

The demand for training from businesses in the creative sector in the Thames Gateway

The Creative Way

Report
February 2009

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The project team was James Kewin, Tristram Hughes, Carole Sanchez and Rachel Smith. We are grateful for the support and feedback of Liz Pearson and the Creative Way core team and partner institutions. We would also like to thank Skillset and Creative and Cultural Skills for their advice and support.

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Summary

- 1 This report provides market intelligence on the demand for training from creative industry businesses in the Thames Gateway. The findings are the result of a telephone survey of 500 businesses in the Gateway, supplemented by 15 in-depth follow-up interviews. CFE conducted the research between November 2008 and February 2009 on behalf of the Creative Way Lifelong Learning Network. It is intended to contribute to Creative Way partner institutions' understanding of their local business market.

Key findings

The extent of demand for training

- 49 per cent of businesses surveyed had undertaken work-related training in the previous 12 months; 51 per cent had not.
- The responses showed that smaller businesses are much less likely to undertake training than larger businesses.
- Businesses in East London are more likely to train than those in the south Essex or north Kent.

The nature of demand: businesses that do train

- 71 per cent of training was industry-specific, 14 per cent was generic or cross cutting (e.g. soft skills or leadership and management) and 15 per cent was classified as involving both the specific and the generic.
- Training resulted in a qualification in only 28 per cent of cases. Almost half of this group did not know the level of the qualification on the National Qualification Framework (NQF).
- The most frequently cited reason for training was to increase skill levels; over a third (35 per cent) of businesses cited this as the principal reason for training.
- 77 per cent reported that training had resulted in a positive impact, with 17 per cent responding that it was too early to say.
- Private training providers have by far the highest share (45 per cent) of the existing market for delivering training to businesses within the Thames Gateway. Just over a quarter (27 per cent) of training is carried out internally.
- Universities and colleges have an 8 per cent and 4 per cent market share.

The nature of demand: businesses that do not train

- 42 per cent of businesses that had not undertaken training in the last 12 months, had not done so because the skills were available internally.

- The *opportunity* cost of training and the time employees have to take out from working to train, was mentioned by several employers, particularly in the follow up interviews.

Choosing a training provider

- In choosing a training provider, cost was rated as the most important factor, with training resulting in a qualification regarded as the least important consideration.
- Employers perceive private providers to offer more relevant provision, greater flexibility in delivery and better value for money than universities or colleges.

Future demand for training

- Over half of businesses (54 per cent) said that they would 'definitely' or 'maybe' train in the next 12 months; 46 per cent said they were 'unlikely' or 'definitely not' inclined to do so during the same period.
- Unsurprisingly, businesses that had trained in the previous 12 months were more likely to continue training in the future. Almost half of those that had not trained indicated that only changes to their business model (rather than changes to the supply side) would change their historic pattern on non-investment.
- The decision to invest in training during the recession appears to be business, rather than sector, location or size specific. Some employers told us they would cut training, but other said training would not change or would increase during the downturn.

Recruitment and other engagement with training providers

- Employers rated attitude and motivation highest in a list of important factors when recruiting new staff. This was followed by generic skills, technical or practical skills, work experience and relevant qualification.
- 43 per cent of the employers had recruited one or more workers in the previous 12 months; 57 per cent had not.
- 58 per cent of businesses surveyed had had no contact of any kind with a university or college in the previous 12 months.
- The most common interaction with a university or college related to taking on work placement students.

Key messages

- 2 It is our hope that this study has helped to paint a more detailed picture of the demand for skills from Thames Gateway businesses in the creative sector. Based on the findings of the research, we have identified what we believe are the key messages for universities, FE colleges, training providers and other interested stakeholders.

Half of businesses are effectively 'hard to reach'

- 3 More than half of the businesses we surveyed had not undertaken any training during the preceding 12 months. According to criteria used in government interventions such as Train to Gain this points to a sector where 50 per cent of businesses are effectively 'hard to reach'. As we have also identified, the majority of these businesses are also unlikely to train in the next 12 months.
- 4 Successfully engaging these businesses will require more than simply reforming the supply of training. Very few of these businesses pointed to specific barriers to training, most referred to a lack of need. In essence this requires a change to the market context in which these businesses operate, a change that providers of skills training are unlikely to engender on their own. This can only be tackled effectively as part of a wider economic development strategy that involves more than simply selling the benefits of training.

Qualifications are not essential

- 5 All of our previous research into the demand for skills has underlined the importance of qualifications to businesses that train their staff. This study for the Creative Way very much bucks the trend.
- 6 As providers (primarily) of accredited training, this has real implications for universities and colleges. Nicholas Hytner, the director of the National Theatre is currently conducting a review of the relationship between universities and performing arts for the Government and has:

*'bemoaned the deficiencies of the next generation of actors, who he says are being taught theatre theory above drama skills. He said that universities and drama schools were under pressure to reduce the practical content of courses and increase the academic content in order to qualify for government higher education funding.'*¹

- 7 A number of the employers we consulted told us that graduates did not have enough practical work experience. These businesses were clear that without experience it is particularly difficult for graduates to gain paid employment in the creative industries – many start their careers through unpaid or low-paid work experience. Exploring further the employability of these graduates would be of interest to providers, employers and the graduates and students themselves.

¹ Reported in Sunday Times 15/2/09:
<http://www.timesonline.co.uk/tol/news/uk/article5741733.ece>

- 8 Our research suggests that the vocational nature of many jobs in the sector, rapid changes in technology and the relative importance of experience point to the need for 'short, sharp' training that may not necessarily result in the award of a qualification. The significant share of the training market enjoyed by private training providers suggests that they are responding to this demand more effectively than universities or colleges.

Size matters...

- 9 While much of our previous research has focused on businesses employing more than 25 staff, it is striking how very different the needs of small and micro businesses actually are. We found that businesses employing fewer than five staff are much less likely to train than those employing more than 50 staff (37 per cent versus 91 per cent).
- 10 Notwithstanding the fact that half of employers are unlikely to train unless there is a change to their business model, it is likely that a number of businesses that do train would train more if they could enter into some form of federation. The opportunity cost of engaging with small and micro businesses (particularly for universities and colleges) is high and significant economies of scale could be secured by delivering training to groups of like-minded employers.

...and so does cost

- 11 The cost of training was rated as the most important factor when choosing a training provider. From the follow-up interviews it is clear that 'value for money' is a more accurate description than 'cost'. Businesses do not mind paying for training (and most of those that train meet the full cost) as long as the financial costs are outweighed by bottom-line business benefits.
- 12 There is a widely held perception (perhaps reflected in their high market share) that private training providers offer the sort of bespoke, flexible training that is more likely to result in these benefits. Although often more expensive, this sort of training was usually regarded as offering greater value for money.

Training works

- 13 A resounding 77 per cent of businesses reported that training had had a positive impact on their business. After careful market segmentation there would be mileage in marketing individual success stories to other businesses.
- 14 As the majority of training is industry-specific, the process of federating businesses mentioned earlier could be aided by targeting training around particular sub-sectors or business need.

Sustainability is the key

- 15 Universities and colleges have the potential to enjoy a much more sustainable, long-term relationship with businesses than private training providers. While much of our research has focused on workforce development, universities and

colleges can offer a range of additional services to businesses such as work placements, technology transfer and graduate recruitment.

- 16 Building on these services and effectively cross-selling within institutions will allow universities and colleges to move beyond a transactional relationship with businesses towards a 'one-stop-shop' model.

1 Introduction

- 1.1 This report provides evidence on the demand for training from businesses in the creative sector in the Thames Gateway. It is intended to inform the strategies of training providers operating in the sub-region and was commissioned by the Creative Way Lifelong Learning Network in autumn 2008. It presents the results of a survey of 500 creative industry businesses, supplemented by 15 follow-up qualitative interviews. It supports the Creative Way's employer engagement agenda and can be used as evidence to support and develop engagement programmes, or as a platform for further research.

Project Background

- 1.2 The Leitch Review of Skills, published in December 2006 reported that the UK's skills base was weak by international standards and was a major obstacle to productivity, growth and social justice.² Despite improvements in the UK population's qualification levels,³ many of our global competitors were identified as progressing further and faster.
- 1.3 Leitch warned that because 70 per cent of the future workforce of 2020 has already left compulsory education, a focus on employer and adult engagement was vital.⁴ Further and higher education providers have a large responsibility to improve the skills of people already in work, but many have struggled to appeal to employers on a large scale, partly because of an understandable concentration on full-time "traditional" learners.
- 1.4 At both a national and regional level, public policy tends to focus on the need to reform the supply of skills and training. We agree that this is a necessary process. HEIs and FE colleges will increasingly need to develop high quality provision that is relevant to the needs of business and can be delivered in a flexible way. The importance of marketing and communication to present the supply offers to employers should also be emphasised.
- 1.5 At the same time, we also believe that this process must be informed by a more sophisticated understanding of the extent and nature of the demand for training, which all too often is little understood at present. It was this central proposition that led the Creative Way to commission this report. The findings we present are drawn from a review of the relevant policy literature, a

² Leitch Review of Skills (2006) *Prosperity for all in the global economy - world class skills*, HM Treasury, p. 3.

³ The National Qualifications Framework (NQF) sets out the 8 levels against which a qualification can be recognised in England, Wales and Northern Ireland, www.qca.org.uk/qca_5967.aspx.

⁴ Leitch, op. cit., p. 4.

telephone survey of 500 businesses in the Thames Gateway and 15 follow-up in-depth interviews with businesses.

- 1.6 We approached this project in classic market research terms: a customer (Creative Way partner institutions) wants to deliver more products and services to a particular market (businesses in the creative sector in the Thames Gateway). To do this successfully, providers must first develop a clear idea of what the market looks like, what its needs are and how these needs are likely to develop in the future. From a provider perspective, the bottom line question is: *what is the current and potential market for our services?*
- 1.7 On this basis, the project set out to fulfil three primary research objectives:
 - To identify the extent of demand for skills from businesses in the creative sector in the Thames Gateway;
 - To assess the nature of this demand;
 - To establish the market share of providers delivering skills to businesses in the sub-region.
- 1.8 While this report provides a ‘snapshot’ of the demand from private sector businesses in a single sub-region – the Thames Gateway – we believe our findings can be used to inform the thinking of providers and policymakers at a national level. The difficulty of engaging with businesses in the creative sector, which are predominately small and medium-sized enterprises, is well-known, and many of the issues raised in this report will be of interest outside of the Thames Gateway.
- 1.9 The report is structured as follows: in **Chapter 2** we assess the project’s context regarding skills, employment and creative industries in the Thames Gateway and **Chapter 3** summarises the method used to undertake the research. In **Chapter 4** we summarise the extent of demand for skills from businesses in the Thames Gateway. **Chapter 5** provides a more in depth analysis of businesses that told us they had undertaken skills training in the preceding 12 months and **Chapter 6** presents our findings on the businesses that had not. **Chapter 7** explores important factors for businesses when choosing a training provider, while **Chapter 8** examines future demand for training and the possible impact of the economic downturn. **Chapter 9** presents our findings on other forms of interaction between providers and businesses, such as recruitment of staff and taking students on work placements. To conclude, **Chapter 10** outlines the key messages from our research for training providers and others interested in this agenda.

