



**skillset**  
The Sector Skills Council for Creative Media

# **Strategic Skills Assessment for the Creative Media Industry**

**December 2009**

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## 1 Introduction

Skillset is the Sector Skills Council for the Creative Media industry, representing eleven sub sectors which are grouped into four sectors of the DCMS Creative Industries classification. At the heart of the Creative Industries, the Creative Media sector includes companies involved in: Film, Television, Radio, Photo Imaging, Interactive Content Design, Publishing, Animation, Content for Computer Games, Commercials and Promos, Corporate Production, Post Production and Visual Special Effects and Other Specialist Facilities.

Within the wider definition of the creative industries, the Creative Media industries are bound by common output in the form of creative content and increasingly the boundaries between these business and sectors are becoming blurred. Whilst there are still key distribution platforms including; cinema, TV, books/print Media and online and mobile, companies creating content are doing so in a way that can be used for multiple platforms. The business context is providing an opening of channels for distribution and 'multi platform content' is key.

The Creative Media sector is synonymous with the Creative Content \*sector and along with advertising the Content sectors account for 70% of the value and estimated potential growth potential of the Creative Industries generally in the UK

In terms of its Global standing, the UK is well regarded as the leader in several sectors and generally has a reputation for excellence on the world stage, consistently in the top three achieving countries. The UK specifically:

- Has the largest producer of TV and radio content in Europe, with only the US generating more value from TV exports;
- Is also second only to the US in the global film market, with increasing box office receipts: 30 of the top 200 films at the world box office in 2001 – 2007 were based on stories and characters created by British writers, generating £14 billion at the worldwide box office;<sup>1</sup>
- Has the largest publishing industry in Europe;
- Has the largest number of computer games studios in Europe and is the third largest producer in the world;<sup>2</sup>
- Leads the world's ranking for advertising excellence.

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<sup>1</sup> UK Film Council (2009) Statistical Yearbook.

<sup>2</sup> NESTA (2008) Raise the Game.

Please see **Annex B** for further detail for each sector.

## **1.1 An overview of Current and Future Skills Priorities**

- The Creative Media industries are a major contributor to the nation's economy and in spite of the current economic climate, are expected to grow at a faster rate than the wider economy in the coming years.
- Current drivers of change include:
  - The economy
  - Digitisation
  - Convergence and audience fragmentation
  - Lower cost technology and user-led innovation and content
  - Intellectual Property and Digital Management
  - Globalisation
  - Workforce and Demographics
- Current skills issues include:
  - Multi-skilling
  - Multi-Platforms
  - Management and Leadership/Business and Entrepreneurship
  - Intellectual Property
  - Technical Skills
  - Archiving
  - VFX
- Challenges ahead fall broadly into the following areas:
  - Convergence and Audience Fragmentation
  - Competition and Industrial Structure
  - Lower Cost Technology and User Developed Innovation and Content
  - Intellectual Property and Digital Management
  - Globalisation
  - Workforce and Demographics

## **1.2 Research and Data**

The analysis in this document is based on reliable data from high quality sources. This includes sector-endorsed primary research from Skillset and as far as

possible secondary data sources such as the Office of National Statistics' Annual Business Inquiry (ABI), Labour Force Survey (LFS) and Inter-Departmental Business Register (IDBR); the DCMS Creative Industries Economic Estimates Statistical Bulletin.

This work recognises the limitations of official data sources that rely on Standard Industrial and Standard Occupational Classifications for the Creative Media industry, key elements of which are not served well by the classifications or the data that rely on them. Further detail on the limitations is provided in **Annex A**, but in brief:

- Key elements of the Creative Media industry sit in broad classifications that include activity outside of Creative Media preventing any discrete and crucial analysis e.g. Interactive Content Design, Content for Computer Games and Facilities.
- Official data sources to a greater or lesser extent systematically exclude the increasing freelance labour pool required to create and distribute the creative content upon which our economy is becoming increasingly reliant.
- In some cases sample sizes are too small to enable discrete analysis of data contained within SIC that do exist.

Gaps in official data sources have been filled by the primary research programme Skillset manages which was established by the Audio Visual Industries Training Group a decade ago and has since been steered by the same organisations involved<sup>3</sup>.

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<sup>3</sup> <http://www.skillset.org/research/committee/>

## 2 What Drives Skills Demand?

### 2.1 Contribution of the Sector

Creative Media is one of the UK's major USPs; prodigious, professional and high quality output makes the UK a world-class player in Creative Media and the market leader in Europe. According to NESTA, the creative industries, at the heart of which is Creative Media, '... are critical to this country's cultural and economic success, contributing more than £50 billion to the economy every year. They also generate important 'spillover' benefits for other sectors that work with them to create innovative products and services.<sup>4</sup>

There are an estimated 25,200 Creative Media companies (not including sole-traders)<sup>5</sup>. The vast majority (77%) of companies are small (fewer than 10 people) with a fifth (19%) of the workforce and 1% of companies are large (200 people and more) employing 35% of the industry's workforce.<sup>6</sup>

The Creative Media industry has suffered at the hands of the recession not least in terms of employment but remains a significant employer across the UK.<sup>7</sup> Half a million<sup>8</sup> people work in the industry and a further 130,000<sup>9</sup> are employed in Creative Media occupations in other industries. In addition Creative occupations, a sub-set of which includes Creative Media and software publishing, have experienced unprecedented growth in recent years and employment has been growing at 2%, comparing favourably with a 1% average for the whole economy.<sup>10</sup> See **Annex B Table 5** for a breakdown of employment by Creative Media sub-sector.

The Creative Media industry is reliant on a wide range of occupations from creative and technical such as construction, set crafts, web/interactive content design and visual effects, through to management and business roles, all of which benefit from applied Creative Media specific knowledge. Please see **Table 1** for a full breakdown of employment by occupation.

#### **Table 1 Occupational Breakdown**

<sup>4</sup> [http://www.nesta.org.uk/areas\\_of\\_work/creative\\_industries](http://www.nesta.org.uk/areas_of_work/creative_industries). Includes software and reproduction of computer media.

<sup>5</sup> DCMS (2009) Creative Industries Economic Estimates Statistical Bulletin.

<sup>6</sup> Skillset (2009) Employment Census and Skillset analysis of Experian 2007.

<sup>7</sup> Evidence includes Skillset's (2009) 'From Recession to Recovery', based on a sample of 262 employers consulted during 2009 :one third had made or expected to make some staff redundant as a result of the recession and just over one third had not renewed some freelance contracts.

<sup>8</sup> Skillset (2009) Skillset (2009) Employment Census, secondary analysis of unit lists for 2006 feature film productions (80 minutes or longer and minimum budget of £500K) and Labour Force Survey, ONS April - June 2009.

<sup>9</sup> ONS (2009) LFS April-June.

<sup>10</sup> Technology Strategy Board (2009) Creative Industries Technology Strategy 2009-2012. Includes software and reproduction of computer media.

OCCUPATIONAL GROUP	Total (%)
<b>Creative Media (excl. publishing)</b>	
Strategic Management	5%
Creative Development	2%
Production	11%
Legal	1%
Broadcast Management	3%
Broadcast Engineering & Transmission	2%
Editorial, Journalism and Sport	5%
Content Development	1%
Art and Design	9%
Animators	3%
Costume/Wardrobe	1%
Make Up & Hairdressing	1%
Camera/Photography	10%
Lighting	2%
Audio/Sound/Music	3%
Transport	*
Studio Operations	*
Technical Development	3%
Editing	2%
Laboratories and Imaging Services	5%
Manufacture	1%
Servicing	1%
Retail and Exhibition	10%
Libraries and Archives	2%
Distribution, Sales and Marketing	2%
Business Management	13%
Other	2%
Total Creative Media (excl. publishing)	100%

OCCUPATIONAL GROUP	Total (%)
<b>Publishing</b>	
Managers and Senior Officials	25%
Professional occupations	7%
Associate Professional and Technical	36%
Administrative and Secretarial	12%
Skilled Trades Occupations	4%
Personal Service Occupations	0%
Sales and Customer Service Occupations	5%
Process Plant and Machine Operatives	3%
Elementary Occupations	8%
Total Publishing	100%

Source: Skillset (2009) Employment Census, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey and LFS, ONS April-June 2009.

NB: Data for publishing are taken from the LFS Jul-Sep 2009 and due to data restrictions cannot be disaggregated further.

