sector, growing quite strongly but particularly strongly in the '80s

recovery. If you want to look for some sort of aspiration, something we know can be done, because it's been done already, you'll be looking to get a recovery as strong as we saw in the '80s.

The green bars, which are much more the digital end, you'll see in the NICE decade employment growth was falling off quite rapidly compared to previous recoveries, and a lot of that is driven by what's happening in publishing. It's the evolution of free content, in particular the rise of the internet, the breakdown of commercial models that will sustain that part of the industry, and that's going to go on happening in that particular sector. So even before the crash that was tending towards zero, and in the next five to ten years it wouldn't surprise me if those green bars either went negative or show very little growth. So even more reliance on those blue bars to actually drive job growth across the creative industries.

I've spoken quite a bit about the direct impact of the creative industries, but actually what we are really interested in as well is thinking about their role in the innovation ecosystem, all the things that fit together in terms of the supporting infrastructure, whether you are looking at skills, the innovation system, the role of universities, the finance system, how that all fits together to drive innovation. And one of the areas I am particularly interested in is trying to identify spillovers, and that's a list of all the spillovers you can get, they are not unique to the creative industries, and some will be very strong in the creative industry sector compared to others, but it's getting a good understanding of that that actually helps you place the sector within the wider economy.

What I'll be saying later is that we shouldn't be just fixated about the direct impact to the creative industries – how does it relate to all the other industries across the economy? And sad to say we actually know relatively little about quite a few of those. We can make some guesses and some assertions and some partial evidence, but a lot of the stuff we really don't know, we don't have a secure handle on. Again, this is an up to date figure, so it's not perfect for the creative industries, you'll notice we haven't been able to put a figure here for design, and that's because statistics aren't very good at recording design jobs across the whole economy.

The reason why I've said computer services, computer software, the cuckoo in the nest, is because when we've been doing a lot of talking to people in all the other bits they can see how they relate to all the other bits, so set aside computer related services, all those industries there, they can all see how they relate to each other, and they can all see how they relate to design. They don't have any problems with that. But when we show them this computer related service bit, which is included in the definition by the DCMS they say ah, um. And they can see how some of it fits in, computer games, very obvious, fits straight into there, they can see how some other things fit in, but looking at the whole of the computer related service industry, is that really, all of that really part of the creative industries? And that's something we've increasingly found is a problem, they are just uncomfortable with including that as a concept, and that's something we are trying to grapple with at the foundation through our own research.

The reason it's in there, the bigger reason for it being in there is of course you get a very big number. If you include computer services and you look at the creative industries as a whole you get a much bigger number than if you don't have it, and that's been seen as helpful to put the industries on the map. You also get a much faster growth rate in terms of jobs, so it's actually contributing a lot of job growth over long periods, and that's another good reason to have it in. Again, it maximises the impact. The question that's in my mind, have we now reached the point of maturity, having recognised the creative industries as a key growth sector, to actually move on beyond just trying to get a really big number? And thinking a bit more creatively about what it is that makes up the creative industries, and how do they fit in this wider economic picture? And it's quite an interesting way of thinking about it.

This is a chart taken from the Technology Strategy Board, and for those who don't know the Technology Strategy Board is a very important creation, it's survived the change in government,

actually got some extra money. I think its job, essentially, is to think about the next stage in terms of new technologies, new innovations, new industries, that's its fundamental job, and to actually put some serious cash behind it. And to their credit they've retained an element that's looking at the future of the creative industries, and the way they've parcelled it up, and it doesn't show very clearly in terms of the colours on the slide, but the content bit are a slightly unattractive shade of purple, and the advertising, architecture and design bit are a slightly unattractive shade of green, and you can argue about whether one ought to be in the content area, one ought to be in the service area, but I thought this was quite an interesting way of thinking about the creative industries, but maybe it gets us away from do you have the entire computer service industry in there or not. And actually it gets you thinking about markets and technologies and the relationship between them in a rather more helpful way.