2 Context: Skills, employment & creative industries in the Thames Gateway

2.1 As background and context to the report, we conducted secondary research around the Thames Gateway, its skills and employment profile and the importance of creative industries to the sub-region. The Gateway faces significant challenges, with a lower than average skills profile and higher than average unemployment. This means that as occupational and business profiles continue to evolve, it is vital that people who are already in the workforce can receive the skills and training that can both further their career and impact on the economy of the Gateway.

The Thames Gateway

2.2 The Thames Gateway is Western Europe's largest regeneration zone and covers the Thames Estuary from East London eastwards through North Kent and South Essex. The regeneration zone extends along a 43-mile corridor from the Isle of Dogs in East London to the Isle of Sheppey in Kent. It covers 80 000 hectares, an area 40 miles long and 20 wide, and includes 16 separate local authorities. The sub-region has a working-age population of almost 2 million people. In November 2007 the Prime Minister announced over £9 billion of investment in the Thames Gateway.⁵



Figure 1: Map of the Thames Gateway⁶

⁵ The Learning and Skills Council (2008), *Thames Gateway Skills Plan 2008/09*, p. 2.

⁶ Map taken from the Department for Communities and Local Government website, <http://www.communities.gov.uk/thamesgateway/overview/>

The Thames Gateway's Skills Profile

*'If the residents (young people and adults) of the Gateway are going to compete for the opportunities the regeneration of the area will bring, they will need to raise their skill levels.'*⁷

2.3 The existing skills profile of the Thames Gateway reveals that it lags behind national averages, presenting a significant skills challenge. Only 26 per cent of the working-age population is qualified to Level 4 or above, equating to around 502,000 people. This compares to a national average of 30 per cent, and Leitch targets of 40 per cent. In the Gateway 43 per cent of the working-age population is qualified to Level 3, against England's average of 49 per cent. There are nearly 305,000 people, 16 per cent of the working-age population, who have no qualifications, compared to 12 per cent in England as a whole.⁸



Figure 2: The Skills Profile of the Thames Gateway & England⁹

2.4 Encouragingly, the Thames Gateway is making progress. Level 2 attainment amongst pupils reached 61 per cent in 2006/07, from under 55 per cent in 2004/05.¹⁰ There has also been a 60 per cent increase in the number of adults accessing Level 2 and 3 qualifications since 2003.¹¹ Higher education (HE) has also seen a continuing upward trend, with 92,000 HE students living in the Gateway in 2006.¹² Of these, HE students in creative disciplines have also risen greatly to over 9500 students by 2006.¹³

⁷ LSC, *Thames Gateway Skills Plan*, p. 8.

⁸ Department for Innovation, Universities and Skills (2008) *Qualifications at a local level for adults: England 2007*. Available at www.dcsf.gov.uk/rsgateway/DB/STA/t000809/index.shtml

⁹ DIUS, op. cit.

¹⁰ LSC, op. cit., p. 5.

¹¹ HM Government (2008) *Thames Gateway Skills Framework*, p. 12.

¹² Thames Gateway London Partnership (2008) *Baseline Economic Analysis of the Thames Gateway*, Tri-RDA Report, ch.2, p. 10.

¹³ *Ibid.*, ch.8, pp. 19-20.

Employment and skills projections

2.5 In 2007, overall employment in the Thames Gateway was nearly 71 per cent - less than the average for England (74 per cent). The sub-region has a larger proportion of people employed at higher levels than the rest of the country, with considerable expansion of these anticipated up to 2014.¹⁴

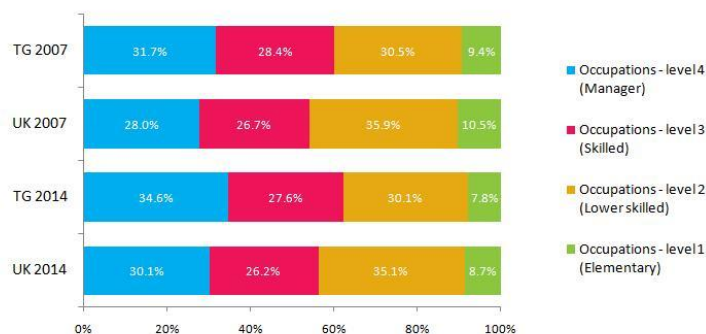


Figure 3: Occupational Profiles in the Thames Gateway and the UK, 2007-2014

2.6 Projections for the Gateway's future skills present something of a challenge for skills providers tasked with meeting future and existing skills needs in the economy.¹⁵ Almost 40 per cent of the extra jobs planned in the area by 2016 will require Level 4 qualifications and 60 per cent of the extra jobs will require at least a Level 3.¹⁶ It is anticipated that there will be an expansion of 87,000 jobs in SOC groups 1-3 between 2007 and 2014; considering replacement demand as well, there will be 255,000 such jobs arising in the period.¹⁷

2.7 The Thames Gateway already has a higher than average demand for higher level skills and a relative problem with satisfying this demand.¹⁸ The percentage of employers that had hard to fill vacancies was above the national average for managers (13 per cent), professionals (9 per cent), and associate professionals (15 per cent). Furthermore, 46 per cent of employers with hard-to-fill vacancies in the sub-region suggested they had a low number of applicants with the required skills, and 23 per cent said that applicants lacked the qualifications that the company demands.¹⁹

Creative Industries in the Thames Gateway

2.8 CCIs are of major and growing importance to the Thames Gateway. There are now nearly 23,000 creative sector businesses operating in the Gateway, an

¹⁴ Rob Wilson (2007) *A Skill Needs Analysis for the Thames Gateway, 2007-2014*, Warwick Institute for Employment Research p. 22.

¹⁵ DTZ Pieda Consulting (2005) *Thames Gateway Skills Audit*, commissioned by the LSC, p. 134.

¹⁶ LSC, *Thames Gateway Skills Plan*, p. 4.

¹⁷ Wilson, op. cit., pp. 20-29.

¹⁸ DTZ Pieda, op. cit., p. 57.

¹⁹ DTZ Pieda, op. cit., p. 60.

increase of 75 per cent since 1998.²⁰ These are concentrated in London, with the boroughs of Hackney (3,349) and Tower Hamlets (2,892) having the highest number of businesses in the creative sector. Newham has trebled its number of creative sector businesses from 1998, with almost 1,900 in 2006.²¹

- 2.9 A study of creative and cultural industries in the South East region showed that the sector is dominated by small and very small firms, locally owned, 56 per cent of which have a turnover of less than £100 000 annually.²² The average size of a creative business in the South East is only five employees, in comparison to overall industry average of 12 employees.²³ Small businesses are therefore key to the sector's expansion. Despite the prevalence of small businesses numerically, 73 per cent of total CCI turnover in the South East region is generated by only 2 per cent of CCI companies, many of which are not indigenously owned.²⁴
- 2.10 There are approximately 110,000 jobs within the creative and cultural sector in the Thames Gateway, equating to nearly eight per cent of total employment in the Gateway.²⁵ The majority of the jobs are in the London boroughs of Tower Hamlets (c.24,000 jobs), Hackney (c.10,500), and Greenwich (c.10,100). Across the three boroughs jobs in the sector account for approximately 16 per cent of employment, with a figure of 28 per cent in Tower Hamlets.²⁶

Skills Needs in the Creative Industries

'The footprint is both broad and deep with many complex and fast moving skills needs, the majority of which are at Level 4 and above.' – Skillset, the SSC for Creative Media.

- 2.11 Skills needs have been identified by the Sector Skills Agreements (SSAs) of each of the three creative industry Sector Skills Councils (SSCs) – Creative & Cultural Skills, Skillset, and Skillfast-UK. Creative & Cultural Skills identified a need for higher level business and enterprise skills, technical and specialist skills, and also prioritised the need to increase employer investment in training.²⁷ According to Skillset, the majority of skills needs in creative media

²⁰ Thames Gateway London Partnership, *Baseline Economic Analysis of the Thames Gateway*, ch.8, p. 14.

²¹ *Ibid.*, ch.8, p. 16.

²² David Powell Associates Ltd (2002) *Creative and Cultural Industries – an economic impact study for South East England*, South East England Cultural Consortium & South East England Development Agency, p. 4.

²³ *Ibid.*, p. 45.

²⁴ *Ibid.*, p. 3.

²⁵ Thames Gateway London Partnership, *op. cit.*, ch.8, p. 7.

²⁶ *Ibid.*

²⁷ Creative & Cultural Skills (2008), *Creative Blueprint England: The Sector Skills Agreement for the creative and cultural industries*, available at www.ccskills.org.uk/LinkClick.aspx?fileticket=eEaOt5G4J5Q=&tabid=81

are at Level 4 and above.²⁸ In fashion and textiles, recruitment needs are predominantly in lower skilled occupations, although there is a need to upskill current managers and an expected future demand for sales and marketing roles as the sector looks to 're-position itself.'²⁹

- 2.12 The 2007 National Employer Skills Survey (NESS) highlights that creative companies have a greater proportion of vacancies that are "skill shortage vacancies" (SSVs) compared to the 21 per cent average across all sectors. The largest problem is in creative media, where 41 per cent of vacancies are SSVs, mostly at "associate professional" level.³⁰ NESS 2007 also showed that creative industries employers' existing skills gaps, while not widespread, tend to be at higher levels. In creative media, 22 per cent were among managers and 30 per cent were for associate professionals; the proportions were 19 per cent and 21 per cent respectively for the creative and cultural sector. The average across all sectors is only 12 per cent for managers and 7 per cent for associate professionals.³¹

The Creative Way

- 2.13 The Creative Way is the Lifelong Learning Network for Creative and Cultural Industries in the Thames Gateway. It consists of 37 further and higher education institutions in the sub-region, was developed by the Thames Gateway Further and Higher Education Action Group (TGFHEAG) in 2006 and has received funding for three years from HEFCE.
- 2.14 The purpose of the Creative Way is to ensure that people in the Thames Gateway are able to 'benefit from a creative education and take advantage of the growing range of employment opportunities in the creative and cultural industries'.³² The network has facilitated dialogue and joint working between its partner institutions, including the creation of progression agreements, curriculum development and the provision of specialist information, advice and guidance.
- 2.15 The TGFHEAG will be investigating ways to extend the network's model into other sectors in the Thames Gateway and further develop the network's activity in areas such as employer engagement.³³

²⁸ Skillset (2008) *Sector Skills Agreement for the Creative Media Industries: England Update 2008-11*, available at www.skillset.org/uploads/pdf/asset_5363.pdf?2

²⁹ Skillfast-UK (2006) *The Big Push: An overview of the Sector Skills Agreement for apparel, footwear and textiles-related businesses*, available at www.skillfast-uk.org/uploads/docs/overview_stages1-4%20.pdf

³⁰ The Learning and Skills Council (2008) *National Employer Skills Survey 2007, Main report*, pp. 56-60.

