Britain’s creativity challenge

Charles Leadbeater
An employer’s perspective

A young musician, now composing film scores, told me his breakthrough came when he was given a couple of weeks to play on a sound desk at the BBC's Maida Vale studios. An advertising executive told me he was fed up with not having enough recruits who knew about business. Some students learning dance asked me why no-one had come from the arts to offer careers advice.

A young black actress said there should be more people like her running theatres. Everywhere I have travelled over the past few months, people I have spoken to about skills have said the same thing: the area you represent has got some of the most exciting jobs in Britain but we need to improve our skills. Now that the Sector Skills Council has a chance to help, don’t squander it.

This booklet underpins the case for a Sector Skills Council covering the creative and cultural industries. Charles Leadbeater’s contribution sets out the key economic, social and skills challenges – at home and abroad – for a sector that is growing at twice the rate of the UK economy as a whole, employing over half a million people.

Sector Skills Councils offer a unique opportunity. Creative & Cultural Skills will form part of the new ‘Skills for Business’ network of up to 25 councils that will forge a more powerful relationship between business and education to tackle the challenge of radically improving our skills.
To do this we are independent of government and, crucially, are led by the industries we seek to serve. For the first time, employers, trade unions, professional organisations and individuals from the worlds of advertising, the arts, crafts, cultural heritage, design and perhaps publishing are committed to working together to develop our existing and potential workforce.

There is much work to do. While the UK’s creative and cultural sector is at the heart of the knowledge economy, there is no room for complacency. The competition is already snapping at our heels. But for many of the people working in our area, dealing with these challenges is difficult. Over 25% of the workforce are freelance or working as individuals. Organisations are small. We are a sector characterised as freelance and micro, where people’s skills are too often under-capitalised or not recognised, and where the sector as a whole is under-managed. People are also motivated to enter or work in this sector for different reasons and at different times, hence the large number of volunteers.

Creative & Cultural Skills is here to help lead change across the sector. Our strategic document, Creating Skills for Success, outlines an ambitious five-year plan of how we will deliver real benefits to the sector.

I believe we should see ourselves as a campaign – a campaign for raising the skills of every single person working in the exciting sector we cover. As an evolving organisation we are seeking your views and your feedback. Please monitor our progress, please support us, and send us your comments.

Tony Hall
Chief Executive, Royal Opera House
Chairman – Creative & Cultural Skills
Sazzadur’s challenge
Sazzadur Rahman has difficulty keeping up with himself. The creative director of Peshkar Productions, a leading Bangladeshi theatre company based in Oldham, he has also set up an annual festival of Asian art in the town. Rahman came to Britain from Bangladesh at the age of 11. He has no formal training in the arts, apart from an ill-fated year at Paul McCartney’s Fame School in Liverpool. At the age of 14 he became a volunteer in Peshkar which is where he learned everything he knows about theatre. At 28 he is the company’s director and artistic inspiration. Business is in his blood, but Sazzadur does not have any formal business training to prepare him for running a growing small business.

Peshkar was established in 1991 on the initiative of Oldham Council’s Asian Arts Department. It put on its first production in 1993. But it is far more than a theatre company. It is trying to lay down an infrastructure for Asian arts in the North West.

It runs the Peshkar Outreach Partnership with the Oldham Coliseum, Contact Theatre in Manchester and the Bolton Octagon. Through a series of community workshops Peshkar recruits South Asian youngsters into 12-week programmes, working with a budding actor or director, to create a piece of work which is then performed at all three venues. The workshops build up young people’s skills and appetite for the arts. The performances bring new audiences to venues that many might have felt were ‘not for them’. Rahman explained: ‘We want to develop a new audience for the arts as well as new capabilities in the community to perform. We want to establish a touring circuit in the North West which can sustain South Asian artists.’

Peshkar produces its own touring production each year, often working with young people from Oldham, usually on a contemporary theme. The production tours 12 venues. Most recently, Peshkar started the Kala Festival, a national showcase for South Asian artists which also provided a focal point for discussion about the arts. In 2004 the Festival debated the relationship between Islam, the arts and Britain. How should we calculate the value that Peshkar creates? It provides jobs, not just for the four full-time employees, but for a host of freelancers who work with it on productions. The kids who take part learn skills that could stay with them for life.
‘Britain’s thriving cultural industries rely on small businesses which are under-capitalised, under-managed and frequently under stress.’
They are exposed to cultural experiences that many living in better off communities would take for granted. Many of the audiences it brings into venues where it performs are visiting a big theatre for the first time in their lives. For South Asian audiences, that is not just an evening’s entertainment, it’s an affirmation of their identity and place in society. Peshkar is also bringing less direct benefits to Oldham. The Festival is putting Oldham on the cultural map. Peshkar works at the crossing point between cultures, religions and ethnic groups. The white and ethnic minority communities in Oldham rarely seem to mix. There were riots in 2001. If Peshkar could find a way to bridge those cultures, then there would be a big pay-off in terms of civic and social capital.