Now what you do with arts and antiques and crafts, which are relegated to this artefact bit down here, I'm not entirely sure. I can see why the TSB would sort of shuffle them off almost into an embarrassing corner of the graph, because these are not new technology rich sectors, and they are predominantly interested in how do you apply new technologies in these content and service areas. But I thought that was quite an interesting way of thinking about it, and particularly for an organisation that's entrusted with thinking about the future in terms of innovation and new technologies. So first initial conclusions, and some of the work we've done already, and some of you may already have seen our initial report, which is on our website, you can download it for free, called Creative Block, launched that last month, and also there's a bit about the follow up on that later on. I think the first thing, reassure us, we still have a comparative advantage over virtually any other OECD country, most of its share of employment. And there are not that many sectors where you can unambiguously say that, but it is true of the creative industries. I think on any reasonable projection they are going to see significant and above average job growth over the next decade, I don't think we've got any reason to think they are not capable of expanding, demand for their services is going up, and continuing to rise, and in some areas we are going to see very rapid job growth, I think particularly in some of the areas around the digital economy.

But I think we have to be realistic, we are not going to produce talking about hundreds of thousands of new jobs, it's going to be smaller than that, simply because the size of the sector will not lend itself to producing hundreds of thousands of new jobs. It will produce significant numbers of new jobs, but not on that huge scale. And that's why I think getting that story right about the spillovers is so important, because if we just measure it by what goes on in the sector we will understate its value to the whole economy, and we will understate its value in terms of driving forward innovation across a whole range of related industries.

So for us one of the priorities, certainly in some of the work we are doing at the foundation, is to get a really solid grip on what these spillovers are, what's driving them, how do you encourage them, how do you make them work better? I suppose, as researchers, we do have to pose the question do they exist at all? I'm pretty confident they do, but you can never rule that out. I think there's two possible scenarios, and these are two of the scenarios we are exploring at the moment; one is that we either match or surpass the current projected growth rate for the creative industries in other economies, such as the United States.

Now the Bureau for Labour Statistics in America, which is actually a very powerful statistical authority, it does some very good forward looks about growth in the American economy, over the next ten, twenty years, and if you look at all the sectors which are concerned with the creative economy they are forecasting strong growth there. So we know at least in the United States, if the Bureau for Labour Statistics is right, and it's got a good record on being right, we know there is going to be a lot of growth there. The big question for us is are we going to match it, are we going to do better, and therefore retain our leading position? The second possibility is that we just throw this comparative advantage away, that some of the structural problems that we are aware of intensify, that the constraints we are seeing already, through public spending rounds and elsewhere, and changes in public policy, actually don't help very much, so that the sector actually slows down, it doesn't develop, and it gets left behind.

So those are the two scenarios we are working on at the moment; depending on who you talk to I tend to think more in terms of the first scenario. Some of the people we talk to from the creative sector tend more towards the second. So I'll leave you to decide which one you think of those is the most plausible, or whether we end up somewhere in the middle. What I'm clear about is we ought to be working towards the first, and not accept the second as even a mildly acceptable outcome. We'll only get the jobs back in the economy if we very much focus on that first scenario.

Public policy agenda, I think we've seen some welcome changes. It's a big step to be recognised explicitly as a growth sector by the Treasury, by BIS, and not just by DCMS. So that's actually quite an important step forward, and I suspect that's one of the reasons why you've actually got the minister coming eventually to talk to you, and that's not why you've been fobbed off with a junior minister, or a senior civil servant, you've actually got the top guy from BIS, so that, I think, is a mark of just how important these things have now been recognised as. And I think the retention of the TSB's creative industry knowledge transfer network, again, I think important recognition that it's not all hard science and tech, or at least hard science and tech has a role within the creative sectors. I think there's an ambiguous change here around the university funding system. And as a work foundation we've courted instant unpopularity by saying actually we think the government got it broadly right in terms of the direction of travel on university fees. I think if Labour had been returned in the next election they would have adopted something not dissimilar to it. I think both the economics and the logic were taking you in that direction. Where we have some concern is about the speed and scale of those changes. Awful lot to introduce. And before I go any further I think we have the minister, so I shall hand over. Remember, there's a Part Two to come, we are nearly there, remember the Part One.

APPLAUSE

[Break given for presentation by Rt Hon David Willetts – transcript available from www.ukadia.ac.uk]

OK, time for Part Two. How many people can remember Part One? An interesting contribution from the Minister. Ironically we'd just got on to point two, if you can remember, when he came in...

LAUGHTER

...and obviously an eloquent defence about not really supporting STEM more than other particular subjects, of course if you offer a subsidy for STEM which isn't available elsewhere then that is a subsidy, although it's not a particularly new one. My worry about that is, I think, two-fold. One is the messages coming out of government are still pretty mixed, and I suspect if it was a Minister from BIS who was giving a talk to a gathering of people from advanced manufacturing then the messages about the support the government was giving towards STEM and the science budget might be a little bit less nuanced than the presentation you got today.