³¹ *Ibid.*, p. 92.

³² The Creative Way website, www.creativeway.org.uk

³³ HM Government, *Thames Gateway Skills Framework*, p. 18.

3 Research method

3.1 The research set out to assess the provision of training within businesses in the creative sector, based in the Thames Gateway, following a three stage process:

- Stage 1 – Secondary research;
- Stage 2 – Quantitative survey of businesses in the creative sector;
- Stage 3 – Follow-up depth interviews with survey participants.

Stage 1: Secondary Research

3.2 A review of existing literature on creative industries and activity in the Thames Gateway was carried out to provide background and context to the project (outlined in Chapter 2) as well as to inform stages 2 and 3 of the research process through the grounding of robust concepts and definitions, in particular the definition of ‘creative industries’.

Definition of ‘Creative Industries’

3.3 This research follows the Department for Culture, Media and Sport (DCMS) definition of creative industries as outlined in their Mapping Documents 1998/2001:

‘those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property’. (DCMS, 2001)

3.4 While this definition gives some grounding for what constitutes a creative industry, it does not clearly set the parameters for where the creative sector begins and ends. We therefore built into our definition the idea of production chain or cycle as defined by Dr Andy Pratt (2004). Pratt suggests taking into account the steps or cycle that a product or service goes through in order to transfer it from an idea, through production, distribution, and exchange onto final consumption.³⁴

³⁴ Andy C. Pratt (2004) *Creative Clusters: Towards the governance of the creative industries production system*, available at www.lse.ac.uk/collections/geographyAndEnvironment/whosWho/profiles/pratt/pdf/cluster%201.pdf

Definition of 'Thames Gateway'

3.5 The Thames Gateway covers parts of three government office regions: London, the South East and East of England. The specific boroughs included in this project are outlined in Table 1.

Region	Boroughs include
London	Barking and Dagenham, Bexley, Havering, Newham, Tower Hamlets, Lewisham, Greenwich, Hackney, Waltham Forest, City of London
East of England (Essex)	Basildon, Castle Point, Thurrock, Rochford, Southend-on-Sea
South East (Kent)	Medway & Swale, Dartford, Gravesham

Table 1: Thames Gateway breakdown

Stage 2 – Quantitative Survey

3.6 We conducted a telephone survey of 500 businesses in the creative sector between November and December 2008 using a structured questionnaire. We set quotas according to business size and location to ensure the sample was broadly representative of our population of interest. Due to the scope of the survey, it was not feasible to set strict quotas for particular types of creative industries interviewed, but a broad representation was achieved.

3.7 The survey focuses on businesses of all sizes based in the Thames Gateway; VAT-registered freelancers were also eligible.

3.8 We drew the sample from the UKchanges commercial database using Standard Industrial Classifications (SIC codes)³⁵ to identify businesses in the creative sector. The following creative sectors are included in the research:

³⁵ SIC codes are based on Skillset's footprint and the definitions included in the following publication: Frontier Economics (2008) *Creative Industry performance, a statistical analysis*, Department for Culture, Media and Sport.

- Television
- Radio
- Film
- Performance
- Animation
- Computer Games
- Interactive Media
- Other Content Creation
- Photo-Imaging
- Publishing
- Advertising
- Architecture
- Arts and Crafts
- Design and Designer Fashion

3.9 When contacting respondents, we asked screening questions to check their business was based in the Thames Gateway and fell within our definition of a creative business. We interviewed the individual at each business identified as having overall responsibility for skills and training (e.g., CEO/Director, senior manager, HR manager). If the business had no employees, then the owner/partner was asked about their own training needs.

Characteristics of our survey sample

3.10 Table 2 shows that the majority of the businesses surveyed had under five employees (62 per cent); 29 per cent had between 6 and 25 employees, and only one in ten had over 25 employees. This reflects the make up of the businesses in the creative sector in the Thames Gateway, which are predominately small and medium-sized enterprises (SMEs).

Number of employees	Frequency	Percent
0-5	308	61.6
6-10	92	18.4
11-25	51	10.2
26-50	21	4.2
51-100	6	1.2
101 or more	15	3.0
Don't know	7	1.4
Total	500	100

Table 2: Breakdown of sample by size of business

3.11 Table 3 shows the breakdown of businesses in our sample by sector. This covers the 'main' creative sector businesses were based in, however a number of businesses worked across more than one sector.

Sector	Frequency	Percent
Publishing	85	17.0
Photography/ Photo-Imaging	76	15.2
Architecture	74	14.8
Performance/ Performer	49	9.8
Interactive Media	38	7.6
Content creation, such as commercials, corporate production	34	6.8
Arts and crafts, including antiques	31	6.2
Design and designer fashion	28	5.6
Television	26	5.2
Advertising	23	4.6
Film	17	3.4
Radio	9	1.8
Computer Games	8	1.6
Animation	2	0.4
Total	500	100.

Table 3: Breakdown of sample by business sector

3.12 Table 4 shows that three quarters of the businesses we surveyed were based in London. This reflects the relatively larger number of businesses and employment based in East London, compared to north Kent and south Essex.

Thames Gateway Region	Frequency	Percent
London	376	75.2
East of England/Essex	74	14.8
South East/Kent	50	10.0
Total	500	100

Table 4: Breakdown of sample by Thames Gateway region

Stage 3 – Qualitative Survey

3.13 At the end of the quantitative survey, we asked respondents if they would be willing to take part in further discussions about their training requirements. We then contacted a random selection of 15 of these respondents in January 2009 to take part in an additional telephone in-depth interview.

3.14 Of the 15 follow-up interviews, 9 of these had undertaken some form of training in the last 12 months, while the remaining 6 had undertaken no

training at all. The 15 businesses who took part ranged in terms of size, sector and location.

- 3.15 The in-depth interviews lasted around 20 minutes and covered: reasons for training or not training; barriers to training; how providers are chosen; and experience, attitudes and perceptions of various providers.

4 The extent of demand for training

4.1 In this section we present our findings on the demand for skills from creative industry businesses in the Thames Gateway.

Extent of training

4.2 The first question we asked respondents was, “Over the past 12 months, have you or your staff undertaken any work-related training or development?” Half of businesses (49 per cent – 243 businesses) said they had undertaken work-related training in the last 12 months; the remaining 51 per cent (257) had not.

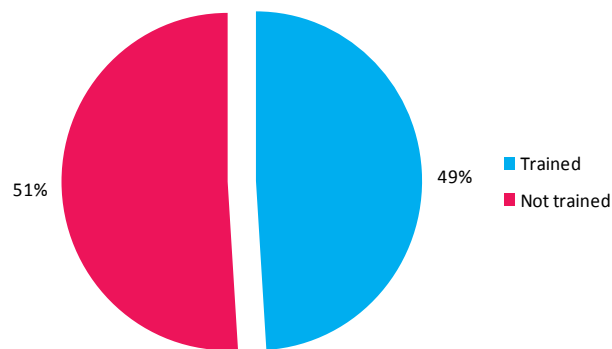


Figure 4: Percentage of business that did and did not train

4.3 As Figure 5 illustrates, larger businesses were much more likely to have trained their staff than smaller businesses. 37 per cent of organisations with between one and five employees trained at least one member of staff in the previous 12 months, compared to 91 per cent of businesses with over 50 staff members.

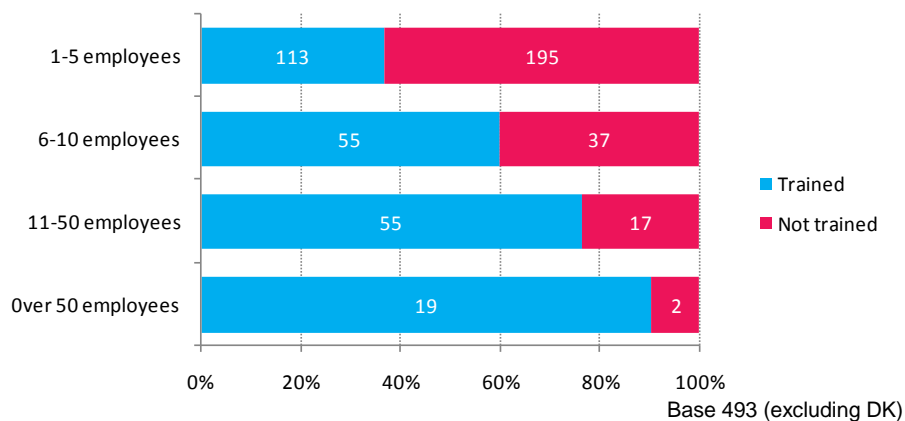


Figure 5: Undertaken training by business size

4.4 This echoes previous research on how levels of training vary with business size. According to the National Employer Skills Survey 2007 (NESS 2007), only

54 per cent of firms across all sectors with between 2 and 4 employees train, with only 34 per cent offering any off-the-job training. These proportions increase to 80 per cent training and 56 per cent offering on-the-job training for firms with 5 to 24 employees.³⁶ Such a trend is also apparent with higher level skills training; CFE's previous demand studies showed that 23 per cent of companies employing 25-49 staff invested in higher level skills, compared with 43 per cent of companies employing more than 50 people.³⁷

- 4.5 Follow-up depth interviews highlight that firms with fewer than five employees may not have a dedicated strategy or budget for training, undertaking it on an *ad hoc* basis or hiring freelance expertise rather than training.

'The people that we hire for jobs like that [requiring specialist skills] are on a freelance basis. They are people who are very well trained, so it's not necessary for us to put them through training.' – Production company, 1-5 employees.

- 4.6 Small and micro-businesses are less able to benefit from the economies of scale available to larger firms putting workers through training. Costs per employee tend to be higher if there are fewer learners taking a particular training course. This comes through in the NESS 2007 which shows that the average training expenditure per trainee in companies with 2 to 4 staff is £6,125, compared to just £1,850 in companies with between 200 to 499 staff and just £925 in companies with 500+ staff.³⁸

- 4.7 One option for smaller businesses is to group together for training purposes, taking advantage of economies of scale. This was suggested in an interview with one business that relies heavily on freelancers:

'Certain training needs are fairly standard, so if we can get a deal whereby we can get three or four guys together and get some training, now whether they're all freelancers or not, because we all use the same systems, it makes sense for everybody to do the same training. You can then benefit from economies of scale, even though each individual is paying for it themselves.' – Photography business, freelancer.

- 4.8 Figure 6 breaks down training in the Thames Gateway by sub-region. Businesses in East London appear to be more likely to train than organisations in south Essex or north Kent. Again, business size may be an influencing factor in this geographical difference. In our sample, 59 per cent of businesses in London have between one and five employers, compared with 69 per cent in the Essex and 78 per cent in Kent.

³⁶ LSC, *NESS 2007*, p. 131.

³⁷ Kewin, J., Casey, P & Smith, R. (2009) *The demand for higher level skills from businesses: Summary of survey data from regional surveys of employers in the East Midlands, West Midlands and Yorkshire and the Humber*, CFE for HEFCE, publication scheduled for spring 2009.