He says it’s part of Bangledeshi culture that a business should make money. Yet he has had little or no business and leadership development. Peshkar needs to plan strategically for its growth but much of the time it is living from hand to mouth.

The difficulties Sazzadur faces are not particular to him. They are systemic. Britain increasingly makes its living from culture and creativity which, as Peshkar shows, are also at the heart of creating social and civic capital. Yet most of Britain’s thriving cultural industries rely on small businesses like Peshkar which are under-capitalised, under-managed and frequently under stress. We do not have an infrastructure to support the flotilla of mainly small businesses that need relevant skills and timely and accessible training. This document makes the case for creating just such an infrastructure for creativity and provides some ideas about how that should be done.
A growing force
Culture is moving to the heart of the way we make our living, how we learn, take leisure and express our identities. Britain has a strong position in creative global industries, from media and fashion to music and computer games. That is in part due to the position of English as a global language. We have been able to exploit that only because of the quality of much of our cultural infrastructure which trains people in cultural activities – design, painting, music, performance. As modern Britain has become more diverse and open, so it has become a breeding ground for ideas and talent. That creativity finds expression through thousands of cultural entrepreneurs like Sazzadur being carried by this rising tide.

In the UK the creative industries as a whole account for more than 5% of GDP. They have been growing at twice the rate of the economy as a whole over the last decade. Compared with 1991 there are 60% more artists, 55% more musicians, 40% more actors and more than 400% more people working in digital media. Our music and computer games industries, for example, earn as much in exports as our steel and textile industries. To visit the final degree show of the Royal College of Art is to witness not just raw creativity but a source of future jobs, exports and earnings.

This creative and cultural Sector Skills Council will be focused on a sector of the larger cultural economy: advertising, design, music and literature, performing and visual arts and crafts. It will have close links with other bodies serving publishing, advertising, film and television. About 945,000 people work within the creative and cultural industries footprint, which accounts for perhaps 2% of GDP. The music sub-sector alone, for example, accounts for consumer spending worth more than £4 billion, with spending on new and used musical instruments worth £750 million, tickets for live performances worth about £850 million and recordings worth £2 billion. About 125,000 are now employed in the music industry.
Tens of thousands are also involved in these sectors as pro-am, semi-professionals, part-timers and volunteers. A recent survey of more than 6,000 people conducted for the Arts Council found that 14% regularly engaged in painting and drawing, a further 14% had craft hobbies and 9% played musical instruments. In the North East, to take one example, about 6,000 clubs and voluntary associations organise cultural activities. About 9% of people play a musical instrument for pleasure, 2% play to an audience at least once a year and 5% sing to an audience a year, according to the Arts Council. Research commissioned by the Crafts Council found that 2% of adults take part in amateur dramatics; 4% ballroom dancing; 2% sing in choirs; 6% write poetry or short stories; 8% paint or draw; 19% undertake photography; 14% undertake some kind of creative work involving wood or metal and 11% engage in needlework and textiles.

People like Sazzadur come through this informal, pro-am base of the cultural pyramid, to find work in the cultural economy.

Employment in creative industries is mainly spread across thousands of small companies, sole traders and freelancers. Music, television, film, book distribution and publishing are dominated by a handful of large companies, often with a global reach. They are surrounded by a vast flotilla of small companies where most of the creative work gets done, often in companies that go through periods of feast and famine, unable to cope with the amount of work they have one month then up against the wall the next.

‘Creative industries have been growing at twice the rate of the economy.’
‘In 1999 consumer spending on leisure and services surpassed spending on material goods for the first time, having been only half as big 30 years ago.’
These industries are only likely to grow. The global market for cultural products will expand with more tourism, travel and communications. The United Nations estimates that creative and cultural industries account for 7% of global GDP and are growing at 10% a year, more than twice the rate of the world economy as a whole. In the richest economies, those in the OECD, creative industries are growing at between 5% and 20% per annum. As the UK becomes more affluent and people spend more of their income on leisure services, so the ‘experience economy’ which cultural industries feed will also grow.

By 2020, mean household income is projected to be more than £44,000, up from about £27,000 in 2002, according to figures prepared by the Future Foundation. Leisure spending is rising as a proportion of total consumer spending. In 1999 consumer spending on leisure and services surpassed spending on material goods for the first time, having been only half as big 30 years ago. Spending on serious leisure, cultural activities in which people are participants, is part of this general leisure spend. That is likely to grow with rising educational attainment: more than 50% of men over the age of 65 have no educational qualifications, compared with less than 10% of those under the age of 30.