Creativity is recognised as an important driver of innovation and the Creative Industries show significantly higher values of innovation and creativity than other UK enterprises (70% as against 55%)<sup>11</sup>. According to the Technology Strategy Board the Creative Sector, with Digital Creative Media industries at the heart of this sector, is an important stimulator of innovation in the wider economy, via firms they can work with as partners and/or suppliers.<sup>12</sup> The strong conclusion in a recent NESTA report<sup>13</sup> pointed to the

<sup>11</sup> Includes all Creative Industries, DTI Occasional Paper No. 6. Innovation in the UK: Indicators and Insights, July 2006.

<sup>12</sup> Work Foundation (2009) Investing in the Creative Industries; A Guide for Local Authorities.



Creative Industries, (a major sub-set of which includes Creative Media and software publishing) and specifically the talent we have nurtured within it, becoming a key driver for the UK's recovery from recession and that the industries will take centre-stage as a major, high growth contributor to the UK economy over the next 5 years.

In addition the digital future relies heavily on the Creative Media industries and its capacity to generate compelling educational, entertainment, commercial and public service content and services which can engage citizens, learners and consumers around the world. Finding ways to innovate, within education, the existing workforce and industry is critical. The answer to which lies in collaboration between creative and technical drivers of the digital work to research, develop and prototype whilst equipping the workforce of the future and the workforce of today with the right skills to innovate, create and communicate in a digital environment.

## **2.2 Product Market Structure**

The core business of the Creative Media industries is to create high quality and professionally produced content across the full range of platforms from mobile phones to computer games to film and TV screens. In most sectors of the industry, there are businesses whose exclusive domain is content creation, others which provide a supporting role in that process, and others involved in the distribution, transmission or exhibition of that content. This can be illustrated by reference to the film industry which comprises not only production companies, but significant numbers of businesses in the facilities sector who provide services such as studio and equipment hire or post production, and also companies involved in distributing and exhibiting films.

Sectors differ however in terms of the supply chain through which content is created: for example in television, much production is now commissioned by a small number of broadcasters and undertaken externally in the independent production sector. In other sectors, in-house production remains the prevailing model. In some sectors, all content produced is for public consumption (such as broadcast, film, animation, commercials and content for computer games), in others it is primarily or exclusively for business (such as corporate production) while sectors such as interactive content design and publishing produce and disseminate content to both people and businesses.

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<sup>13</sup> NESTA (2008) *Attacking the Recession: How Innovation Can Fight the Downturn*, NESTA Discussion Paper. Includes software and reproduction of computer media.

Increasingly the linear value chain and specific supply relationship in place within the sub sectors is being supplemented by an opportunity for the ‘content creators’ to apply their content to a variety of platforms and distribution channels. ‘Interactive or digital media companies’ are, from the outset, creating content for multiple use and not for example with a primary use and then to be ‘adapted’ for on-line purposes. Growing opportunities are seeing a new type of company and dynamic business model becoming the norm.

### 2.3 Employment Profile

Overall, 34%<sup>14</sup> of those working or available for work in the Creative Media industry are ‘freelance’ and the remaining operate on an ‘employee’<sup>15</sup> basis. It must be born in mind that this is a conservative estimate as the full implications of the recession on freelancing will not be fully understood until further scheduled work is carried out (Skillset’s 2010 Creative Media Workforce Survey). **Table 2** below shows that many sectors of the Creative Media industries are characterised by high levels of freelancing, especially those areas most closely involved in the production process for example film production (80%), independent production for radio (61%), photo imaging (60%), corporate production (54%), animation (46%) and independent production for TV (44%).<sup>16</sup> More than half the workforce in some occupational groups is freelance such as camera/photography (73%), make up/hairdressing (63%), lighting (61%), costume/wardrobe (53%) and audio/sound/music (52%).<sup>17</sup>

**Table 2 % Freelance by Sector**

Sector	% freelance
<b>Television</b>	<b>28</b>
Terrestrial TV	19
Cable & Satellite Television	11
Independent Production (TV)	44
Community TV	
TV Distribution	
<b>Radio</b>	<b>23</b>

Sector	% freelance
<b>Facilities</b>	<b>29</b>
Post Production	24
Special Physical Effects	44
Studio & Equipment Hire	40
Outside Broadcast	24
Processing Laboratories	12
Visual FX	12
Manufacture of AV	7

<sup>14</sup> Skillset (2009) Employment Census, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey and ONS (2009) LFS April-June.

<sup>15</sup> ‘freelance’ = contract of less than 365 days and ‘employee’=contract of 365 days or more.

<sup>16</sup> Skillset (2009) Employment Census, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey and ONS (2009) LFS April-June.

<sup>17</sup> Skillset (2009) Employment Census.

Broadcast Radio	22
Independent Production (Radio)	61
<b>Animation</b>	<b>46</b>
<b>Interactive Content Design</b>	<b>21</b>
Online Content	23
Offline Multimedia	24
Mobile Content	16
Other Interactive Content Design	9
<b>Content for Computer Games</b>	<b>4</b>
<b>Other Content Creation</b>	<b>47</b>
Commercials Production and Pop Promos	41
Corporate Production	54

Equipment	
Other Services for Film and Television	42
<b>Film</b>	<b>31</b>
Cinema Exhibition	0
Film Distribution	21
Film Production	80
<b>Publishing</b>	<b>13</b>
Book publishing	19
Newspaper publishing	5
Journals & periodicals	18
Other publishing	10
News Agencies	17
Publishing of Directories & Mailing Lists	17
Other info service activities s n.e.c.	27
<b>Photo Imaging</b>	<b>60</b>
Photographic activity	60
<b>Archives &amp; Libraries</b>	<b>17</b>
<b>TOTAL</b>	<b>34</b>

Source: Skillset (2009) Employment Census, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey and LFS, ONS April-June 2009.

Many in the workforce use their skills across sectors which is unsurprising due to the converging media industry. As is shown in **Table 3** below sectors where this is most apparent include outside broadcast, post production, animation and independent production, in each of which one in four or more is freelance:

**Table 3 % Work in other Creative Media Sectors<sup>18</sup>**

Sector	% Worked in other Creative Media industry
<b>Television</b>	
Terrestrial TV	34
Cable & Satellite Television	32
Independent Production (TV)	49
<b>Radio</b>	

Sector	% Worked in other Creative Media industry
<b>Facilities</b>	
Post Production	61
Studio & Equipment Hire	43
Outside Broadcast	72
Manufacture of AV Equipment	13
Other Facilities	40

<sup>18</sup> Skillset (2008) Creative Media Workforce Survey. Figures exclude film production, photo imaging and publishing.

Broadcast Radio and Independent Production (Radio_	23
<b>Animation</b>	<b>57</b>
<b>Interactive Content Design</b>	
Online Content	34
Other Interactive Content Design	39
<b>Content for Computer Games</b>	<b>19</b>
<b>Other Content Creation</b>	<b>67</b>
Corporate Production	70

<b>Film</b>	
Cinema Exhibition	3
<b>Archives &amp; Libraries</b>	<b>31</b>
<b>TOTAL</b>	<b>35</b>

Source: Skillset (2008) Creative Media Workforce Survey.

The typical workforce profile across the industries, with significant variations at sub sector level is; white, male, young and highly qualified:

- Representation of women is lower in Creative Media than across the economy as a whole (42% compared with 46%) and varies considerably by sector with more than two fifths in radio (44%), TV (41%) and film production (40%).<sup>19</sup> Skillset's research<sup>20</sup> has also shown that representation is dropping whereas the opposite is the case for the economy as a whole<sup>21</sup>. Skillset research has also repeatedly shown that representation of older women is extremely low and has identified the cause of this to be the particular challenges of balancing starting and raising a family with working in the Creative Media industry, for example due to long and unpredictable hours.<sup>22</sup>
- Fewer in the Creative Media industry compared with the economy as a whole is from a Black Asian or Minority Ethnic Background (BAME) (6% compared with 9%) and 24% of London's economy is from a BAME background, which is where three in ten in the Creative Media industry is based.<sup>23</sup> Recent Skillset research has shown that representation of BAMEs in some sectors of Creative Media is on the decrease for example 7.2% to 4.6% in Commercials and Pop Promos and 5.9% to 3.5 in corporate production.<sup>24</sup>

<sup>19</sup> Skillset (2009) Employment Census, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey and ONS (2009) LFS April-June.

<sup>20</sup> Skillset (2009) Employment Census. Figures exclude film production freelancers, photo imaging and publishing.

<sup>21</sup> ONS (2009) LFS April-June.

<sup>22</sup> Skillset (2006) Balancing Children and Work in the Creative Media Industries

<sup>23</sup> Creative Media: Skillset (2009) Employment Census, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey, Skillset (2007) Photo Imaging Workforce Survey and ONS (2009) LFS April-June; All UK: ONS (2008) LFS, average of four quarters.