³⁸ LSC, *op. cit.*, p. 187.

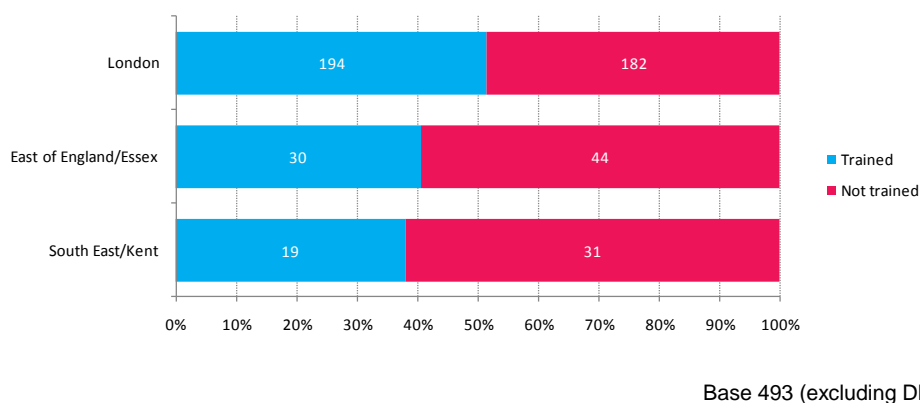


Figure 6: Undertaken training by geographical area

4.9 Figure 7 illustrates the demand for training by sector. The size of the business is less of an influence here as the business sizes are relatively well spread across the sectors. However some base sizes are small so results should be treated with caution.

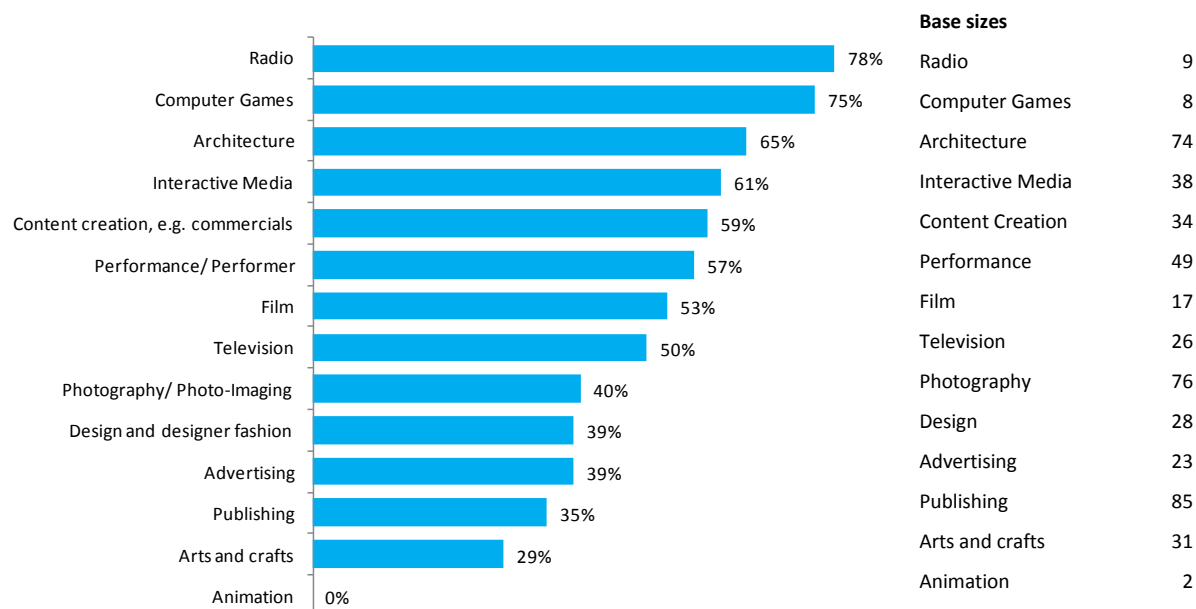


Figure 7: Undertaken training by sector

Summary

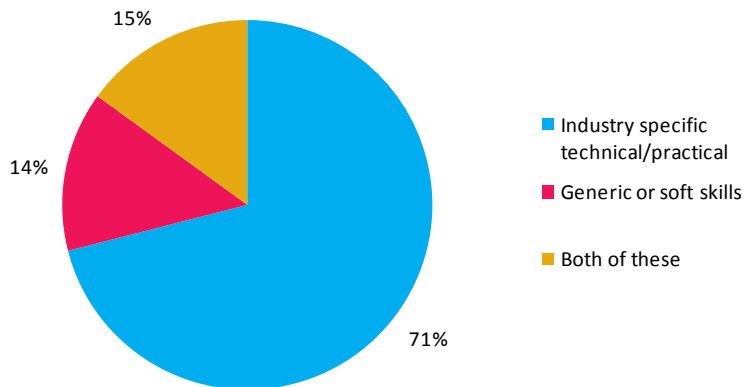
- 49 per cent of businesses surveyed had undertaken work-related training in the previous 12 months; 51 per cent had not.
- The responses showed that smaller businesses are much less likely to undertake training than larger businesses.
- Businesses in East London are more likely to train than those in south Essex or north Kent.

5 The nature of demand: businesses that do train

5.1 In this section we look in more detail at the 49 per cent of businesses that *had* trained during the previous 12 months.

Type of training

5.2 Training can broadly be categorised as that which is industry specific, that which is generic or cross-cutting (e.g., soft skills or leadership and management), and that which includes elements of both. Figure 8 shows the split between these types of training, with the majority of training classified as industry specific (71 per cent).



Base 243

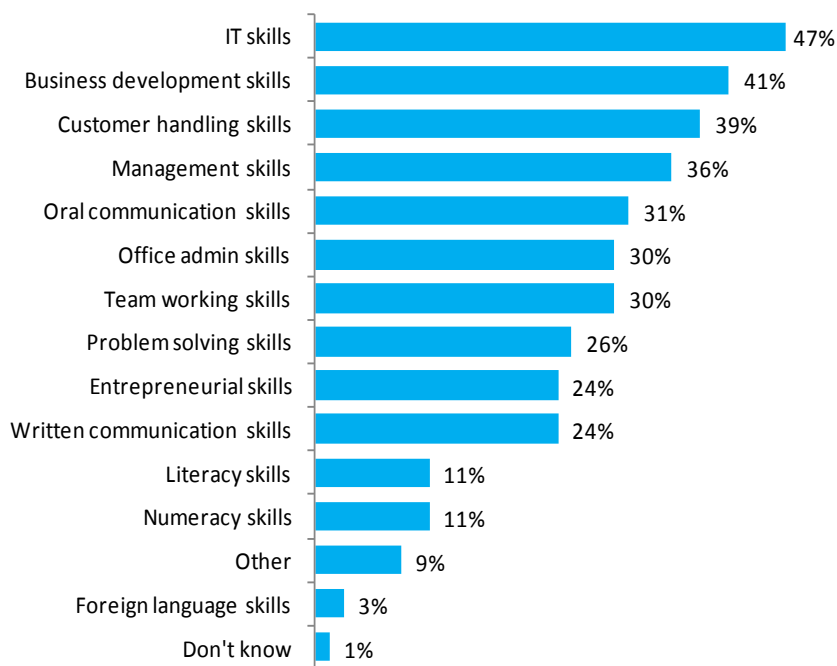
Figure 8: Type of training

5.3 Industry-specific technical and practical training is necessary to maintain pace with fast-moving markets, for example, in fashion or computer games. The importance of regular training in those sectors can stem from the importance of staying up-to-date with latest techniques, technologies or trends, as put by one employer in an in-depth interview:

'The technology changes so fast now that there's constant need to gain the necessary skills, or just to keep up even.' – Production company, 1-5 employees.

Generic training

5.4 Those businesses that undertook generic training were asked which type of skills the training was designed to improve. Figure 9 illustrates that almost half (47 per cent) of the respondents trained in Information Technology (IT). Other highly scoring areas include business development, customer handling and management skills. Literacy, numeracy and foreign language skills were among the lowest scoring.



Base 70 (multiple response)

Figure 9: Type of skills

5.5 Generic business skills can be particularly important to micro-firms and the self-employed: skilled people who set up businesses may have the sector-specific knowledge, but lack experience and training in generic business areas, such as finance, customer service or IT.

'If you think of photography as a hub of a wheel, on the end of the spokes there's other things that feed into it like accounting, marketing, small business advice, that sort of thing.' – Photographer, self-employed.

Qualifications

Training for a qualification

5.6 Only 28 per cent (67) of the employers that had trained had done so to gain a recognised qualification. This presents a significant challenge for training providers and other stakeholders that primarily offer accredited training to employers.

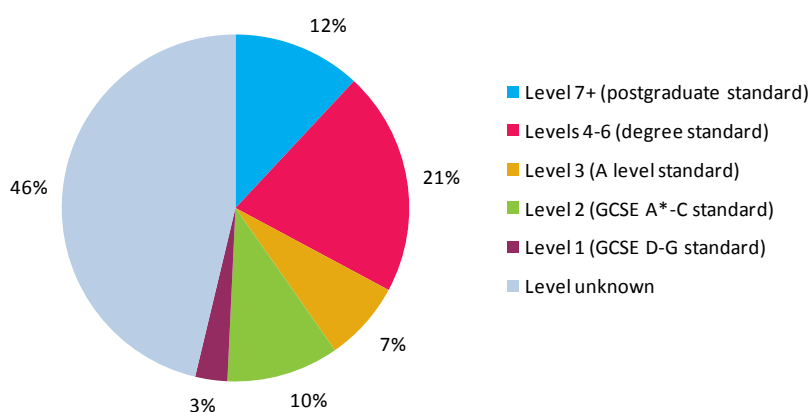
5.7 The importance of qualifications was explored further in the in-depth interviews. A key theme arising in the interviews was the importance of experience over qualifications.

'The problem with the industry that we work in – I don't know if it's a problem – is that there aren't really, unless you're going down a very technical route, qualifications that you would go off to. It's much more based on experience.' – Film production company, 1–5 employees.

'It's a very niche market, it's very role-specific, so it's not aimed for a qualification. It's just building experience and knowledge of the markets that the staff work in.' – Performance recruitment consultants, 100+ employees.

Level of training

5.8 Almost half (46 per cent) of the respondents whose staff had trained for a qualification did not know the level of the qualification. This suggests that the levels in the National Qualification Framework (NQF) do not resonate with many employers. Of the 34 respondents that could state the level of the qualification, around three-fifths (20) were at a higher level (Level 4 and above), while the other two-fifths (14) were at Levels 1 to 3.