People are living longer, healthier lives allowing them more time to develop cultural careers, based on crafts and hobbies, after their children have grown up. A woman born in 1850 would have had little time for herself. A woman born in 1950, whose eldest child reached 18 in the 1980s, might have 30 years of healthy life ahead of her without direct childcare responsibilities. By 2020 there will be five million more people in the UK population over the age of 45, a prime group for participation in cultural leisure activities.

People with more income, time and education are more likely to want to engage in cultural activities as producers, participants or consumers.

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Creative and cultural industries do not matter just because they are a large and growing part of the economy. They matter because they also provide benefits to the rest of the economy and society. They have a multiplier effect. That stems in part from the way that creative skills and thinking are vital to most industries.

The generation, dissemination, application and exploitation of distinctive know-how is the driving force for economic growth. We increasingly live in an economy in which value comes from those who have ideas and who can apply them commercially through manufacturing and services. Land, labour and even technology is increasingly freely traded around the world, accessible to all our competitors.

China is rapidly becoming the world’s workshop and India a centre for software to rival Silicon Valley. Competitiveness depends on having assets that your competitors cannot copy, buy or imitate. The most important of those assets resides in us: our creativity to devise novel products, services, experiences and processes.

Our sons and daughters will not hew, forge, mine, plough or weld. They will serve, design, advise, create, compose, analyse, judge and write. Their skills will be applied to all industries and services, not just the high-tech. Agriculture, the oldest industry of all, is becoming increasingly dependent on bioscience, information technology and branding.

Creativity promotes productivity within established industries. The biggest leaps in productivity come from radical process innovations: better recipes for making products in new ways. Digital technologies are playing a vital part in creating these new recipes in manufacturing, oil and extractive industries. Just as industrial technologies amplified and then displaced human muscle power in agriculture and industry, so digital technologies are supplementing and amplifying human brainpower. Manufactured products – cars, shoes, washing machines – increasingly depend upon intangible assets – brands, design, look and feel – for their distinctiveness and value.

The capacity for creativity – to work in teams, to mix new and old ideas, to identify problems and think laterally to find new solutions – is increasingly important in all walks of life, in scientific research and public administration as much as in the cultural industries. The cultural industries are vital in promoting the skills and experiences that breed this wider capacity for creativity.
Children exposed to cultural experiences – through drama, art, music making – are more likely to acquire this creative outlook. Creativity is not self-expression. It requires teamwork and discipline. That is something all children learn when they perform on stage, play in a band or design a school magazine together. That is why people trained in the creative industries play such a vital role in education, one of the largest employers of creative talent.

Culture helps to build social capital – a sense of shared commitment and inclusion – which many economists argue binds a society together, promotes trust and provides a sense of shared perspective. Many people fear that social bonds are fragmenting. Culture provides many of our most important shared experiences: a way to have a conversation with ourselves, to understand, explore and celebrate our differences rather than let them come between us.

Museums and art galleries play a critical role in social regeneration and provide vital symbols of civic pride, from the Baltic Centre for Contemporary Art (formerly Baltic Flour Mills) and the Sage Music Centre in Gateshead, to the Bradford Mela and the Notting Hill Carnival. Without culture we would have few ways to express who we are. Museums and galleries are rich sources of information about the social, historical, economic and cultural life of our society: they ground us in history, make the present seem more explicable and help us think our way into the future. They inspire creativity and curiosity. In a world beset by change, museums and galleries provide stability and sanctuary, a source of meaning.

Cultural institutions can have an inspirational effect on how a town or neighbourhood is seen which can travel round the world. The Beatles’ legacy still plays a vital role in the economy of Liverpool, as does Shakespeare in Stratford-upon-Avon. 60% of tourists visiting the UK mention its culture as a reason for their visit.
‘Our sons and daughters will not hew, forge, mine, plough or weld. They will serve, design, advise, create, compose, analyse, judge and write.’
Cultural industries create a sense of excitement in cities that attract other industries and jobs. The presence of a vibrant cultural cluster in a city – theatres, galleries, music venues – often goes with a vibrant scene of clubs, bars, cafes and restaurants. Those are a signal that a city is not only vibrant, but also open to diverse cultures, lifestyles and ideas, precisely the environment that is attractive to creative people from all walks of life. In the east end of London, galleries and artists paved the way for clusters of new media and digital businesses. Creativity attracts knowledge workers and those in turn bring with them investment and jobs. As Richard Florida put it in *The Rise of the Creative Class*, ‘Artists are the canaries down the mine of the creative economy: when artists thrive in a town it’s a sign that the environment is healthy. Investment will tend to go where clusters of creativity, knowledge and talent come together.’