<sup>24</sup> Skillset (2009) Employment Census.

- Fewer than one in ten in the Creative Media industry is disabled<sup>25</sup> which is lower than across the economy as a whole where 13% is disabled.<sup>26</sup>
- The Creative Media workforce is young and two fifths (42%) is under 35 years.<sup>27</sup> Differences are evident by contract type and sector; 44% of employees compared with 29% of freelancers is under 35 years and around half and more fall into this age category in interactive content design (53%), other content creation<sup>28</sup> (53%), studio and equipment hire (50%), animation (47%), cable and satellite TV (45%), although again there are differences between sectors: only 17% of those in audio visual media are over 50<sup>29</sup>, but 29% of those in photo imaging<sup>30</sup> and 34% of those in publishing.<sup>31</sup>
- The Creative Media is highly skilled and one of the most highly qualified in the economy; 57%<sup>32</sup> in Creative Media has a degree or equivalent level 4 qualification compared with 35% of the population of working age across the economy.<sup>33</sup> Freelancers in particular tend to have degrees (57% compared with 54% of employees).

## 2.4 Recruitment at entry level onwards

Most sectors of the industry have long been characterised by an oversupply of potential new entrants keen to enter an area commonly seen as glamorous and exciting. One result of this oversupply has been a high level of voluntary or unpaid working undertaken in order to get a foot in the door and a first paid job: more than two fifths (44%) of the workforce in Creative Media report having worked unpaid in order to get into the industry. Formal recruitment measures such as advertising and recruitment agents are still relatively uncommon in most sectors of the Creative Media and a third report entering the industry this way and this reduces to a quarter for those already in

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<sup>25</sup> Skillset (2008) Creative Media Workforce Survey, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey, Skillset (2007) Photo Imaging Workforce Survey, ONS (2009) LFS April-June.

<sup>26</sup> ONS (2008) LFS average of four quarters.

<sup>27</sup> Skillset (2008) Creative Media Workforce Survey, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey, Skillset (2007) Photo Imaging Workforce Survey and ONS (2009) LFS April-June.

<sup>28</sup> Includes Commercials Production, Corporate Production and Pop Promos.

<sup>29</sup> Skillset (2008) Creative Media Workforce Survey

<sup>30</sup> Skillset (2007) Photo Imaging Workforce Survey

<sup>31</sup> ONS (2009) LFS April-June.

<sup>32</sup> Skillset (2008) Creative Media Workforce Survey, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey, Skillset (2007) Photo Imaging Workforce Survey and ONS (2009) LFS April-June.

<sup>33</sup> ONS (2008) LFS, average of four quarters.

the industry. More people in the industry report securing both their first and current job through informal channels such as word of mouth or personal contact.<sup>34</sup>

Lack of information on the range of occupational roles also complicates the picture and employers report that the X Factor generation have little knowledge about wanting to work in the Media and less about how to enter. This results in an oversupply in most general 'Creative Media roles' but skills shortages in areas like Broadcast Technology and Engineering and the more craft orientated occupations.

Lack of information getting to new entrants coupled with informal entry routes and high qualification entry bars are resulting in serious representational issues (socio-economic, gender and in terms of BAME representation)

## **2.5 Retention**

The oversupply of people wanting to enter the industry has also had implications for retention as well as recruitment: as already noted, people who choose to start a family commonly find it difficult to combine this with a career in the Creative Media industry and the problem appears more acute for women.<sup>35</sup> It is also possible that the perception of ease of replacement overlooks the value of the skills and experience gained by people leaving the industry typically in their thirties and forties; the industry thus routinely and avoidably loses a highly skilled segment of its workforce to other sectors of the UK economy.

This situation is exacerbated by freelancing and ensuring freelancers have skill currency and are agile (available) at times of work fluctuation, an issue for those sectors where this freelance pool is a significant part of the workforce. Added to which, as noted earlier recent Skillset research<sup>36</sup> has shown that since the recession women and BAMEs are less well represented in some of sectors of the industry. The full implications of the recession on the make up of the industry will be captured in Skillset's 2010 Creative Media Workforce Survey.

Some of these people have or could end up leaving the sector at this crucial time, taking their experience and talent with them. The risks these factors pose need to be addressed to sustain the vitality of this strategically important sector.

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<sup>34</sup> Skillset (2008) Creative Media Workforce Survey. Figures exclude film production, photo imaging and publishing.

<sup>35</sup> Skillset (2006) Balancing Children and Work in the Audio Visual Industries.

<sup>36</sup> Skillset (2009) Employment Census.

## **2.6 The Economic Situation**

Until very recently, a relatively long period of economic success and growth has been the norm across the Creative Media sectors. The current recessionary climate and the impact of wider changes to the market structure however is having a short term multiplier effect on the industry. Television has been particularly badly hit, largely due to the downturn in advertising revenues and shift to online advertising. The Creative Media sector overall is struggling with reduced revenue and difficulties in accessing finance.

However, all indices point to growth in the medium term; the National Endowment for Science, Technology and the Arts (NESTA) analysis for 2009-2013 points to growth as businesses take advantage of digital technologies to develop new business models.<sup>37</sup> Indeed, historically, recessions have played a role in triggering new business start-ups. The 1990s dot.com boom and crash resulted in the birth of the blogosphere and new technology-enabled services like eBay and Skype, largely because many 'technological IT wizards' were made redundant and had time to experiment and create. Technology is an important driver of innovation and innovation is a way of life for the Creative Media industries, which show significantly higher values of innovation than other UK enterprises – (70% as against 55%)<sup>38</sup>.

The underlying reason for optimism in growth for the Creative Media sector is the opening up of new markets and new opportunities globally as a result of digital communications and global supply networks.

## **2.7 The Business Context-Digital Britain**

Digital Britain set an ambitious agenda to ensure the UK is at the leading edge of the global digital economy. This includes the urgency of upgrading to a full rollout of digital infrastructure in the UK; the importance of investment in quality Creative Media and online services; and the need to ensure that everyone can participate in the digital society through action on universal connectivity and digital media literacy.

The review of infrastructure as part of Digital Britain included a review of our position globally in terms of both the 'pipes' (technology infrastructure and broadband access) and the poetry (creative content). The report and recommendations identified the potential for the UK to increase its position in the global league table with the right

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<sup>37</sup> Includes software and reproduction of computer media.

<sup>38</sup> Includes all Creative Industries, DTI Occasional Paper No. 6. Innovation in the UK: Indicators and Insights, July 2006.

strategic focus from both government and industry. Skills and people were very much at the centre of this analysis and the Digital Economy is now an identified sector of priority.

## **2.8 Opportunities and Challenges**

### **2.8.1 Globalisation**

In summary the main implications of globalisation for the industry are:

- Growing potential markets for UK-produced content in all formats, across all media;
- An increasing range of foreign competitors with access to the UK market;
- Increasing potential for sourcing services from the UK to overseas ('off shoring').

In all three cases, it is the emerging economies of India and China that will have greatest impact on the UK industry. The growing populations of both countries will help to ensure that they maintain their emerging roles as both suppliers and markets: by 2010, India is projected to add 83 million workers to the global economy, China 56 million, and the EU just 100,000.<sup>39</sup> These figures reflect the coming size and shape not only of the labour market, but also the media content market. However, it is currently expected that successfully entering the Chinese market in particular will require both patience and precision, not least as income levels will prohibit consumption of content on a Western scale, even as GDP and average earnings continue their steady increase. The current orthodoxy is to treat China and India as key suppliers in the short term and key markets only in the longer term.

### **2.8.2 Competition and Industrial Structure**

It is likely however, that as the processes of convergence progress, competitive boundaries will become increasingly blurred. The common feature of the global opportunities presented by new and developing technology is that they will be beyond the scope and scale of almost all single companies, even large established multinationals or conglomerates. Alliances and partnerships will therefore need to be formed for opportunities to be realised, commonly with companies in technology and telecoms, and sometimes with companies that will be competitors in other markets.

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<sup>39</sup> Deloitte 200



Learning how to navigate through this increasingly complex competitive environment may well be a distinguishing feature of companies which survive through the increasingly competitive environment precipitated by the current economic downturn, and those which do not.