LAUGHTER

I'll leave the debate about detailed figures to people who know what they are talking about, but I think that potentially there is a problem about mixed signals coming out of government, and how that therefore affects the future choices the students will make and the sort of decisions that institutions have to make, looking at future demand over the next five to ten years. And that's why I've flagged that up as ambiguous. I don't think we really know what the full effects of these changes will be. We don't know the decisions that funding bodies are going to take, we don't know how it's going to affect future demand from students, we don't know how the various sectors are going to, individual institutions, are going to respond. So I'll flag that up as an area still I'm worried about, but I think it's just ambiguous at the moment, we don't know which way that's going to go.

Some easy things you could do, well some are easy and some rather harder, we have this patent box which is primarily intended to encourage firms, particularly in high tech sectors, to use IP developed in the UK, perhaps extending that to copyright at IP would be very helpful. I think having superfast broadband and net neutrality would actually both be a very helpful part of the underpinning for it. And some of you may have heard about these innovation and technology centres, and if you talk to Will Hutton he'll tell you he thought of all these all by himself, and was the sole inspiration for getting the government to do it, I think we had a contributory part to actually getting the government to commit to building these things. I think, again, these are very, they seem to be very orientated towards developing the hard sciences, and particularly thinking about how you get developments into the high-tech manufacturing industry. And one of the suggestions we've made, at least one of them actually ought to be devoted towards the creative industries. Possibly more than one, but certainly one ought to be focused in that particular area. We think this is a key sector.

But I think probably the most important thing, these are all useful measures, but don't quite add up to a coherent story, and the thing I'm really looking for, from the government, which we haven't got yet, is a coherent view about what the role of the creative industries is within the economy as a whole, what sort of infrastructure do we need to support it, and what are the particular policy measures you take which actually aid the expansion of the creative industries, rather than hinder it? And once you've got all those pieces into place then I think you are starting to say something much more convincing about where the new jobs come through over the next ten years, and what it is we are doing as a country in 2020 to actually sustain our living standards and drive a good society forward.

Now I'm going to end on something which is a bit of a challenge, and it's certainly a challenge we've had. Although I've said quite a lot about what the government ought to be doing, actually I do think there's a big responsibility actually rests with the industry itself, and the various components of the creative ecosystem. Now, as you will see from the slide we've not been short of various initiatives over the past few years, you'll see in the middle there that pink report that the Work Foundation brought out, Staying Ahead, had quite a lot produced since then, and without wishing to seem a bit harsh the one thing that's characterised a lot of these things is they had very staying power, and a lot of them have not led to a more coherent view from the creative industries themselves. Now think what you are up against. Defence industries, very, very well organised, lobby hard, big pharmaceutical industries, again, very well organised, the banks, probably the most powerful lobbying group we've ever had in our history, makes the trade unions in the 1970s look like rank amateurs by comparison, and others endlessly lobbying ministers to get special attention, special measures, and all the rest of it. And there really isn't an equivalent for the creative industries to deliver that single voice.

Now I think there's a number of good reasons for that, and a number of less good. It's still quite a diverse sector, it's still trying to come to terms with the fact that there are shared economic values and shared cultural values which actually pin it together, it's a lot of little firms, a lot of little organisations, very high levels of self-employment, that's all much, much, harder to pull together, in terms of trying to get a representative voice, yet without something like that my fear is you'll not make the impact you are meant to be doing. Certainly my own experience in trying to pull together a fairly modest research consortia, to actually take some of this work on with the creative sector, has been a pretty uphill struggle. I won't name the particular areas, but it's not just you are trying to join up different bits of the creative industries, you are trying to get institutions in the same bit of the creative industries to actually talk to each other, or at least accept they can sit down in the same room and talk about things. You know, that ought to be the future.

One of the things that on our agenda at the moment is thinking about what would something like, say, a creative industries council look like, and who would you include, what would its remit be, would that be the most effective way of giving voice to the creative industries? And I think that's quite important. It might seem a bit bureaucratic, a bit, in some ways, not very creative, but actually it's really important to get that solid voice, in not just to the DCMS, but also into BIS and the Treasury. And at the moment I

think the creative industries and the creative sector are struggling to actually express that voice in a very clear and coherent way.