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Many of the jobs that are most impervious to outsourcing and the uncertainties of the global economy are creative, localised, personal service jobs, often involving craft skills. The more we can equip people to do those craft jobs in a creative way, often as self-employed sole traders, the more secure they will be. Full employment in the 1950s and 60s brought affluence to millions of working families by making basic blue collar jobs more secure. Our ability to spread affluence in the future will depend on how well equipped people are to provide value-added services.

In the modern economy consumers play an increasingly important part in innovation. Big innovations often start with creativity among users, often in marginal markets. This is especially true in leisure industries: mountain biking and windsurfing, both now global industries, started with users devising the equipment and the sport. In culture a prime example is the growth of rap which started as do-it-yourself music, among lower income black men from distressed urban neighbourhoods in the US, who used their lyrics to draw attention to their feelings of anger, frustration and violence. Most rap was originally performed by artists in their own homes, with their own inexpensive equipment. It was distributed on handmade tapes, by local independent record labels. Not, one might think, a recipe for mass, commercially popular music in an industry which loves glamour, boy bands and celebrity.

Yet within two decades urban black music has become the dominant force in global popular culture. So creative and cultural industries matter for a host of reasons. They will move people to meet growing demand for entertainment, leisure, education and cultural experiences from a population that is richer, more educated and lives longer. Service jobs based on localised, cultural creativity are more resistant to the threat of outsourcing than jobs in industries making commodity products and services. The skills that the creative industries provide play an increasingly important role in other industries as they seek to innovate and add value. Creative consumers are an increasingly important part of the innovation process: the more creative skills are widely spread among the population at large, the more likely we are to have creative consumers.

Culture is a vital source of social capital, both to express deeply felt identities and to provide a meeting point with other diverse cultures. Culture helps to bring together a more diverse and sometimes divided world. It also provides a vital source of civic pride, often paving the way for culture-led economic regeneration. In short the cultural industries and the skills that feed them have a rippling effect throughout society. An investment in culture would have spin-off benefits across society.
They’re after us
Yet despite our strengths in these industries there are no grounds for complacency. Britain is facing a looming creativity challenge as our established industries face new sources of competition. In the past we took for granted our strength in industries such as textiles, shipbuilding and car manufacturing and failed to act soon enough to strengthen our position. We must not make the same mistake with our creative and cultural industries.

For all our achievements, we face intense competition: from the US in film, television and music; from Germany and Italy in design and publishing. While we have ample creative talent, that does not mean we have equally strong creative industries.

True, we have produced some outstanding fashion designers of late; but most of the fashion industry resides in France, Italy and the US. Over the last decade we have won on average 21% of the major creative and technical Oscars. Yet for 40 years or more we have lacked a domestic film industry capable of building on this talent. South Wales may have produced a string of talented pop bands, but it does not have a music industry. A thriving cultural scene does not make thriving cultural industries. We need more cultural entrepreneurs as well as creative talent.
More importantly, new challenges are emerging. The UK will continue to benefit from the spread of English as a global language. Yet in the next two decades global economic activity and demand will shift East, with the continued rise of China and India. Their fast growing, urban economies will create huge markets for cultural products, and in turn they will also become more important centres of cultural production. The Indian entertainment industry is projected by the UN to double in size by 2008 and to be worth $9.4 billion.

China will unleash some of the most powerful changes. To give just one small example, the world’s largest online games company, Shanda, is based in Shanghai and has attracted 170 million registered users in just three years, that’s roughly three times the entire UK adult population. It will become a major player in that industry globally. China is adding 50 million mobile phone users a year to the global market: the size of the entire UK market. By the end of this decade there will be 600 million mobile phone users in China. No one in global creative industries will be able to ignore the Chinese market. While we may pride ourselves on our self-image as a young, creative nation, that view is not widely shared in China. British Council research shows that the vast majority of Chinese think the UK is a colonial, backward looking and old-fashioned place.

China is starting to position its cultural industries as a national priority, in the face of in-roads from Time Warner, News Corporation and Bertelsmann. Chinese policy makers talk of creating ‘cultural aircraft carriers’. One expression of this is a 116-acre cultural cluster being developed in Xuanwu District in Beijing at a cost of $3.4 billion. Many of China’s cultural industries are consolidating around large groupings – the Shanghai Media Group for example – which will become a force to be reckoned with on a global stage. Meanwhile new generations of independent producers are emerging in both Shanghai and Beijing.
According to the Ministry of Culture, the value of the cultural sector rose from about $146 million in 1990 to more than $1 billion in 1998, a sixfold increase. The number of registered organisations rose by 35% to 92,000 and employment rose by 46% to 721,000. In 1990, cultural industries were dominated by state organisations. By the end of the decade there were 2.7 private enterprises for every public one. One indication of how much growth there could be in Chinese creative industries is the gap between China and the US. Cultural industries account for just 0.26% of Chinese GDP, compared to 7% in the US. The average Chinese consumer spends just 2.35% of disposable income on cultural products. As China gets richer, so it will spend more on creative and cultural services.