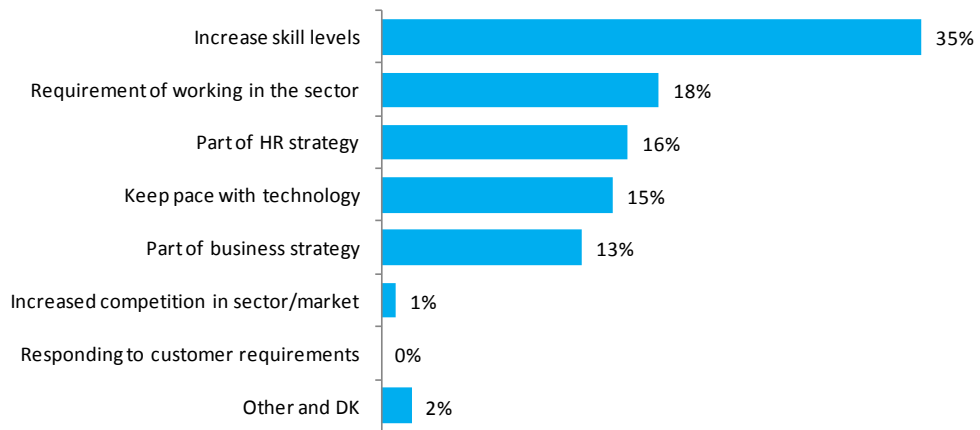
Base 67

Figure 10: Qualification level

Reasons for training

5.9 When businesses do train, it is important to understand their motivations for doing so. We asked employers to specify their principal reason for undertaking training.

5.10 As Figure 11 highlights, the most frequently cited reason for training was to increase skill levels; over a third (35 per cent) of businesses cited this as their main reason for training. Just under one in five trained because it is a requirement of their sector (18 per cent), 16 per cent trained as part of HR strategy including staff retention, motivation, personal development and the training of a new employee. 15 per cent trained to keep pace with technology and 13 per cent as part of their business strategy, such as to increase profitability, productivity and efficiency.

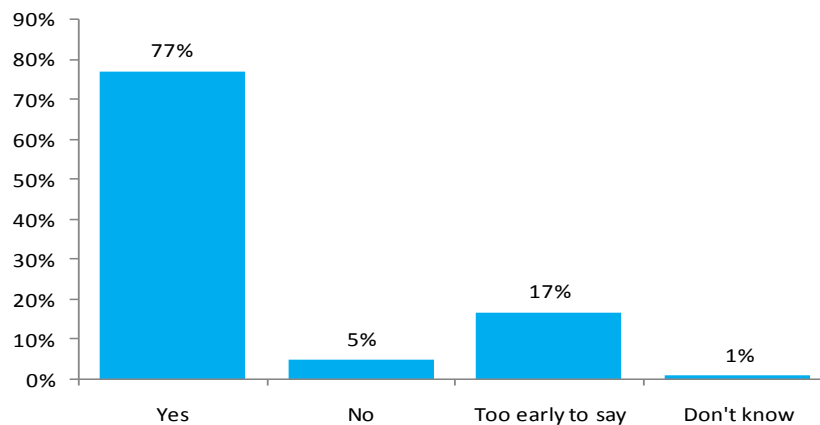


Base 243

Figure 11: Main reason for training

The impact of training

5.11 As Figure 12 illustrates, in the majority (77 per cent) of cases, training was reported as having a positive business impact. A minority felt that it was too early to judge whether there had been an impact from training.



Base 243

Figure 12: Has the HLS training had a positive impact on your organisation?

5.12 Businesses that reported an impact from the training were then asked to rate this impact on five key areas: skill levels, staff motivation, customer service, labour productivity and profitability. On a scale of 1 (lowest impact) to 10 (highest impact), skill levels within the company was the area where the most positive impact was reported, closely followed by staff motivation.

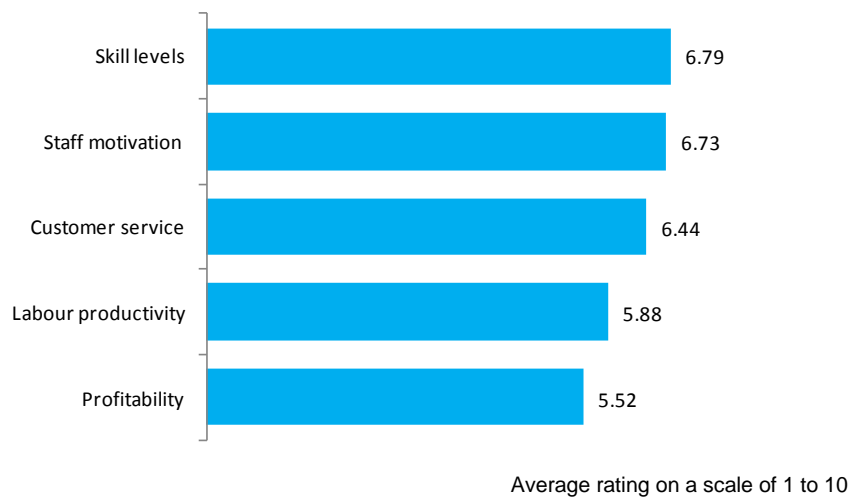


Figure 13: Impact of HLS on key areas of business

- 5.13 Businesses are more likely to invest in training if they can see a demonstrable impact. From the qualitative interviews, one freelancer in the photography industry explained when he might train:

'Training can help in gaining knowledge of something that would take me a lot of time to do on my own. Cutting down on the time factor. If I can spend a day doing training, rather than spending three weeks trying to learn the programme myself, that makes sense to spend the money.' – Photography business, freelancer.

- 5.14 The interviews suggest that smaller companies (in particular) want to see a quick return on investment by using the skills learned from practical, relevant training.

'We specialise in certain technical areas and the training is related, so they will make use of the training straight away...It's not a theoretical training they might pick up on a year later. It's actually put into action quite often...on the day they've had training.' – Software development company, 11-25 employees.

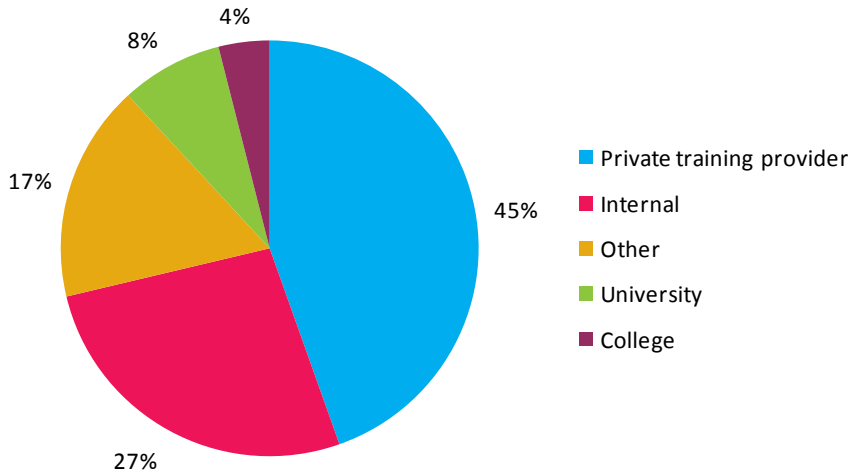
Market share of providers

- 5.15 For the purposes of this study, we divided providers of training into five categories:

- Universities;
- Further Education colleges;
- Private training providers;
- Internal training;
- Other.

- 5.16 Figure 14 highlights the relative market share of these five broad provider types. Private training providers have by far the highest share (45 per cent) of

the existing market for delivering training within the Thames Gateway. Just over a quarter (27 per cent) of training is carried out internally, whereas universities and colleges have 8 per cent and 4 per cent of the market respectively. These figures show that there is a huge *potential* market for universities and colleges in the sub-region.



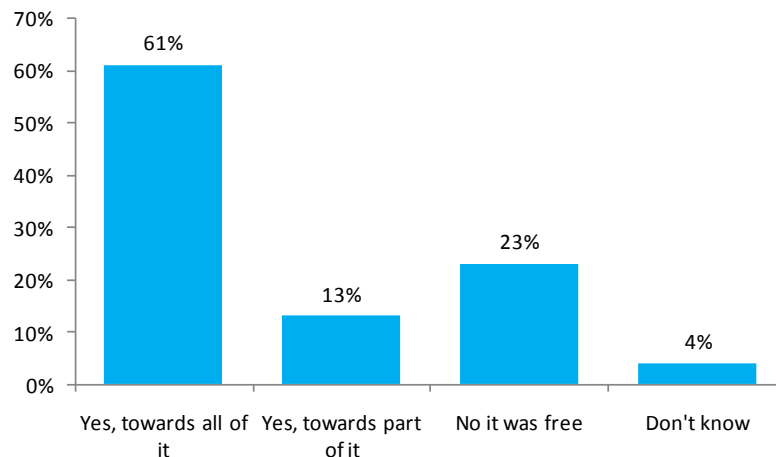
Base 243

Figure 14: Market share by provider type

5.17 The 'other' category is particularly high in this market and contains a wide variety of training options, including training delivered through government-funded initiatives or by industry bodies such as the Royal Institute for British Architects.

Funding of training

5.18 Lack of funding is often cited as one of the key barriers that prevents employers from undertaking training. As Figure 15 shows, our survey found that 61 per cent of businesses indicated that they met the full cost of their training and 13 per cent paid for part of it. A caveat here, particularly for businesses using FE colleges and universities to train, is that some employers may have thought they were paying the whole cost of the training, but were not aware that part of the training was publicly subsidised. Nevertheless, the results show that most employers that train are investing money in the process. Interestingly, 23 per cent were able to access free training, showing that training subsidies can also have an impact on employers.



Base 243

Figure 15: Financial contribution made towards training

5.19 The clear message from the qualitative interviews was that businesses will pay for training when the benefits outweigh the costs:

'If I think there is a value in training and that it's value for money then cost would not prevent me from training. But there's a lot of competition out there and if I'm going to spend my money I want to make sure I'm getting the best value for it.' – Photography business, freelancer.

Summary

- 71 per cent of training was industry-specific, 14 per cent was generic or cross cutting (e.g. soft skills or leadership and management) and 15 per cent was classified as involving both the specific and the generic.
- Training resulted in a qualification in only 28 per cent of cases. Almost half of this group did not know the level of the qualification on the National Qualification Framework (NQF).
- The most frequently cited reason for training was to increase skill levels; over a third (35 per cent) of businesses cited this as the principal reason for training.
- 77 per cent reported that training had resulted in a positive impact, with 17 per cent responding that it was too early to say.
- Private training providers have by far the highest share (45 per cent) of the existing market for delivering training to businesses within the Thames Gateway. Just over a quarter (27 per cent) of training is carried out internally.
- Universities and colleges have an 8 per cent and 4 per cent market share.

6 The nature of demand: businesses that do not train

6.1 This section examines the remaining 51 per cent of businesses (257) that *had not* undertaken training in the preceding 12 months to establish:

- why they had not undertaken training;
- the likelihood of them doing so in the future and the form that this training might take.