### **2.8.3 Convergence and Audience Fragmentation**

According to figures from the Internet Advertising Bureau, the web in the UK will take in advertising revenues of £2bn this year, surpassing the combined revenues of the entire national newspaper sector and making the internet advertising market more than half that of the TV industry. Advertising revenues from the internet are growing annually at a far higher rate than from other sources – 40% compared with 10% from the cinema, 2% from TV and actual decreases of 4% from magazines and 0.4% from newspapers.<sup>40</sup>

Thus, unlike many sectors of the economy, the current challenge for those in most sectors of the Creative Media industry is less about the scale of demand, but its complexion and the ways in which it can be met. In particular, recent years have witnessed fragmentation of markets on a huge scale, meaning that broadcasters and publishers in particular have for some time had to rethink their business models radically. It has long been clear that the traditional media paradigm of broadcasters and publishers providing advertisers with direct or exclusive access to mass markets and relying solely on that revenue source has gone for good. The huge decline in advertising revenue has presented many employers in the sector with profound business challenges long before the rest of the economy began its slide towards recession.

Paradoxically though, it is in fact audience fragmentation which is driving growth in demand – in the last ten years, for example, cable and satellite subscription revenue has tripled, while DVD revenues have increased fifteen-fold and downloading has enabled audiences to access content in more personalised ways.<sup>41</sup>

### **2.8.4 Lower Cost Technology and User-Led Innovation and Content**

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<sup>40</sup> The Advertising Forecast, Advertising Association statistics published by [www.WARC.com](http://www.WARC.com), Nielsen Media Research, World Advertising Research Centre.

<sup>41</sup> Deloitte (2009) Media Predictions, TMT Trends.

User-led innovation has become increasingly important and several of the UK's existing creative businesses such as web content and video games have been cited as examples of excellence.<sup>42</sup> This includes User Generated Content (UGC) through, for example 'Twitter' and other social media sites and blogs. In the US, UGC site visitors are projected to grow from 69 million in 2006 to 101 million in 2011, with corresponding growth in advertising revenue from \$1 billion in 2007 to \$3.3 billion in 2008.<sup>43</sup> In the UK, around 19 million people in the UK (50% of internet users) visit Facebook, spending an average of six hours per month in May 2008.<sup>44</sup> Social media sites such as Facebook have also opened up their platforms to individuals and businesses to create widgets and have created and developed the structure to support the commercialisation of these applications. However, economic and quality factors suggest that sites that had to date focused exclusively on User-Generated Content (UGC) may well have to scale back some of their offerings, and offer content that is more professionally produced, which can generate revenue.<sup>45</sup>

### **2.8.5 Intellectual Property and Digital Management**

A mass of niche services has been created and with these opportunities come new challenges – peer sharing and privacy for example – challenging content creators' ability to earn from their own intellectual property at a time when budgets have been squeezed.

With format export fees partially replacing lost advertising revenue, the potential for intellectual property theft has been greatly heightened and poses a serious threat to many content producers.

In summary, although the changing landscape is a challenge it also represents a significant opportunity. The Creative Media industries are seen as an important sector in driving the recovery of the economy. Additionally, both the UK Government and the devolved national governments see skills as the key element in increasing both personal and national productivity.

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<sup>42</sup> NESTA (2009) Annual Review.

<sup>43</sup> 'User Generated Content, Social Media and Advertising', IPA, April 2008.

<sup>44</sup> OFCOM (2009) Annual Report.

<sup>45</sup> Deloitte (2009) Media Predictions, TMT Trends.

### 3 Current Skills Needs

#### 3.1 Overview

Perhaps the greatest single movement in skills requirements in the Creative Media industries therefore has been due to advances in digital technology, transforming the ways in which content is produced, aggregated and distributed. New platforms require not only new technical skills, but also the development of new business models, flexible and adaptive management and visionary creative leadership. Traditional production processes are being questioned, and new techniques rapidly move from “cutting edge” to industry standard. Although the importance of learning the skills to use technology cannot be overstated, the benefits of a fully digital workflow will only impact when production staff embrace and adapt to the collaborative working enabled by new techniques.

Demand for training and development at the current time is high<sup>46</sup> and more companies consulted in 2009 reported an increase in requests for training (22%) than a decrease since the recession began.<sup>47</sup> In Skillset’s Creative Media Workforce Survey of 2008, the most common areas of training were reported as relating to multi-platform content and new and digital technology (also one in four employers identifying this need<sup>48</sup>). One in two people declared a current need for training. Six in ten had undertaken training in the previous year, receiving an average of 11 days each (an increase from 7 days in 2005). Comparing employees with freelancers, freelancers were more likely to need training (60%). A smaller proportion of freelancers had undertaken training (43% v. 65%) but those who had taken training had undertaken more (an average of 13 days v. 9 days)<sup>49</sup>.

A large proportion of roles in all sectors are industry-specific and often highly specialised. Many roles are esoteric and require up to date skills with particular machinery or software. There is thus a very wide range of skill areas within the sector, and often a small labour pool from which to recruit too many of those areas. This can mean that in spite of the oversupply of potential new entrants to the industry, serious gaps and shortages can and do occur in particular areas.

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<sup>46</sup> Skillset (2008) Creative Media Workforce Survey, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey, Skillset (2007) Photo Imaging Workforce Survey.

<sup>47</sup> Skillset (2009) From Recession to Recovery. Based on a sample of 262 employers.

<sup>48</sup> Ibid.

<sup>49</sup> Skillset (2008) Creative Media Workforce Survey. Figures exclude film production, photo imaging and publishing.

Some of the skills issues that have arisen as a result of the above factors are described below.

### **3.2 Skills Shortages**

Most areas of the Creative Media industries have long been characterised by an oversupply of potential new entrants. One result of this has been a high level of voluntary or unpaid working, with nearly half the workforce in Creative Media reporting having worked unpaid in order to get into the industry<sup>50</sup>. Mismatch of applicants' skills to the needs of the job is a common issue, and experience in work is often a much greater priority than academy qualifications.

Across the Creative Media industries, skills in short supply from new entrants include production skills for multi-platform content, understanding of intellectual property legislation, management and leadership, and commercial acumen. In the Creative Media industries, the most common areas of training identified by employers are related to new and digital technology (one in four people). In addition management and leadership skills to take advantage of and monetise this content are a priority for the sector (cited by one in ten people)<sup>51</sup>.

Multi-skilling competence is a significant requirement of digital media workflow, from content creation and production to metadata management. Yet there is a shortage of new people in the industry equipped with 'T-skills' - highly specialised in one core field, but with broad skills and knowledge to utilise their specialism across teams and platforms<sup>52</sup>.

Broadcast engineering has long been recognised as a skills shortage area<sup>53</sup>. A combination of lack of new recruits; inappropriateness of training provision in further, higher and commercial education; an ageing profile of the workforce; lack of a framework for continuing professional development; and the rapid impact of technological change has meant that many companies feel this area is a priority for action<sup>54</sup>.

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<sup>50</sup> Skillset (2008) Creative Media Workforce Survey. Figures exclude film production, photo imaging and publishing.

<sup>51</sup> Skillset (2009) Archives Skills Strategy, Skillset Creative Media Workforce Survey 2008. Figures exclude film production, photo imaging and publishing.

<sup>52</sup> Skillset (2009) A Skills Review for the TV & Radio Sector; Skillset/UK Film Council (2008, 2005) Feature Film Production Workforce Surveys. Figures exclude photo imaging and publishing.

<sup>53</sup> Skillset (2008) Creative Media Workforce Survey; Skillset (2006) Balancing Children and Work in the Audio Visual Industries; Skillset (2005) Survey of the Audio Visual Industries' Workforce; Skillset (2003) Workforce Survey.

<sup>54</sup> Skillset/IABM (2009) Final Summary Report from the M.TEST Project and Recommendations.

Visual Effects (VFX) is dependent on highly specialised technical and artistic skills that are also in considerably short supply globally. Visual effects companies are recruiting from all over the world to meet that demand for specialised technical roles, and VFX has been placed on the Home Office skills shortage list<sup>55</sup>.

### 3.3 Skills Gaps

One in two companies in the Creative Media industries reports skills gaps, and the most commonly reported are those concerned with specific software applications, and understanding and exploiting digital technological advances.<sup>56</sup> New skills are needed to meet demand for quality content on *any* platform; this multi-platform capability is the second highest skills gap among the workforce<sup>57</sup>. The most recent research shows this is one of the top three skills gaps resulting from the recession, cited by one in four<sup>58</sup>.

Management, leadership and business skills are major development needs across the workforce in all Creative Media industries, particularly in relation to project and production management for multi-platform<sup>59</sup>. On a senior management level, gaps in negotiation and leadership skills are frequently associated with the challenges of managing the change from traditional to digital.