As it does, so China will become a more important market for western design, art, music and literature. But as the Chinese market develops so will Chinese producers, some of whom will become competitive globally. Other countries may be better placed than Britain to respond to growth in China and India.

That is because other nations in south east Asia are responding to the opportunity by investing more in innovation and creativity. They will soon be snapping at Britain’s heels. Taiwan has just adopted an innovation strategy which gives a central role to media, film and creative industry production.
The Taiwanese do not necessarily want to be content creators, but they do want a slice of the creative industry pie by offering state-of-the-art production facilities. Taiwan’s manufacturing industries face a serious threat from China: innovation and creativity is the only way forward. Singapore is in a similar position. It is responding to the shift of electronics production to China by investing heavily in biotechnology and creative industries. Singapore’s Economic Development Board is scouring the world for models of creative clusters to provide the template for a vast ‘Fusionopolis’: a live/work village for thousands of creative workers. It will be a stone’s throw from a ‘Biopolis’, a set of six state-of-the-art buildings designed by British architect Zaha Hadid, which houses thousands of biotechnology researchers. To get Biopolis going the EDB has recruited talent from around the world; it will do the same at Fusionopolis. Singapore has rewritten its school curriculum to give a much larger role to creative thinking.

In Seoul, a digital media city complex is being developed close to several universities. Private investment has flowed into companies such as SM Entertainment and the record label YBM Seoul. South Korea’s strategy aims to make the most of its heavy investment in broadband communications and digital literacy, which is one of the highest in the world. Closer to home Ireland and Holland are just two European countries to be pursuing innovation strategies which depend heavily on attracting creative talent.
‘The vast majority of Chinese think the UK is a colonial, backward looking and old-fashioned place.’
We live in a world in which ideas are exploding all around us. Creative talent is increasingly mobile and connected. It can work all over the world. The UK will find itself in intensifying competition with other places that seek to provide a home for creativity. We have great strengths in many creative and cultural industries but other countries, facing the same competitive pressures as the UK, are investing heavily – with private and public money – in the skills, technology and infrastructure that creative industries need. There is no room for complacency.

‘Other nations in south east Asia will soon be snapping at Britain’s heels.’
Techno culture
New technologies are already disrupting how cultural products are made (the feature film *Sky Captain and the World of Tomorrow* was made without sets), consumed and distributed: films and music are now routinely downloaded, shared, modified and sampled by millions of people a day. These shifts in demand, competition and technology could pose challenges for creative industries in which new technology will play a growing role. Take the British computer games industry as an example of what might happen elsewhere.

The British computer games industry is only 20 years old. It was built by a generation of young, self-taught cultural entrepreneurs who seized on the first affordable home computers to create games, often working from their bedrooms. As a result not only is the UK the third largest games market in the world, it is also a leader in games development, creation and authoring. The UK industry employs about 6,000 people, more than twice the number in France and 10 times that of Germany. Games developers in Liverpool, Newcastle and Dundee work with global distributors from the outset: they are more likely to deal with publishers in Tokyo or Los Angeles than London.
‘Organisations that are not equipped to adapt to new technologies will find it harder to compete.’
The industry has enormous potential. New generations of consoles and authoring software are allowing developers to create games with the look and feel of a film. Broadband telecommunications will create distribution systems to carry content to wider markets. Opportunities to distribute and play games will multiply, however Britain’s position cannot be taken for granted. More complex games will take far longer to develop. More sophisticated software will require more skilled software programmers. To recruit these programmers the games industry will have to compete with other industries such as financial services. Home grown, self-taught talent probably will not suffice.

These far more complex games will require more resources for development and that will require better management to make sure projects deliver. Fifteen years ago it might have cost £20,000 to develop a basic game. Its successor in 2008 might cost £2 million to develop. Sweat, equity, natural talent and tenacity are no longer enough. The industry needs better management, a wider mix of skills and more investment to remain competitive.