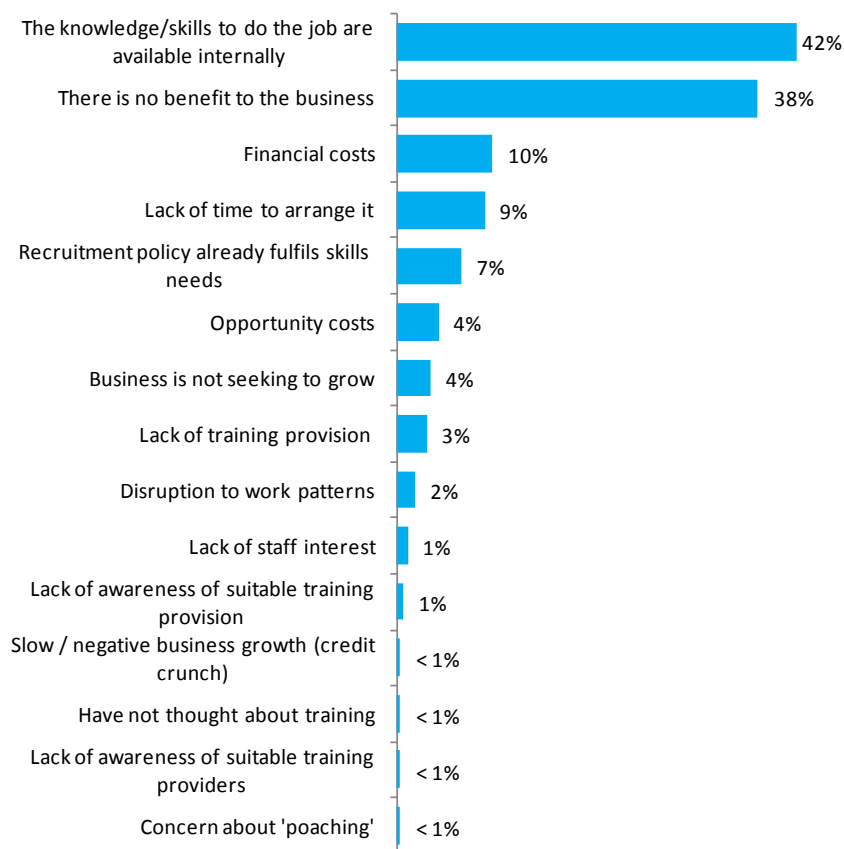
Reasons for not undertaking training

6.2 Strikingly, 42 per cent of organisations that had not undertaken training in the preceding 12 months, had not done so because the skills were available internally (see Figure 16). This indicates that the key issue is not a lack of *demand* for skills but rather, a lack of *need*.

6.3 This was illustrated by some of the follow-up interviews with businesses that did not train:

'I can just cope with it on my own, so, that's what we do. ... I suppose I have the skills to do this job, which is not a lot of skills really.' – Record company, 1-5 employees

6.4 The next most common response was that the employers saw no benefit to the business from training. Contrastingly, lack of awareness of of suitable training was cited by a relatively small number of businesses.



Base 243

Figure 16: Principal reasons for not undertaking training

6.5 As well as financial costs, the *opportunity* cost of training and the time employees have to take out from working to train were mentioned by several employers, particularly in the follow up interviews:

'The problem is we are not a big company. Can I afford to take one of my technicians and not have him available for a week or two weeks to train him? Virtually impossible to do that.' – Computer maintenance company, 6-10 employees.

'It's quite expensive unless we can do everyone together which is not feasible on a work day because that would mean closing the office. ... So then you are going to find that if you wanted to do something on a weekday you have to send different people at different times and cost-wise that's a big expense for us.' – Software development company, 11-25 employees.

6.6 A small number of respondents mentioned the importance of educating or selling the benefits of training to employers:

'Managers don't want people off the shop floor to train, because they're not...earning money there and then. It's just re-educating and ... letting them know that it may not be earning them money now, but they'll be earning even more money at a later date.' – Performance recruitment consultants, 100+ employees.

Informal learning

6.7 Some of the qualitative interviews suggested that although some businesses may not formally train, they nevertheless continue to learn and improve their skills through informal self help and networking. For example, two freelancers in the photography sector told us about their experience of informal learning:

'I do train myself in techniques on the software side, because if I can go and out get a DVD, it's like a little package of how to do this and how to do that, so I can train myself in the detail of how to use Photoshop, for example.' – Photographer, self-employed.

'Like I say, the industry is set up with a lot of self-help mechanisms. You know, we have forums we can go on, get our questions answered, there's always someone else that will know a little bit more than you that you can get in contact with, so, there's a lot of self help going on to be quite honest.' – Photographer, freelance.

Summary

- 42 per cent of businesses that had not undertaken training in the last 12 months, had not done so because the skills were available internally.
- The *opportunity* cost of training and the time employees have to take out from working to train, was mentioned by several employers, particularly in the follow up interviews.

7 Choosing a training provider

7.1 Having covered the key attitudes of businesses that do and do not train their staff, in this section we asked employers about their attitudes to training providers and training in general.

Importance of factors when choosing a training provider

7.2 We asked all respondents to rate (on a scale of 1-10 with 1 lowest and 10 highest) the importance of five key factors when choosing a training provider (see Figure 17).

7.3 The cost of training was rated as the most important, with training resulting in a qualification regarded as the least important consideration.

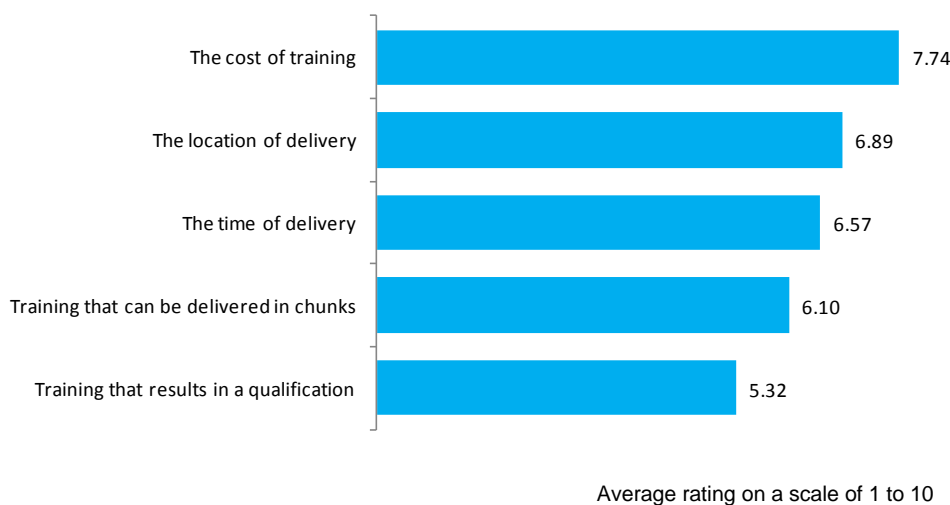


Figure 17: Importance of factors in choosing a training provider.

7.4 The low importance of qualifications when choosing a provider contrasts with findings from previous research we have carried out. When investigating the demand for higher level skills from businesses with 25 or more employees in the East Midlands, West Midlands and Yorkshire & Humber, qualifications were rated as the *most* important factor when choosing a provider, with an average score of 8.10.³⁹ The focus on the 25 + employee size band and *higher level* skills is likely to account for these very different findings.

³⁹ Kewin, Casey, & Smith (2009) *The demand for higher level skills from businesses: Summary of survey data from regional surveys* op. cit.

Attitudes towards training providers

7.5 The qualitative interviews with businesses and employers shed further light on attitudes towards types of training providers and further explain why businesses are predominantly using private training providers for training (45 per cent of those that do train, as outlined in Figure 14).

7.6 A key theme emerging from the interviews is that employers perceive private providers to be more closely linked to businesses' needs, in terms of relevance, flexibility and value for money.

'We tend to find that it is professional training companies that give the best value for money and a more ... accurate type of training for the type of things that we require. ... Universities teach you how to think; they don't necessarily teach you the knowledge you need.' – Computer maintenance company, 6-10 employees.

'I think the private ones, well the ones I've had experience with...because they've all been quite small. I've been able to specify specifically what we've wanted and they usually accommodate it.' – Music industry, 1-5 employees.

7.7 Businesses saw the speed of delivery as a strength of private training providers when compared to universities or colleges.

'I think, in my mind, the likes of [a private training provider] are both very intensive and done very quickly whereas I think when you are dealing with the universities everything seems to be quite drawn out and there is a lot more paperwork.' – Software developer, 11-25 employees.

7.8 There was also the perception from some businesses that colleges and universities are unable to keep up to date with changes in the market place, as demonstrated by one employer:

'The nature of a university course is you have to decide three to four years in advance what's going to be in the course, so they [universities] are always that far behind. I think they suffer from lack of money because I don't think they have quite enough of the right kit' Journalist, 1-5 employees.

7.9 Some employers were concerned that they did not have enough information about what universities and colleges can offer to businesses. Being able to get the message out to employers about what it is that providers are offering is vital in targeting this market, because knowledge of the education sector is often inaccurate or outdated.

'I can't remember there being an awful lot of information being sent from a college or university to the Association of Photographers, for example, to say we're running a course in x, y and z. We know they can do night school to learn photography at a basic level, but from a professional's point of view who's been in the industry for 20 years, I would be slightly sceptical that universities are going to teach me anything. If they do have something to offer me, I don't know about it at the moment.' – Photography business, freelancer.

7.10 From our follow-up interviews, there were various suggestions for how colleges and universities might improve their delivery to employers. Much of this centred on improving the flexibility of course delivery. Concepts such as bite-sized learning and learning outside of business hours were popular with some employers, as illustrated by the following quotations:

'I think, possibly, a greater variety of short courses that ... you took a few of them over various periods of time, which would allow you to gain a qualification eventually. Rather than having to take, if you want a full qualification, having to do it for a year or whatever.' – Music company, 1-5 employees.

'Now it could be, probably, like the Open University, open college, where you can learn at your own pace, at your own leisure, but you send off bits and pieces off to them for assessment. I suppose that might work. ... By having distance-based it's more specialised and you can pick up, perhaps, modules of aspects of the photography, business, perhaps marketing and that sort of thing.' – Photographer, freelancer.

'Yes, I suppose if they were to offer small-scale, something that you could do one evening a week, so it was outside business hours, then that would be brilliant. But I'm not sure that they would be able to do that.' – Arts company, 1-5 employees.

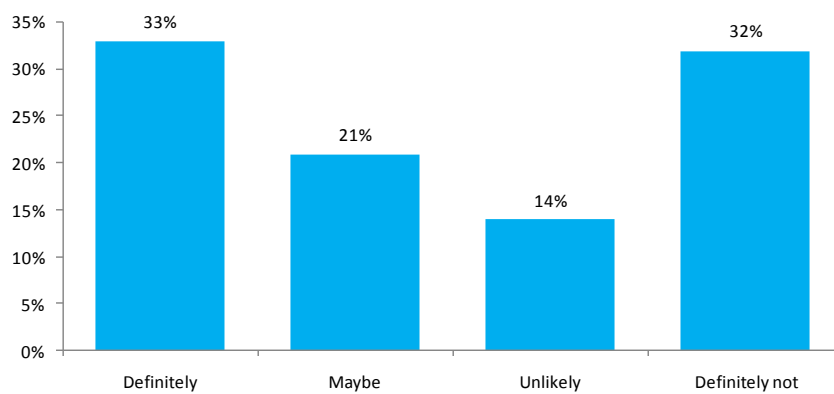
Summary

- In choosing a training provider, cost was rated as the most important factor, with training resulting in a qualification regarded as the least important consideration.
- Employers perceive private providers to offer more relevant provision, greater flexibility in delivery and better value for money than universities or colleges.