Overall, Creative Media professionals need to become increasingly multi-faceted. Ideas often need to be multi-disciplinary and media neutral so that they can be applied down a number of channels. The increasing importance of digital content has led to a growth in the value of specialists in this discipline, expanding existing roles and creating entirely new roles. This has the knock on effect of increasing employee churn and higher salaries. Across industry, people are required to have a broader understanding of technologies related to their function, be it software, hardware or communication technology.

### 3.4 Skills Supply

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<sup>55</sup> Skillset Submission to the Development of MAC Shortage Occupation Lists, 2009.

<sup>56</sup> Skillset (2009) From Recession to Recovery. Based on a sample of 262 employers.

<sup>57</sup> Skillset (2008) Creative Media Workforce Survey, Creative Blueprint 2006

<sup>58</sup> Skillset (2009) From Recession to Recovery. Based on a sample of 262 employers.

<sup>59</sup> Skillset (2009) From Recession to Recovery (based on a sample of 262 employers), Skillset (2008) Creative Media Workforce Survey; Skillset (2009) A Skills Review for the TV & Radio Sector.

### **3.4.1 Skills Supply: the Education System**

Considering the education system and the workforce of the future, a suite of issues affect the growth of the Creative Media industries. For example:

#### In Higher and Further Education

- There are 13,000 media programmes at Further and Higher Education levels serving an estimated 50,000 students. Although this provides valuable skills into the wider community, in terms of the Creative Media industries, too many courses produce graduates with insufficient specialisms to meet employer needs.
- Employers are keen to promote greater uptake of Sector Skills Council backed courses and accreditation services, which identify provision that best meet industry needs. This includes the Skillset Academies and the Skillset accreditation of degree programmes.
- Barriers remain in creating cross-disciplinary pathways in education that would add significant value for the Creative Media industry. To support progression there is a need to bring students together across disciplines to collaborate, innovate and pursue new research and development. Industry needs to be more engaged with Higher Education to help shape provision, support delivery and provide work experiences that enable graduates to become more work ready.
- Work is now also underway to position the Skillset Academies and Accredited Courses as the suppliers of higher level professional Skill development and applied research, however this needs to be accelerated and the need for brokerage between Industry and the providers needs to be recognised and funded,

#### In schools and colleges

There are significant issues with careers advice. Students generally are not receiving high quality advice to help them understand the opportunities across the Creative Media sectors and make appropriate subject choices. The online site Skillset Careers<sup>60</sup> has been established to help rectify the gap of relevant careers information, advice and guidance for the Creative Media industries.

### **3.4.2 Skills Supply: Workforce Development**

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<sup>60</sup> [www.skillset.org/careers](http://www.skillset.org/careers).

Demand for training remains high in the Creative Media industries. In Skillset's Creative Media Workforce Survey of 2008, the most common areas of training were reported as relating to multi-platform content and new and digital technology (one in four people identify this need).<sup>61</sup> One in two people declared a current need for training. Six in ten had undertaken training in the previous year, receiving an average of 11 days each (an increase from 7 days in 2005). Comparing employees with freelancers, freelancers were more likely to need training (60%). A smaller proportion of freelancers had undertaken training (43% v. 65%) but those who had taken training had undertaken more (an average of 13 days v. 9 days)<sup>62</sup>.

Barriers to training are also a challenge for the Creative Media industries. In the 2008 survey, nine in ten in the Creative Media industry workforce reported barriers or obstacles to training. Overall, the most common were that fees are too high (40%), employers were unwilling to pay for training (34%), and it was difficult to assess the quality of courses (27%). There were considerable differences between the experiences of employees and freelancers. A far higher proportion of freelancers than employees reported virtually every type of barrier. For example, freelancers were more likely to say fees were too high (reported by 62% of freelancers vs. 34% of employees), and to fear losing work due to committing time to training (37% vs. 7%). The only barriers more widely reported by employees than freelancers were difficulty assessing the quality of courses, and employers being unwilling to pay for training<sup>63</sup>. More recently, one in two Creative Media companies said their ability to deliver training has been affected by the recession<sup>64</sup>.

A particular issue in terms of workforce development for the digital economy is the key role of leaders and managers in the Creative Media industries in creating new business models and exploiting the opportunities provided by digital platforms. SMEs in particular need help, which is not currently widely available, to understand the potential, find new approaches to content creation and Intellectual Property exploitation, and develop new business models for growth.

### **3.4.3 Skills Supply: Diversity**

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<sup>61</sup> Skillset (2008) Creative Media Workforce Survey. Figures exclude film production, photo imaging and publishing.

<sup>62</sup> Skillset (2008) Creative Media Workforce Survey. Figures exclude film production, photo imaging and publishing.

<sup>63</sup> Ibid.

<sup>64</sup> Skillset (2009) From Recession to Recovery. Based on a sample of 262 employers.

A particular issue in terms of skills supply into Creative Media industries is the changing profile in terms of women and Black, Asian and Minority Ethnic representation, which has fallen sharply in recent years in some sub-sectors, along with an increase in people leaving the industries in their thirties and forties<sup>65</sup>. In addition, the industry's traditional reliance on an extremely young workforce may in the future be challenged by the changing demographics of fewer young people coming through the education system. A workforce representative of our population is key to economic success and '...organisations that want to do business with this changing population realise they'll have a better chance if the make-up of their own workforce mirrors that of their potential customers'.<sup>66</sup> If this is not addressed fast it could potentially represent a major gap in qualifications and experienced talent with implications for the industry at large.

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<sup>65</sup> Skillset (2008) Creative Media Workforce Survey; Skillset (2006) Balancing Children and Work in the Audio Visual Industries, Skillset (2005) Survey of the Audio Visual Industries' Workforce, Skillset (2003) Workforce Survey.

<sup>66</sup> From Samir Shah's address to the audience of a recent RTS Fleming Memorial Lecture.



## 4 Anticipating What Lies Ahead

### 4.1 Growth Potential

Pre-recession forecasts suggested that the UK entertainment and media market would grow by 5.8% compound annual growth rate for the five years to 2012, to reach \$152 billion<sup>67</sup>. However, since then, the Creative Media industries have been subject to significant challenges as set out earlier in this report. Given the turbulence, it is difficult to source reliable future estimates of industry spend and employment forecasts. In early 2009, NESTA released a forecast that, between 2009 and 2013, the UK Creative industries, including Creative Media, would grow on average at 4%, more than double the rate of the rest of the economy, and, by 2013, would employ 1.3 million people.<sup>68</sup> In this forecast, the Creative industries are expected to contribute £85 billion to UK GVA in 2013, up from £57 billion in 2006. This optimistic medium-term outlook is primarily due to the opportunities for innovation as increasing numbers of creative businesses take advantage of digital technologies to develop new business models, for example the digital distribution model which has been exemplified by the success of 'iTunes'<sup>69</sup>.

Major events such as the US Presidential election and the Olympics of 2008 saw increased use of media but mostly digital media and on these occasions television dominated in terms of viewing figures and revenue<sup>70</sup>, a phenomenon that is set to increase with major events in the short term for example the UK General Election 2010. To meet this heightened demand in terms of quantity i.e. the amount across the range of platforms and crucially in terms of the quality of and sophistication of content, our digital media industry needs the associated skills and this requires investment.

Many analysts predict that traditional incumbent companies will remain dominant, sometimes through acquiring companies with a strong digital presence<sup>71</sup>. The opportunities presented by developing technology may be beyond the scope of almost all single companies, even large established multinationals or conglomerates. Alliances and partnerships will therefore be formed for opportunities to be realised, commonly with Technology companies, and sometimes with companies that will be competitors in other markets.

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<sup>67</sup> PWC UK (2008) Global Media & Entertainment Outlook 2008-2012.

<sup>68</sup> Includes software and reproduction of computer media.

<sup>69</sup> 'UK creative industry to drive significant growth to UK economy', Press release, NESTA 19/02/2009.

<sup>70</sup> Deloitte (2009) Media Predictions, TMT Trends.

<sup>71</sup> Skillset (2008, 2009) Strategic Plan 2008-2011.

With the number of people employed in the Creative Media industries currently declining<sup>72</sup>, and the fact that people are likely to become freelance when faced with redundancy or the threat of redundancy<sup>73</sup>, the highly skilled freelance labour pool is likely to increase, resulting in increasing pressure on already limited funds for investing in freelancers' skills and development. However, another consequence of the present economic climate is that it is becoming increasingly difficult for individuals to secure mortgages and other types of credit without a permanent employment contract. As a result, some individuals may be likely to leave the sector entirely, taking their skills and talent with them. There is a significant danger of losing a highly skilled and experienced cohort of the workforce in whose development there has been significant investment.