One fate for the British games industry could be that it will become like much of the British animation industry: full of skilled craftspeople working under contract to Hollywood. Few cultural industries will depend on technology quite as much as computer games. But all creative industries will be affected in some way by technology which will allow them to produce their work in new ways, connect with users differently or to reorganise their business. Organisations that are not equipped to adapt to new technologies will find it harder to compete. Those that work with technologies confidently and creatively are more likely to open up new markets and create new services.
Seat and pants
Most creative businesses are like those in the computer games industry: they tend to be small, under-capitalised and under-managed. They get by with improvisational entrepreneurship, by the seat of their pants. They are mainly funded from cashflow and few keep control of their own intellectual property, which they have to sell to large publishers and distributors. Britain’s creative and cultural industries are huge, but they rely on a mass of small companies that find it difficult to think strategically and plan for their future. And that includes planning for skills.

There are more than 4,000 design consultancies in the UK, each employing fewer than 10 people. Nine out of 10 people in the craft sector are self-employed sole traders. Creative businesses are highly adaptive and used to working in networks to overcome their weaknesses. Most are like Peshkar Productions: they have a small, core full-time staff which pull in a host of freelancers and part-timers when they need to. In many ways creative businesses are models of networked creativity which other, more traditional industries are seeking to emulate.
Nothing is ever settled in the lives of these organisations. Often they do not seem to move forward so much as lurch. Creative businesses often start from scratch, with a few passionate players or volunteers. They struggle to survive, relying on people working long hours for little money. To get out of this hand-to-mouth existence they need to grow, taking on more ambitious projects but they then quickly find themselves in a ‘growth trap’. Small, somewhat ramshackle organisations, often they lack the management and business infrastructure to sustain growth. They have little time or capacity to think strategically. They are largely self-taught.

Often because growth is unexpected or hit-driven, growing organisations sustain a huge amount of work, based on a small, overstretched management team. A good example is artSites in Birmingham, which puts on performances, masterclasses, exhibitions and workshops in five of the most deprived wards in the city. ArtSite’s success has attracted more funding.
The five-strong team runs 250 projects a year. The organisation survives only because it mainly employs young people without family responsibilities who work long hours.

Getting the right mix of creativity and commerce is vital. Without creative vision arts organisations lose their way. Without good management, success can all too easily be frittered away. Creative arts organisations have to be curious. They have to work in interesting spaces – culturally, socially and artistically. Cultural businesses thrive only when they are taking creative risks with the work they produce. The best take those risks in a strategic and managed way. Many do not have that capacity.

Experience has bred a resilient entrepreneurial outlook among the people running cultural businesses. They are fleet of foot, highly adaptive entrepreneurs. They are promiscuous and pragmatic: they are used to working with new partners, adjusting to the demands of new sources of funding from education, regeneration, social inclusion and commercial sponsors. But, by and large, they are not strategic entrepreneurs. They use their entrepreneurial skills to get by, often in trying circumstances.

There is a lack of management and leadership capacity. About 17% of creative and cultural industry businesses say they suffer from skills shortages, a slightly lower figure than the economy as a whole. Yet the areas where businesses feel these shortages most acutely are management and business skills. As creative businesses face more competition, more diverse and demanding markets, and uncertainty about technology, so management skills will become ever more important, to deal with intellectual property issues for example and to diversify income streams to provide more stability.
‘Experience has bred a resilient entrepreneurial outlook.’
Yet many of these companies need business and management skills, tailored to their needs, delivered in a way that makes sense for them. They do not want men in grey suits or long courses in colleges. They want advice and help from people who understand how creative businesses work.

The small scale of these businesses, operating on stretched budgets, means they under-invest in training and skills in general. During times of plenty people work long hours to get projects finished and rarely have time to spare to contemplate training or learning. During times of famine when work is short people are working flat out to get new projects. Creative businesses are rarely stable enough to plan for training.

There is a clear need for a stronger shared platform so that these small companies can prepare for their future.
The outsiders
The lack of a proper infrastructure for mobilising talent and providing training, means we fail to make enough of all the talents available to us. Access to the cultural economy remains unequal. Creative industries are concentrated in London. Most jobs go to graduates. If you are a talented budding designer in Dunbarton, how do you break in?

On the face of it the rise of the creative economy, in which human qualities such as imagination, service, judgement and creativity are more important, should be good for people. People are the ultimate source of the intangible assets which modern business thrives upon – brands, new products and service offerings. In such an economy, people’s ideas, skills and creativity should count for all. People from all backgrounds should be able to come up with good ideas given the right education and opportunity.

New ideas are often created through social, collaborative processes, in which knowledge grows by being shared, discussed, criticised, amended and added to. The idea of the lone genius is largely a myth, even in science and art. In the 20th century most ideas, the internet itself is a prime example, have emerged through a host of overlapping, collaborative and competing initiatives.