8 Future demand for training

8.1 In this section we explore the likely future demand for training from the businesses in our survey.

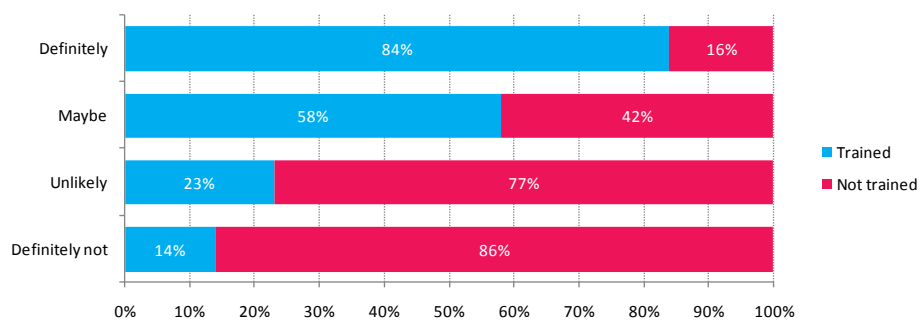
8.2 All businesses were asked how likely they were to undertake training in the future. Over half of businesses (54 per cent) said that they would 'definitely' or 'maybe' train in the next 12 months; 46 per cent said they were 'unlikely' or 'definitely not' inclined to do so during the same period.



Base 483 (excludes DK)

Figure 18: Likelihood to train in the next 12 months

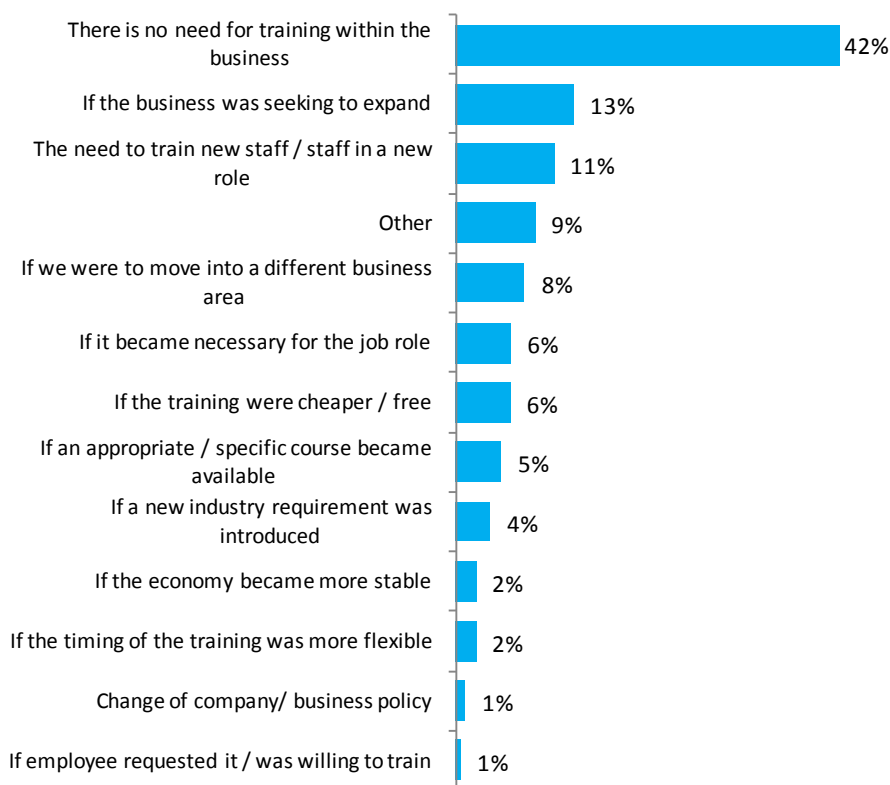
8.3 Unsurprisingly, businesses that had trained in the previous 12 months were more likely to continue training in the future (Figure 20). This highlights both the importance of deepening relationships with existing customers and the barriers to engaging with businesses that have not historically trained their staff.



Base 483 (excludes DK)

Figure 19: Likelihood of training in the next 12 months by experience of training

- 8.4 The above results suggest that the majority of businesses that do not already train are unlikely to be receptive to training providers' offers in the future. We asked those non-training businesses that were 'definitely not' or 'unlikely' to train in the next 12 months what would have to change in order for them to provide training in future (Figure 20).
- 8.5 The most common response from these businesses (42 per cent) was that there was nothing that would make them provide training, since there was no need for training within the business, again showing the difficulties of engaging with this market. However, some employers felt that certain circumstances would persuade them to train. Seeking to expand the business or needing to train new members of staff were the most frequently mentioned reasons.
- 8.6 Examining these responses, the most frequently mentioned influences on demand for training were changes in objective business need, rather than the removal of barriers to training. Despite the cost barriers discussed earlier only six per cent of businesses said that cheaper training would make them more likely to train.



Base 223

Figure 20: Likelihood of undertaking training in the next 12 months

The effects of the economic downturn on training

- 8.7 We were keen to identify what impact, if any, the economic downturn was likely to have on training patterns and behaviour. The responses tended to be business (rather than sector or location) specific. Some businesses indicated that training levels and expenditure would be reduced:

'Most of us are just going to be hoping to get by, let alone thinking about, you know, training and anything. The only way people will be training is by giving up their current work to be retraining in something else. I don't see people thinking, "this is a good opportunity to spend loads of money on a bespoke, expensive course." They just haven't got the money.' – Photography freelancer.

'I think [we will reduce training spend], because all our resources are now on trying to save money, and bring money in, rather than spend it, so, yes, definitely.' – Software developer, 1-5 employees.

'I think it's affected everything. Training is one part of the budget. If I have a choice between spending £200 on training and £200 on marketing, I'll spend it on marketing. That's definitely changed as a result of the economic situation.' – Photography freelancer.

- 8.8 However, cutting training was by no means a universal response from businesses. Several employers told us they were likely to continue to invest as normal, regardless of the recession. These responses included smaller businesses, showing that business size does not necessarily dictate responses to training.

'It hasn't particularly affected it. I mean, if it's still something they want to do then it will usually get done really.' – Music industry, 1-5 employees.

'No, I don't think it will [affect training], because we already have the kind of culture in the company that training is something you've got to do, in order to give us an edge. We're a small company and we're always competing against bigger companies. The one thing we can do in a presentation out-geek them!' – Film production, 1-5 employees.

- 8.9 Indeed, some employers reported that they were likely to *increase* levels of training within their company, accepting the argument often put forward by training providers and government that investing in training can actually improve profitability.

'We've actually increased the budget to improve training, to be much more cost-efficient.' – IT recruitment, 100+ employees.

Summary

- Over half of businesses (54 per cent) said that they would 'definitely' or 'maybe' train in the next 12 months; 46 per cent said they were 'unlikely' or 'definitely not' inclined to do so during the same period.

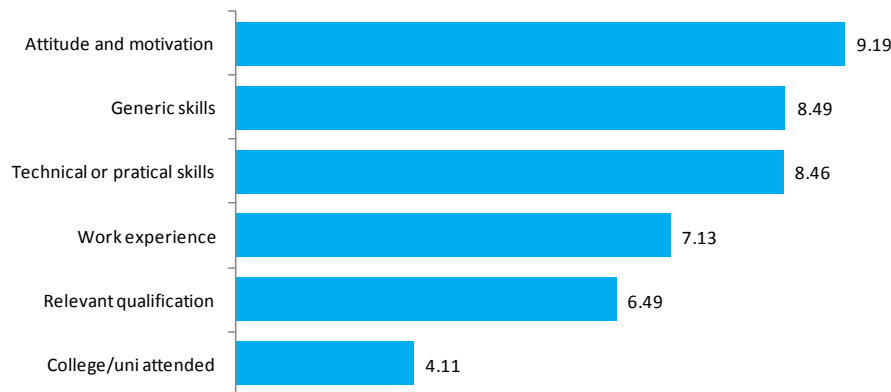
- Unsurprisingly, businesses that had trained in the previous 12 months were more likely to continue training in the future. Almost half of those that had not indicated that only changes to their business model (rather than changes to the supply side) would change their historic pattern on non-investment.
- The decision to invest in training during the recession appears to be business, rather than sector, location or size specific. Some employers told us they would cut training, but other said training would not change or would increase during the downturn.

9 Recruitment and other engagement with providers

9.1 In this section, we consider the recruitment requirements of businesses in the creative sector, their recruitment patterns and their overall level of engagement with universities and colleges.

Recruitment

9.2 All businesses surveyed were asked to rate (on a scale of 1-10 with 1 lowest and 10 highest) the importance of several key factors when recruiting new staff. Overall, the right attitude and general employability skills were rated as more important than specific work experience or relevant qualifications.



Base 500

Figure 21: Importance of factors when recruiting

9.3 The follow-up interviews highlight that a qualification in the relevant area is something that employers consider when recruiting, but it is also clear that experience of the industry or relevant skills sets are the priority.

'At the point of employment, the point of hiring somebody, depending on the role, I'd say [a qualification] was important. If we were taking somebody on then we'd probably expect some kind of media degree. More importantly, we would take somebody on without a degree if they could demonstrate experience in the relative software packages, that they could produce a show-reel or something like that. Demonstrate that they knew how to use the equipment that needed to be used.' – Film production company, 1-5 employees.

9.4 With graduates, employers place great value on work experience gained during or after their study.

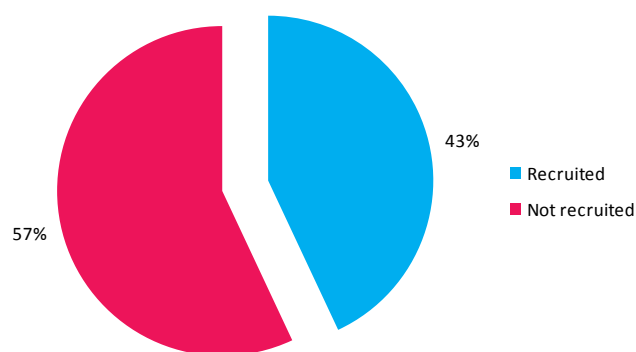
'I think that there should be a period that through every year of university or college, whatever, where that student does get placed into actual work, and actually see the reality of the business.' – Graphic designers, 1-5 employees.

'Again, it really comes down to experience. If it's been one of these one of these sandwich degrees where they've spent a year doing the job, I'm more likely consider that as being the right sort of person than someone who has just done a quick three year course and who has a got a first-class honours degree, but knows nothing really about the real world.' – Computer maintenance company, 6-10 employees.

9.5 Should a business require new skills, recruitment is often regarded as more viable option than training existing staff.