So we'll be doing what we can to try and encourage that through our own research programme, through some of the other work that we are doing at the Work Foundation, but if anyone would like to know more about what we are doing please go onto our website. And if you've got any particular thoughts about how we might develop that more coherent voice in the future, whether there's things we ought to be doing, which we aren't doing, then let us know, we are in the market for good ideas and new ideas, things that will drive our own thinking, and research forward. So thanks for your attention. I hope having a Part One and a Part Two wasn't too disruptive. I'm sure you'll agree the middle bit was actually well worth having the disruption for. So thanks very much.

APPLAUSE

MC OK, we do have time for a couple of questions, so if people have questions they would like to put to Ian?

Q Thank you. I wholeheartedly support your view of the need to find a collective machine. One thing that has always intrigued me is there is the Confederation of British Industry, but they don't seem to represent our bit of it at all. I don't know whether the Work Foundation has tried to do anything with the CBI, but the CBI is obviously a major voice within government, the pharmaceutical industry, the motor industry and so forth go straight in and straight through. We don't really have a channel through which we can be heard in that particular quarter. I wish we did.

IB We haven't done anything specifically within the CBI. They do have something which talks about the cultural industries, I've yet to see it generating anything of substance. The latest statement I saw could have been literally produced for any industry you care to think of, but they just put culture on the front, it sounds, you know, as if they are doing something about it. Why it's not more important may have something to do with scale. The CBI is really orientated off of big business, that's where the bulk of its membership is coming from. And I suspect they probably, again, have this problem of thinking about, well, how do we pull together this creative, you know, this area of creative industries which is so diverse? If you are thinking about the really big firms in the sector it's News International, some of the internet companies, that's not really something we can really talk to them very coherently about the creative sector, so I'm afraid that's a weakness there and I can't honestly see that changing very much over the next few years. So I think trying to think of something that actually operates outside the employer bodies is where you are going to have to go.

AP Can I slightly disagree with you?

IB Mm.

AP Ann Priest, Nottingham Trent University, actually not a specialist college, but still here for the creative industries. Isn't the approach to bodies like the CBI about encouraging them to understand the impact on their particular businesses, their particular position in the economy, of creative thinking, of creative education, of those tiny, small, businesses, that might be suppliers, the very suppliers that come up with innovative thinking, creative ways of working? Isn't it also part of our job to make sure that the world understands our impact on it, as opposed to thinking that we are somehow separate? It's like a past world where we say nobody understands arts unless you are an artist. That's not true. We have considerable impact, I think, on huge businesses, they owe a great deal to creativity, and the sort of innovative thinking that comes from our sector, and I think it's about us deciding that we are going to communicate that, and

share that, and maybe that's a slightly different way of thinking about it. They are not separate, just because they are big doesn't mean to say that they are not dependent on smaller businesses, and very creative ones perhaps.

- IB I think the process you've outlined is absolutely right. The question is who is going to do it? At the moment you've got lots of disparate voices, not particularly well connected, all trying to do it separately. If there was a more cohesive voice then you get into dialogue with the CBI, then you start to change things, but I think you need that cohesiveness first, before you can actually get a unified voice which people will pay attention to. So I think the process you outline is absolutely essential. It's a question of who does it, and who is in that group, who can deliver that cohesive message. That, to me, is the future.
- MC OK, I'm going to ask a question, and this will probably be our last one for this session; one of the issues has always been that creative industries are in DCMS, Department of Culture, Media and Sport, which is a small and fairly insignificant department, and the big department, BIS, therefore doesn't pick up creative industries. Now you hinted at a bit of change around that, I wonder if you could say any more about do you think that's changed at all, if it hasn't changed very much do you think it will change significantly in the future?
- IB I think it has changed a bit. The fact is it's explicitly in the growth process, and that growth process is run by the treasury, with BIS tagging along, so the fact it's in there, it's actually got to say something credible about it, it's actually quite an advance over well let's just park it with DCMS and they'll deal with it. I think you have made progress in that respect. I think the problem is BIS is still pretty hardwired in terms of just thinking about science and technology, so if you look at their innovation annual report a lot of it is still trundling out the same old measures, R and D investment, patents, some of the investment in the science budget. There's not enough there about the creative situated economy. So I still think there's quite a major cultural change that needs to take place in that department. We have fantasised a bit, could you bring that about by actually merging DCMS into BIS, so you've got one department, and a strong sort of element that is DCMS within it. Risks in that as well as potential gains. So I think you are definitely making progress, but you've got a long way to go in terms of changing that BIS culture.
- MC OK, thank you, thanks Ian. I want to say thanks particularly for doing a presentation of two halves for us, and being flexible around that. Thank you.