That collaborative ethic stems from the inherently social nature of ideas. Our most basic forms of knowledge are generally held collectively, in our culture, schools and colleges, libraries and bookstores. Individuals can only come up with new ideas because they draw on this vast shared resource. In a creative economy there should be no trade off between social inclusion and economic growth. The spread of education, the falling price of computers and communications, means that people in outlying, disadvantaged and marginalized economies should be able to overcome barriers of geography to claim a role in the creative economy.
That’s the theory and the promise. The trouble is that the evidence points in the other direction. As economic activity becomes more knowledge-intensive so inequality tends to grow.

Spreading the skills and outlooks that matter most in the creative economy will prove difficult. Education systems in advanced economies are still designed to spread quantifiable skills of numeracy, literacy, punctuality and information processing. The UK education system has not been particularly good at ensuring these basic skills are widely spread: perhaps seven million adults are functionally illiterate. Without those core skills people have little chance of improving their living standards in a knowledge-driven economy. Now tacit, qualitative and personal skills are becoming more important as innovation takes on a central role.

Entrepreneurships and teamwork, opportunity-seeking and problem solving, will all become more important skills to acquire. Our still basic education system is nowhere near delivering these qualitative skills across society.

Many places that have been marooned by the shift from manufacturing to services, large organisations to small, find it very hard to break free of the deeply ingrained cultures of work that older industries bred. It is very difficult for former industrial cities to generate change from within without determined and ambitious civic leadership.

‘Access to the cultural economy remains unequal.’
‘London and the South East account for almost half of employment in the creative industries, compared with 27% of employment in the economy as a whole.’
Given these factors it is not hard to see why regions relatively poor in knowledge and lacking a reputation for creativity find it difficult to break away from a dependence upon assembly and processing jobs. Breaking out on to a more knowledge-intensive path to growth – smart growth – is very hard.

The other side of the coin is that places rich in knowledge and creativity tend to get richer as a result. Skilled labour does not want to stay where it is scarce; often it wants to move to where other people with high skills congregate, because their skills are more likely to be more productively used, valued and developed. People and places already well endowed with knowledge are better able to generate new ideas and better able to absorb ideas from the outside. Creativity and radical innovation often involve a great deal of collaboration to share experiments and interpretations.

While some of that intense, creative collaboration can be done at a distance, quite a lot requires face-to-face contact. Talented people working at the leading edge of their field like to work alongside their peers for inspiration, collaboration, criticism and competition. Knowledge-rich places attract financial and other resources that are vital if ideas are to be translated into products, services and businesses. Money will tend to go to where people with knowledge, talent and ideas congregate.

Left to its own devices the creative economy could amplify inequalities unless public policy can make determined, imaginative interventions to create a more inclusive, balanced approach.

Our cultural industries bear out some of these trends. Some parts of the creative industries, for example, seem to be the preserve mainly of the young. About 30% of the workforce in performing and other arts are aged 25–34, compared with 22% for the economy as a whole. That may be because creative businesses are not robust enough to provide security and pensions for people as their careers advance and they have families.
The creative industries are heavily concentrated in London and the South East. London’s position as a global centre for ideas and culture is a huge asset for the UK. But that can also pose a problem for regional creative industry clusters which live in London’s shadow. London and the South East account for almost half of employment in the creative industries, compared with 27% of employment in the economy as a whole.

The creative industries are not fully representative of society as a whole. It is more difficult than it should be for people from ethnic minority backgrounds to make it in the creative industries. With the exception of distinct cultural forms, such as the phenomenal rise of urban black music with homegrown stars such as Dizzy Rascal and Ms Dynamite, people from black and ethnic minority backgrounds are under-represented. About 4.6% of the creative industry workforce is from an ethnic minority, compared with 7% of the economy as a whole. In London the gap is even starker: ethnic minorities make up 26% of London’s population but only 11% of the workforce in the creative industries.

‘Breaking out on to smart growth – is very hard.’
Creative infrastructure
Culture and creativity are a serious business. We need to put in place an infrastructure of support for these industries that helps them grow stronger. If not then we may find Britain’s position in some industries eroded as other countries forge ahead, thanks to strategic investment, especially in emerging areas using digital technologies.

In the past Britain lost its early lead in the key industries it helped to create – textiles, shipbuilding, chemicals – because for too long it persevered with an amateurish approach to the way that knowledge and skills were mobilised in production and innovation. Britain created the modern chemical industry almost by accident, when Harold Perkin, an inventor, discovered a way to make dyes in a laboratory attached to his home. Within a few decades industry leadership had passed to Germany because it mobilised know-how through colleges and training institutes, which fed industry with skilled technicians. We must not let the same fate befall our creative and cultural industries. Our ambition must be for Britain to be a leading and innovative force in these industries globally, not a quaint backwater of cultural heritage and tourism. That means creating a stronger platform for creative industry growth in the UK.