#### **4.2 Changing Skills Needs**

Across all Creative Media industries, there is recognition of the dramatic changes brought about by the digital environment and the need to upskill to make the most of it. The following are of particular importance<sup>74</sup>:

- Multi-skilling: an understanding of different technology platforms and their impact on content development and digital work flow, and new approaches to working in cross-functional creative / technical teams within and across companies.
- Multi-platform skills: the creative and technical skills to produce content for distribution across all potential platforms, and the ability to understand and exploit technological advances.
- Management, leadership, business and entrepreneurial skills: especially project management for multi-platform development; the hybrid skills combining effective leadership with innovation, creativity and understanding of technology, and the analytical skills to understand audience interests and translate it into business intelligence.
- IP and monetisation of multi-platform content: understanding of intellectual property legislation to protect from piracy, and exploiting intellectual property internationally to take full advantage of emerging markets - with particular

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<sup>72</sup> Skillset (2009) Employment Census.

<sup>73</sup> Skillset (2008) Creative Media Workforce Survey. Figures exclude film production, photo imaging and publishing.

<sup>74</sup> Skillset (2008) Creative Media Workforce Survey, Skillset (2009) A Skills Review for the TV & Radio Sector; Skillset/UK Film Council (2008) Feature Film Production Workforce Survey. Figures exclude photo imaging and publishing.

focus on the ability to deal with the problem of illegal downloading and copyright infringement.

- Broadcast engineering: continuing to be an area of skills shortage.
- Archiving: archiving of digital content being an area which is attracting increased attention as a challenging issue for the future.
- Sales and marketing: being particularly important in commercial radio and an emerging need in other sectors.

There needs to be particular recognition of the needs of the freelancers upon whom so much of the Creative Media industries depend.

## 6 Geographical Differences in Labour and Skill Needs

### 6.1 Sector Employment across the UK

Employment in the Creative Media industries has long been concentrated very much in London and the South East of England. **Table 4** shows that more than three in ten of the Creative Media workforce is based in London, and one in ten is based in the South East (excluding London) and the South West.

**Table 4 Work base of Creative Media Workforce<sup>75</sup>**

<b>Nation/English region</b>	<b>% of UK total</b>
WALES	4%
SCOTLAND	5%
NORTHERN IRELAND	3%
ENGLAND	89%
All London	35%
South East of England (excluding London)	11%
South West of England	9%
West Midlands	4%
East Midlands	4%
North East of England	2%
Yorkshire & the Humber	7%
East of England	7%
North West of England	10%

Source: Skillset (2009) Employment Census, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey, Skillset (2007) Photo Imaging Workforce Survey, ONS (2009) LFS April-June.

There are considerable differences between sub sectors in geographical distribution: for example, because of the prominence of regional and local radio within both the BBC and the commercial sector, and the growth of community radio, radio is distributed more evenly throughout the UK than many sectors. Conversely, sectors such as independent production for television, film production, commercials and corporate production all remain very London-centric.

In recent years, there have been some major endeavours and interventions to redistribute some sectors more evenly throughout the UK. This is illustrated most clearly in the relocation of large segments of the BBC's workforce, mainly from London,

<sup>75</sup> Skillset (2009) Employment Census, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey, Skillset (2007) Photo Imaging Workforce Survey, ONS (2009) LFS April-June.

to Salford Quays in the North West of England and a corresponding decrease in West London from 16% to 13%, which is reflected in Skillset's 2009 Employment Census.<sup>76</sup>

## **6.2 Characteristics of the Workforce**

Most key occupational groups within the industry operate within a national or international labour market; people will generally need to be willing to travel to wherever work is in order to develop or sustain a career in the industry. The profile of the workforce in each nation or region tends therefore to reflect the profile of the dominant sectors there rather than the profile of the working population in the area. The workforce in London contains higher proportions of BAMEs, though this is largely due to high representation in lower level, generic roles.<sup>77</sup>

## **6.3 Recruitment and Skills Issues**

There are few differences across the UK in the levels of reported skills gaps or shortages given the wide geographical scope of the labour market. However, considerable debate has taken place around the challenge of nurturing growth and development in the nations and regions outside London. There is perceived to be a lack of senior roles outside London in both management and production. A number of television industry leaders outside London have pointed to the lack of a critical mass of production making it difficult either to grow indigenous talent, or to persuade high-level industry professionals to relocate. The tendency by broadcasters to commission single series only has also been cited as holding back the development of a local talent base as broadcasters tend to want to use known executive producers on programmes, but it is not feasible to relocate talent on the basis of a single commission. Commissioners would therefore need to commit to at least two returning shows in a region in order to facilitate relocating senior talent and to build an indigenous talent pool at other grades. As such, training schemes outside London can only succeed if there are job opportunities once training is completed.

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<sup>76</sup> Skillset (2009) Employment Census. Figures exclude film production, photo imaging and publishing.

<sup>77</sup> Skillset (2009) Employment Census, Skillset/UK Film Council (2008) Feature Film Production Workforce Survey, Skillset (2007) Photo Imaging Workforce Survey, ONS (2009) LFS April-June.

## **7 Actions Needed To Raise Skills and Productivity across the Creative Media Sector**

**Strategic recommendation:** The sectors at the heart of the creative economy should continue to receive attention as sectors of strategic importance, with priority placed on their skills needs. Building on the policies set out in ‘Higher Ambitions’ and ‘Skills for Growth’, government and business should work more closely together, with employers having increased influence and investment in the skills system and with government policy enabling greater tailoring of skills strategies to meet the high level skills needs of these sectors. A more strategic, flexible approach to co-investment with employers and individuals should be established for all the skills on which the creative economy depends.

### **7.1 Entry Level Skills Development**

1. Launch a Professional Apprenticeship and Internship Programme for the Creative Media industries to incentivise employers to recruit and train graduates and grow the UK’s pool of experienced Creative Media professionals.
2. Urge the film and television industries to provide more equal access to training and skills-based career development through greater use of apprenticeships and graduate internships. Skillset will continue its work on developing codes of conduct for internships and will seek to play a greater role in the coordination of apprenticeships and on-the-job training.
3. Continue to support and invest in Skillset’s Media and Screen Academy network in their development of fit for purpose Undergraduate and Foundation degree provision.
4. Skillset will work to secure ongoing investment to a refreshed approach to an online careers and mentoring provision designed to help people get on and get into the Creative Media industries.
5. Publish new guidelines to help galvanise the Industry to do more to tackle the widespread use of unpaid work experience, which while developing skills, discriminates against those who cannot afford to work unpaid.

### **7.2 CPD and Professional Development**

6. Launch a 'Digital Professional' Skills Development Fund as part of a policy decision to accelerate the growth of the knowledge economy. This fund should leverage public funding to trigger increased investment in the development of content skills by employers, and should support high level skills development (graduate and post-graduate level).
7. Undertake a feasibility study to explore how effective a formal membership body could be in underpinning the ongoing professionalisation of the sector. The idea here would be to test the feasibility of creating a '*Creative Media Industries Institute*' which existing practitioners and new entrants could join in the same way that HR and Marketing professionals can join their long established professional bodies.
8. Continue to invest in and grow the wider role that Skillset's Screen and Media Academies play in offering CPD business support, Postgraduate provision, Incubation schemes and other development activity
9. Endorse the recent recommendations of the House of Lords Communications Committee urging the Government to encourage Public Sector Broadcasters (PSBs) to revive their investment in training<sup>[2]</sup>. Skillset will support and help further develop the central industry training role of the BBC and Channel 4 as public realm actors. In addition the UK Film Council should continue to see developing the skills and talent of the workforce as key to the health and wealth of the British film industry and continue its investment. These efforts are a good use of public monies for a sector characterised by an unusually long tail of sole traders and SMEs without the profit margins to sustain large amounts of external training provision.

### **7.3 Fiscal and business support**

10. Investigate whether a new architecture of fiscal incentives can be created for the larger employers in the sector to employ people from more diverse backgrounds in larger numbers.

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<sup>[2]</sup> House of Lords Communications Committee (2010) – '*First Report: The British Film and Television Industries*' ([www.parliament.the-stationery-office.co.uk](http://www.parliament.the-stationery-office.co.uk))

11. Create a new architecture of engagement for SMEs and sole traders. Skillset and other key agencies will work to create new ways of communicating with the sector through roadshows, social networking sites, twitter, and streamed events.