'I would probably recruit somebody who's got the experience within that field, rather than commit to training somebody. So I think to train, it would take too long.' – Graphic designers, 1-5 employees.

9.6 Despite this, Figure 22 illustrates that 43 per cent of the employers had recruited one or more members of staff during the preceding 12 months.

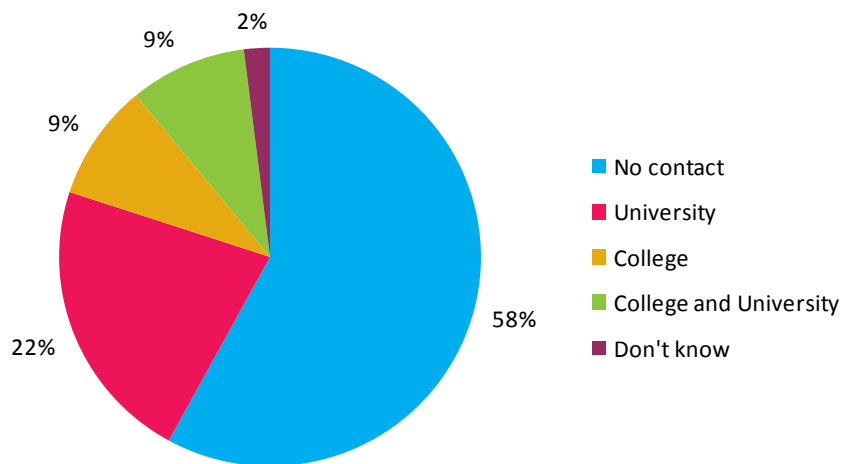


Base 500

Figure 22: Recruited staff in the last 12 months

Interaction with training providers

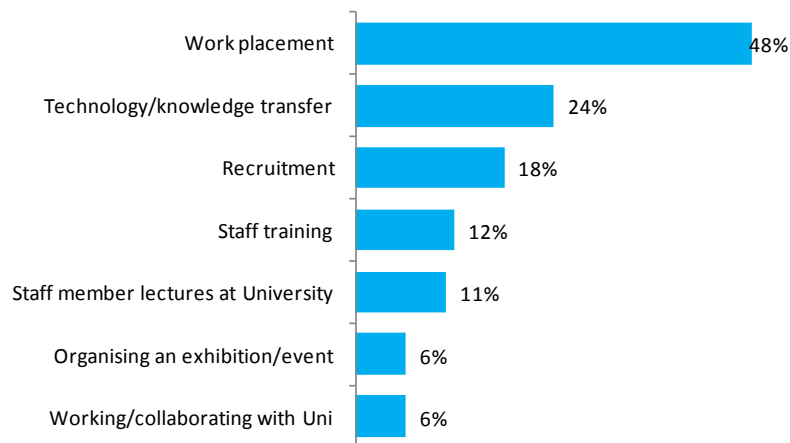
9.7 When we asked businesses what contact they had had with universities and colleges (including training), 58 per cent reported that there had been no contact. As Figure 23 illustrates, just under a quarter (22 per cent) had been in contact with a university, 9 per cent with a college and 9 per cent with both a university and a college.



Base 500

Figure 23: Contact with universities and colleges in the last 12 months

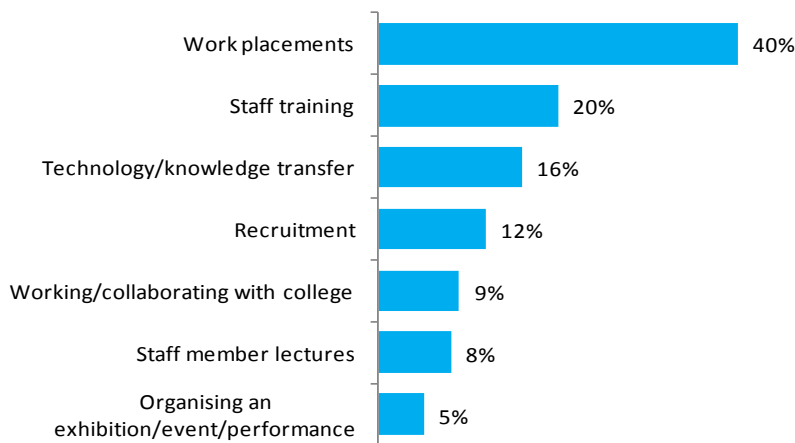
9.8 The 155 businesses that had been in contact with a university during the preceding 12 months were then asked about the nature of this engagement. Almost half of respondents cited work placement activity and 12 percent workforce development training.



Base 155

Figure 24: Type of contact with universities

9.9 As Figure 25 illustrates, this closely aligns the pattern of engagement with colleges.



Base 89

Figure 25: Type of contact with colleges

- 9.10 Work placements were frequently mentioned during the follow-up interviews. One employer felt that students should be matched to appropriate businesses and given realistic expectations of what type of work they would be doing.

'The interests of the student need to be better matched to the business they're going to. Also the universities and colleges need to give a realistic expectation to the students. At the end of the day, if you're in a big company you're at the bottom of the chain, and even in a small company you're probably doing the things the person who's employing you doesn't like doing, which is why you're doing them.' – Photography business, freelancer.

- 9.11 Another small business felt that universities should be more proactive in approaching employers to find placements for their students:

'We've been trying to get a work placement student to work for a few weeks over the summer. ... So we've actually had to phone the universities up and offer, rather than them having contacted us; they know who we are. I just find that a bit curious, they should be doing a bit more outreach.' – Film production, 1-5 employees.

- 9.12 The same employer felt that a work placement would be beneficial to the student because they gain an understanding of the realities of business life.

'The students that you get are very well-versed in the technical aspects. They come to you knowing how the software packages work, but they have very little understanding of the concept of deadlines and costs and budgets and the general business world. I think we could help them in that respect.' – Film production, 1-5 employees.

- 9.13 Some employers felt that many university courses in particular emphasise the technical practice of a particular industry, without offering good advice on the practicalities of running a creative business. This employer felt that much more business teaching and experience should be offered on standard university photography courses:

'I guess it really annoys me that a lot of universities are taking fees for a lot of photography students, churning out lots of students with very little or no business in the syllabus. They're doing more the technical skills of photography, rather than how you make it as a photographer. There's very, very little on the syllabus about how to run a photography business. You can be a mediocre photographer and a good businessman and you'll survive a lot longer than somebody who's a good photographer and a bad businessman.' – Photography business, freelancer.

Summary

- Employers rated attitude and motivation highest in a list of important factors when recruiting new staff. This was followed by generic skills, technical or practical skills, work experience and relevant qualification.
- 43 per cent of the employers had recruited one or more workers in the previous 12 months; 57 per cent had not.
- 58 per cent of businesses surveyed had had no contact of any kind with a university or college in the previous 12 months.
- The most common interaction with a university or college related to taking on work placement students.

10 Key messages

10.1 It is our hope that this study has helped to paint a more detailed picture of the demand for skills from Thames Gateway businesses in the creative sector. At the beginning of the report we outlined the key findings from our research. In this final section we conclude by identifying what we believe are the key *messages* for universities, FE colleges, training providers and other interested stakeholders.

Half of businesses are effectively 'hard to reach'

10.2 More than half of the businesses we surveyed had not undertaken any training during the preceding 12 months. According to criteria used in government interventions such as Train to Gain this points to a sector where 50 per cent of businesses are effectively 'hard to reach'. As we have also identified, the majority of these businesses are also unlikely to train in the *next* 12 months.

10.3 Successfully engaging these businesses will require more than simply reforming the *supply* of training. Very few of these businesses pointed to specific barriers to training, most referred to a lack of need. In essence this requires a change to the market context in which these businesses operate, a change that providers of skills training are unlikely to engender on their own. This can only be tackled effectively as part of a wider economic development strategy that involves more than simply selling the benefits of training.

Qualifications are not essential

10.4 All of our previous research into the demand for skills has underlined the importance of qualifications to businesses that train their staff. This study for the Creative Way very much bucks the trend.

10.5 As providers (primarily) of accredited training, this has real implications for universities and colleges. Nicholas Hytner, the director of the National Theatre is currently conducting a review of the relationship between universities and performing arts for the Government and has:

*'bemoaned the deficiencies of the next generation of actors, who he says are being taught theatre theory above drama skills. He said that universities and drama schools were under pressure to reduce the practical content of courses and increase the academic content in order to qualify for government higher education funding.'*⁴⁰

10.6 A number of the employers we consulted told us that graduates did not have enough practical work experience. These businesses were clear that without experience it is particularly difficult for graduates to gain paid employment in

⁴⁰ Reported in Sunday Times 15/2/09:
<http://www.timesonline.co.uk/tol/news/uk/article5741733.ece>

the creative industries – many start their careers through unpaid or low-paid work experience. Exploring further the employability of these graduates would be of interest to providers, employers and the graduates and students themselves.

- 10.7 Our research suggests that the vocational nature of many jobs in the sector, rapid changes in technology and the relative importance of experience point to the need for ‘short, sharp’ training that may not necessarily result in the award of a qualification. The significant share of the training market enjoyed by private training providers suggests that they are responding to this demand more effectively than universities or colleges.

Size matters...

- 10.8 While much of our previous research has focused on businesses employing more than 25 staff, it is striking how very different the needs of small and micro businesses actually are. We found that businesses employing fewer than five staff are much less likely to train than those employing more than 50 staff (37 per cent versus 91 per cent).
- 10.9 Notwithstanding the fact that half of employers are unlikely to train unless there is a change to their business model, it is likely that a number of businesses that do train would train *more* if they could enter into some form of federation. The opportunity cost of engaging with small and micro businesses (particularly for universities and colleges) is high and significant economies of scale could be secured by delivering training to groups of like-minded employers.

...and so does cost

- 10.10 The cost of training was rated as the most important factor when choosing a training provider. From the follow-up interviews it is clear that ‘value for money’ is a more accurate description than ‘cost’. Businesses do not mind paying for training (and most of those that train meet the full cost) as long as the financial costs are outweighed by bottom-line business benefits.
- 10.11 There is a widely held perception (perhaps reflected in their high market share) that private training providers offer the sort of bespoke, flexible training that is more likely to result in these benefits. Although often more expensive, this sort of training was usually regarded as offering greater value for money.

Training works

- 10.12 A resounding 77 per cent of businesses reported that training had had a positive impact on their business. After careful market segmentation there would be mileage in marketing individual success stories to other businesses.
- 10.13 As the majority of training is industry-specific, the process of federating businesses mentioned earlier could be aided by targeting training around particular sub-sectors or business need.

Sustainability is the key

- 10.14 Universities and colleges have the potential to enjoy a much more sustainable, long-term relationship with businesses than private training providers. While much of our research has focused on workforce development, universities and colleges can offer a range of additional services to businesses such as work placements, technology transfer and graduate recruitment.
- 10.15 Building on these services and effectively cross-selling within institutions will allow universities and colleges to move beyond a transactional relationship with businesses towards a 'one-stop-shop' model.

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