There are some signs of encouraging progress. Scotland has just adopted its own creative economy strategy and is reviewing the whole way in which cultural policy is implemented. Similarly Northern Ireland is pursuing an ambitious strategy to link creativity and culture to learning and education. The opening of the Millennium Centre is one visible sign of a cultural renaissance taking root in Wales. And for some time, the English regions have pursued their own strategies that seek to build on indigenous strengths.

It is why creating a full scale infrastructure for creativity is a task beyond the reach of a Sector Skills Council. Such an infrastructure would include finance, business support, technology and facilities, the regulatory framework and, most importantly, basic education policy. But skills will form a vital part of the platform we need to provide the basis for business growth.
‘In the past Britain lost its early lead in the key industries it helped to create – textiles, shipbuilding, chemicals – because for too long it persevered with an amateurish approach.’
Several principles should govern our skills platform’s design and development. It should:

- Give everyone a chance to fulfil their potential, no matter what their background. At the moment creative industries and the educational institutions that support them are concentrated in London and the South East. Employment is concentrated among white graduates. Our skills platform should reach into all communities and localities so that anyone, whatever their background, can step on to it, to use it as a launch pad for their career.

- Open up a variety of routes into the industry. At the moment most creative businesses hire graduates with relevant degrees and then train them through on-the-job learning. In future it should be easier for people to enter these industries straight from school, not just by doing periods of barely paid work experience, but through structured volunteering programmes, apprenticeships and college sandwich courses.

- Make it easier for people to choose which routes to take, by providing better signposting and quality assurance. It’s often confusing for parents, young people and employers to know which are the most appropriate courses and qualifications. A better system of accreditation and information would help everyone.

- Provide business with people with relevant skills. Too often businesses complain that people they employ have to be trained up or retrained to turn theoretical know-how into business skills. There needs to be more vocational ingredients in academic courses, showing people from an early stage how to mix creativity and commerce. For training those in employment, business needs easy-to-access, business-ready, bite-sized courses, which can get people up to speed fast. Business will invest in training only if the skills are easy to access, relevant and cost-effective. Finding ways for groups of small businesses to collaborate to share the costs of training will be part of the solution.

- Adapt to changing demand, whether that is emerging markets such as China and South Asia, emerging technologies or shifting regulations. Training provision needs to be soundly based but designed to evolve and adapt to meet changing needs and pressures.
Sazzadur’s story
How would the presence of such a platform have changed things for Sazzadur Rahman? The skills platform would have made it far easier to convert his volunteering into a career, with blocks building on one another. Through his voluntary work he would have been able to gain credits towards a qualification. Peshkar might have been able to introduce him to a nearby college or specialist school that it worked with on creative and cultural skills. He might then have applied for a creative apprenticeship. A consumer guide to relevant courses might have helped him choose a college or university to study at, doing theatre skills alongside business administration. Once he joined the business he would have been able to take short, bite-sized courses to help acquire skills just as he needed them: accounting, business administration, information technology, marketing. Those in turn might have led him to take a further degree by distance learning or to engage in a peer-to-peer learning network designed for people running small creative businesses to help one another. Peshkar, based in Oldham, would have access to a flow of talent coming from specialist schools, colleges and universities.

At the moment Sazzadur is holding his head above choppy water. But he is a fit young swimmer. If the skills platform were in place it would be like climbing aboard a raft that got bigger and stronger the more people joined it. We spend too much time throwing lifebelts to people who should never have got into difficulties. Instead we need to build rafts that can support businesses in their hundreds and thousands.

Without a world-beating platform for skills Britain’s strong position in the creative industries cannot be taken for granted. Creativity and culture are not attractive add-ons. They are huge, serious businesses. We have time to act, but we cannot delay.
‘We spend too much time throwing lifebelts to people who should never have got into difficulties – we need to build rafts that can support businesses.’
Charles Leadbeater is an independent author and adviser on innovation and creativity.

His written work includes *Living on Thin Air*, published by Penguin and *The Independents: The Rise of Cultural Entrepreneurs*, published by Demos. He has advised the Department of Trade and Industry, the Department for Education and Skills, the Department for Culture, Media and Sport and the Arts Council, as well as the European Commission and the Dutch government.

He is a research associate with the think tank Demos, an associate of the Design Council and a visiting fellow at the Said Business School at Oxford University. His current research is focused on the wider application of open source models of organisation to business and public services. His Demos report, *The Pro-Am Revolution*, was published in November 2004.
Ensuring skills meet industry demands