#### **7.4 Invest in Research and LMI**

12. Continue and increase investment in a current evidence base that provides the strategic intelligence to routinely inform;
  - the ongoing development and currency of all the other policy recommendations listed above and
  - the introduction of other essential interventions yet to be determined based on new evidence.



## **Annex A Creative Media and Gaps in Official Data Sources**

Official data sources that rely on Standard Industrial and Standard Occupational Classifications are broadly effective for photo imaging and publishing for the purpose of collecting and representing employment and some skills data but less useful for capturing data for the rest of the industry. As noted earlier,

- Key elements of the Creative Media industry sit in broad classifications that include activity outside of Creative Media preventing any discrete and crucial analysis e.g. Interactive Content Design, Content for Computer Games and Facilities.
- Official data sources to a greater or lesser extent systematically exclude the discrete and increasing freelance labour pool required to create and distribute the creative content upon which our digital economy is becoming increasingly reliant.
- In some cases sample sizes are too small to enable discrete analysis of data contained within SIC that do exist, particularly to the 5-digit SIC level.

The Creative Media industry and DCMS with Skillset first reviewed data available for this part of the industry from the ONS and other sources in 1999 and concluded that additional data are required to measure as a priority the size, shape and specific skills demand of the Creative Media industry its constituent sectors and large freelance labour pool to a granular and commonly understood sub-sectoral level, using bespoke methodologies to ensure adequate sample sizes,. In some cases equivalent data cannot be generated eg. GVA and GDP and so these measures exclude contributions from elements not served well by SIC eg Interactive Content Design, facilities (excl. post production), content for computer games and freelancers.

In some cases, the SIC and SOC systems simply do not provide the level of detail required, as noted above. In other cases within the SIC system, whilst the system itself provides the level of detail required, sample sized of surveys prevent that underpin the key data sources such as the ABI which measures productivity are in fact too small to offer robust detailed analysis. As well as systematically excluding sole traders, as far as business activity goes, little data are available at 5-digit SIC level and for example production and distribution activity cannot be disaggregated.

The table below provides a full breakdown of employment in the Creative Media industry from Skillset's primary research compared with estimates from official data sources. This is followed by a detailed comparative analysis.

For more detail on the methodologies adopted please refer to: [www.skillset.org](http://www.skillset.org).

**Table 5 Labour Force Survey and Skillset Creative Media Employment Estimates**

LABOUR FORCE SURVEY <sup>78</sup>			SKILLSET <sup>79</sup>		
INDUSTRIES			INDUSTRIES		
SIC 2007	Description	Total Employed	Main Sector	Sub-sector	Total Employed
60.2	TV Programming & Broadcasting activities	49,000	<b>Television</b>	Broadcast TV	15,750
59.11/3	TV Programme Production activities	23,000		Cable and Satellite	12,700
59.13/3	TV Programme Distribution activities	n/a		Independent Production	21,700
	<b>Sub-total</b>	<b>72,000</b>		<b>Sub-total</b>	<b>50,150</b>
60.1	Radio Broadcasting	13,000	<b>Radio</b>	Broadcast Radio	19,900
				Independent Production	1,000
	<b>Sub-total</b>	<b>13,000</b>		<b>Sub-total</b>	<b>20,900</b>
59.12	MP, V, and TV Programme Post-Production	3,000	<b>Facilities</b>	Post production	7,450
				Studio and Equipment Hire	5,900
				Outside Broadcast	300
				VFX	6,900
				Special Physical Effects	700
				Manufacture of AV Equipment	2,900
				Processing Labs	300
				Other Services for Film and TV	18,600
	<b>Sub-total</b>	<b>3,000</b>			<b>Sub-total</b>
59.11/1	Motion Picture Production activities	19,000	<b>Film</b>	Film Production <sup>80</sup>	11,300
59.13/1	Motion Picture Distribution activities	n/a		Film Distribution	1,200
59.14	Motion Picture Projection activities	15,000		Cinema Exhibition	17,650
				Moving Picture Archives and Libraries	300

<sup>78</sup>ONS (2009) Labour Force Survey April-June.

<sup>79</sup> Skillset (2009) Employment Census except for Publishing, Photo Imaging, Creative Occupations outside the industry and where otherwise stated.

<sup>80</sup> Secondary analysis of unit lists for 2006 feature film productions (80 minutes or longer and minimum budget of £500K).

LABOUR FORCE SURVEY <sup>78</sup>			SKILLSET <sup>79</sup>		
	<b>Sub-total</b>	<b>34,000</b>		<b>Sub-total</b>	<b>30,450</b>
59.11/2	Video production activities	7,000	<b>Other Content Creation</b>	Animation	4,300
59.13/2	Video Distribution activities	n/a		Commercials and Pop Promos	4,100
				Corporate Production	3,950
	<b>Sub-total</b>	<b>7,000</b>		<b>Sub-total</b>	<b>12,350</b>
			<b>Interactive Content Design</b>	Interactive Content Design	34,250
				<b>Sub-total</b>	<b>34,250</b>
			<b>Content For Computer Games</b>	Content and Development	7,000
				<b>Sub-total</b>	<b>7,000</b>
			<b>Additional Available Freelancers</b>		<b>50,000</b>
74.2	Photographic activities		<b>Photo Imaging<sup>81</sup></b>	Photographic activities	
74.20/1	Portrait Photographic activities	17,000		Portrait Photographic activities	17,000
74.20/2	Other Specialist Photography not Portrait	2,000		Other Specialist Photography not Portrait	2,000
74.20/3	Film processing	3,000		Film processing	3,000
74.20/9	Other Photographic activities; n.e.c.	26,000		Other Photographic activities; n.e.c.	26,000
	<b>Sub-total</b>	<b>48,000</b>		<b>Sub-total</b>	<b>48,000</b>
58.11	Book Publishing	38,000	<b>Publishing<sup>82</sup></b>	Book Publishing	38,000
58.12	Publishing of Directories & Mailing Lists	3,000		Publishing of Directories & Mailing Lists	3,000
58.13	Publishing of Newspapers	56,000		Publishing of Newspapers	56,000
58.14	Publishing of Journals & Periodicals			Publishing of Journals & Periodicals	
58.14/1	Publishing of Learned Journals	n/a		Publishing of Learned Journals	n/a
58.14/2	Publishing of Consumer, Business and Professional Journals and Periodicals	41,000		Publishing of Consumer, Business and Professional Journals and Periodicals	41,000

<sup>81</sup>ONS (2009) LFS April-June.

<sup>82</sup> Ibid.

LABOUR FORCE SURVEY <sup>78</sup>			SKILLSET <sup>79</sup>		
63.91	News Agency activities	7,000		News Agency activities	7,000
63.99	Other information Service activities n.e.c.	9,000		Other information Service activities n.e.c.	9,000
58.19	Other Publishing	32,000		Other Publishing	32,000
	<b>Sub-total</b>	<b>186,000</b>		<b>Sub-total</b>	<b>186,000</b>
	<b>TOTAL</b>	<b>352,500</b>		<b>TOTAL</b>	<b>482,850</b>
OCCUPATIONS OUTSIDE THE CREATIVE MEDIA INDUSTRY <sup>83</sup>			OCCUPATIONS OUTSIDE THE CREATIVE MEDIA INDUSTRY <sup>84</sup>		
SOC 2000	Description	Total employed	SOC 2000	Description	Total employed
3432	Broadcasting Associate Professionals	12,000	3432	Broadcasting Associate Professionals	12,000
5244	TV, Video and Audio Engineers	8,000	5244	TV, Video and Audio Engineers	8,000
3434	Photographers & Audio-Visual equipment operators	23,000	3434	Photographers & Audio-Visual equipment	23,000
3431	Journalists, Newspaper & Periodical Editors	21,000	3431	Journalists, Newspaper & Periodical	21,000
5421	Originators, Compositors & Print Preparers	2,000	5421	Originators, Compositors & Print Preparers	2,000
3421	Graphic Designers	85,000	3421	Graphic Designers	85,000
	<b>TOTAL</b>	<b>151,000</b>		<b>TOTAL</b>	<b>151,000</b>
INDUSTRIES + OCCUPATIONS <sup>85</sup>			INDUSTRIES + OCCUPATIONS <sup>86</sup>		
<b>TOTAL</b>		<b>482,500</b>	<b>TOTAL</b>		<b>633,850</b>

NB: 'n/a' indicates data not available. All LFS data include all people working and not just those of working age.

<sup>83</sup> Skillset's contract with UKCES does not include responsibility for these occupations outside the Creative Media industry. Due to the nature of the Creative Media labour pool it is likely that people working in these occupations will work in the Creative Media industry at some point and will benefit from the service Skillset provides.

<sup>84</sup> Ibid.

<sup>85</sup> bid.

<sup>86</sup> bid.

**Table 5** shows employment estimates from the Labour Force Survey (April-June 2009) using SIC 2007 against those from Skillset sourced employment data where there is significant incompatibility, using the Skillset coordinated and industry endorsed classification system. Figures from both sources have been grouped in ways that differ slightly from their 'natural' organisation within the two respective systems in order to enable comparison: in other words, the sectors as defined within SIC are not listed in chronological order, and the broad sector groupings used for Skillset data do not in every case reflect how the sector is usually mapped, defined or presented by Skillset. The sector groupings used here are intended purely to illustrate where definitions are compatible and where they are not, and what is and is not included within each dataset.

### **Television**

The LFS estimate of employment in television is considerably higher than Skillset's (81,000 compared with 50,150). There are a number of likely explanations for this. Analysis of the data at sub sector level shows a close fit between the LFS estimate for 59.11/3 (TV Programme Production Activities) and Skillset's estimate for Independent Production for TV (23,100 against 23,000). The LFS estimate is a little higher as it probably includes some in house production staff employed by broadcasters. The real disparity is between the LFS estimate for SIC 60.2 (TV Programming & Broadcasting Activities) and Skillset's combined estimate for Broadcast TV and Cable and Satellite (49,000 against 28,450). The main reason for this is likely to be the diversification of activities now undertaken by broadcasters, and difference in the modes of classification between the LFS and Skillset's Employment Census. Specifically, the BBC (by far the largest employer in this area) now undertakes activity not only in television broadcasting, but also radio, interactive content design and facilities (eg post production and outside broadcast). In the absence of suitable alternative classifications, it is likely that all or most individuals employed, say by the BBC, who respond to the LFS will be classified within 60.2. By contrast, the BBC provides Skillset with employment returns for the four sectors separately (television, radio, interactive content Design and facilities). Employees and freelancers working in generic roles across the business are apportioned according the relative size of each main area of business. Thus some of the workforce represented within 60.2 is counted by Skillset's research within the categories of radio, facilities and interactive content design rather than television.

## **Radio**

In contrast to television, Skillset's estimate for radio comes out considerably higher than that of the LFS – 20,900 compared with 13,000. In large part, this is likely to be due to the phenomenon, already noted, of BBC employees across all areas of activity being classified as within 60.2 (TV Programming and Broadcasting Activities) by the LFS, but within the specific area by Skillset.

## **Facilities**

The facilities sector encompasses a wide range of activities that provide support to television, film and related areas. The only of these areas captured by a discrete category within SIC is 59.12 (motion picture, video, and television programme post-production activities). The LFS reports 3,000 people to be employed in that activity, compared with 7,450 recorded by Skillset as working in post production. This will be due in part to the classification by the LFS as some individuals in post production within TV Programming and Broadcasting (60.2), as already noted. Some other individuals classified in other sub sectors of facilities by Skillset (eg Outside Broadcast and VFX), may also be classified by the LFS as within 60.2. However, many, employed in areas such as Studio and Equipment Hire and Other Services for Film and TV, are almost certainly excluded completely from LFS data cut to capture the footprint as they are probably counted within SICs that are 'core' to another SSC. This cohort of people almost certainly accounts for part of the overall discrepancy between the LFS and Skillset data.

## **Film**

The overall estimate of employment in film from the LFS is 34,000, slightly higher than Skillset's figure of 30,450. While Skillset's estimates of exhibition/projection and distribution are slightly higher, the LFS estimate of employment in film production is considerably higher (19,000 compared with 11,300). The likely explanation for this is the classification by LFS of some individuals in film production who are recorded by Skillset in areas such as commercials or animation (see below – Other Content Creation).

## **Other Content Creation**

The sum of these areas as recorded by Skillset comes in higher than the LFS estimate (12,350 compared with 7,000). As noted above, this is probably due to some of those classified here by Skillset being counted within Film Production by the LFS.

### **Interactive Content Design**

Interactive content design accounts for employment of 34,250 people but is not classified as a discrete sector within SIC and therefore does not show up in official data estimates of Skillset's footprint from sources such as the LFS.

### **Content for Computer Games**

Content for computer games accounts for employment of 7,000 people but is not classified as a discrete sector within SIC and therefore does not show up in official data estimates of Skillset's footprint from sources such as the LFS.

### **Reconciling the Data**

As has been noted above, there are some differences between the LFS and Skillset sources in how sectors are classified within and between television, radio, film, other content creation, and post production, but the overall estimates for combined employment in areas covered by SIC fit very closely.



## **Annex B      Sector Overview**

In TV and Radio, the UK is particularly recognised for the quality of its public sector broadcasters alongside regulated subscription services such as BSkyB and Virgin Media). Exploiting broadband infrastructure to offer users 'on demand' services, the BBC launched iPlayer in 2007, and similar offerings have since been released by ITV, Channel 4 and Sky. TV has had particular challenges as advertising revenues shift online (see below), and the sector has seen a shift from employment in big organisations such as the BBC and ITV to the independent production sector.

Undoubtedly, the TV and radio industries are going through one of the most profound periods of restructuring and challenge in its history, in the face of convergent media and changing audience tastes and behaviour. As content created for television broadcast is increasingly available on, and viewed via, the internet 'content is king' and audiences seek programmes and content rather than channels and schedules. This convergence and change is happening at a faster rate than predicted, adding structural challenges to those posed by the downturn in the economic climate. Falling advertising revenue has already impacted directly on the sector, with significant job losses and reductions of commissioning and training budgets.

The UK has a strong heritage in IP creation in Video, Film and Photography – in the Film sector alone over the period 2001-2007, 30 of the top 200 films globally were based on stories and characters created by British writers, and British films account for 31% of UK box office receipts.<sup>87</sup> We have one of the most prodigious and highly respected Film industry's in the world which brings with it innumerable secondary economic opportunities and benefits. The current economic climate has posed challenges as it has across the whole economy and 2008 was a mixed year for the industry. The UK box office grew to a record £850 million. UK films took 31% of the UK box office and internationally UK films accounted for 15% of the global box office. The upward trend in the performance of UK film in the global market was reflected in the 2007 export figures, which saw UK film exports reaching a record £1,050 million. This figure captures the exports of production services and income from royalties, underlining the UK's international competitiveness.<sup>88</sup>

In total, the global market for all forms of Animation is currently estimated to be worth \$300 billion per annum. The UK has a significant position in this market, but the UK's animation industry faces a number of challenges and opportunities that will affect its various sub-

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<sup>87</sup> UK Film Council (2009) Statistical Yearbook.

<sup>88</sup> Ibid.

sectors in different ways. In particular, the decline in commissions from commercial broadcasters and their advertisers presents a major threat to traditional 2D animators who are already affected by the growth of off-shoring to low cost centres of production.

The Facilities sector supports and underpins the creative talent in the field of television and moving image production in the UK, and to a growing extent the creative talents of overseas producers, by providing specialised technical services, technology and their associated skilled personnel. The sector faces profound changes in its technology and overseas competition. Those involved in the sector, directly and indirectly, must ready themselves to compete globally and find new opportunities in the global digital market place. The lack of available financing due to the recent economic situation is causing increasing damage to the sector, with many companies unable to raise capital to invest in new equipment.

The Interactive Content Design industry, in particular, which has grown at twice the rate of the economy as a whole over the last decade and forecasts continued growth and demand, is now worth several billions of pounds annually; and is becoming ever more sophisticated. Bringing technical and creative talent together; to understand each others language and skill-sets, to explore new types of content development, business models, legal and collaborative frameworks is the greatest challenge for industry.

The Computer Games industry in the UK has the largest number of Computer Games studios in Europe, and is the third largest produced in the world after US and Japan<sup>89</sup>.

The Publishing industry, particularly newspapers, is adversely affected by the impact of the recession on advertising and consumer spending. At the same time, Publishing companies are key players in the information age, as drivers of the e-economy<sup>90</sup> and are making information available on an unprecedented scale. Google has made over half a million public domain books searchable online or downloadable. Creative Media distribution to electronic devices is growing, with content starting to appear for an ever widening set of devices - from the Kindle and Sony e-Book reader, to the publishing of Harper Collins' 100 Classic Book Collection for Nintendo DS.

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<sup>89</sup> NESTA (2008) Raise the Game.

<sup>90</sup> BIS, 2009 <http://www.berr.gov.uk/whatwedo/sectors/publishing/index.html>

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