

Select Committee on Communications

Corrected oral evidence: The advertising industry

Tuesday 24 October 2017

5 pm

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Members present: Lord Henley (The Chairman); Baroness Bonham-Carter of Yarnbury; The Lord Bishop of Chelmsford; Viscount Colville of Culross; Lord Finkelstein; Lord Gilbert of Panteg; Baroness Kidron; Baroness McIntosh of Hudnall; Baroness Quin.

Evidence Session No. 3

Heard in Public

Questions 19 - 28

Witnesses

I: Paul Bainsfair, Director General, Institute of Practitioners in Advertising (IPA), Kate Burnett, Managing Director – DMA Talent, Direct Marketing Association UK, Raphael Salama, Account Manager, AKQA.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Paul Bainsfair, Kate Burnett and Raphael Salama

- Q19 **The Chairman:** Can I welcome you to this meeting of the House of Lords Communications Committee and its report into the advertising industry? The purpose of this session is to explore the skills within the industry that are needed, and to consider possible skills gaps and what more can be done. The session will also seek to explore what measures should be adopted by the Government, because we will be making recommendations to the Government, to ensure that the British advertising training system can still attract the best students from around the world.

I wonder whether you would all like to introduce yourselves briefly to the Committee. I will then start with some questions and ask other members of the Committee to put some more. I imagine some of you, particularly Raphael Salama, are new to committees of this sort. It is not like the Treasury Select Committee; we are perfectly friendly and harmless, and although the session will be conducted formally we will be fairly informal in how we manage it, although a proper record will be kept. I hope you enjoy the experience.

Raphael Salama: I am looking forward to it, thank you.

The Chairman: Mr Bainsfair, do you want to start?

Paul Bainsfair: Yes. Hello, everyone. I am the Director General of the IPA: the Institute of Practitioners in Advertising. Our industry has lots of bodies, as I am sure you have discovered. We are distinct in the sense that we only represent the advertising agencies. The advertising industry is obviously made up of the clients—the advertisers—and the media that provide the advertising space, in whatever form that is, but both the clients and the media do other things, obviously. They provide entertainment or news, in the case of the media; the clients make cars or bread or whatever they make. The advertising agencies only do advertising, rather obviously, and we are a very well-known body around the world. That is partly because the UK advertising agency scene is regarded, along with the USA, as the leader in the world in terms of strategic thinking and creative ideas. It is fair to say that the UK advertising agency industry is a world-class UK industry and, therefore, we welcome very much this inquiry and the more help you can give to that industry, which is facing all sorts of challenges, mostly to do with technology and change, the better.

Kate Burnett: Hello. My name is Kate Burnett. I am MD of a business unit of the DMA Group, which is also a trade association. I head up a division called DMA Talent. I started my career working in marketing agencies a long time ago and have now been working, for the last 10 to 15 years, as a centre point between education and the marketing industry. My remit is to focus mainly on British talent and growing that as a pipeline of talent to help the industry sustain and grow. I mostly target young people in this process by giving them information, opportunities to increase their employability and, ultimately, connecting them to industry and helping them find jobs.

Raphael Salama: Hi, my name is Raphael, or Rafi, Salama. I work at a company called AKQA, as part of the WPP Fellowship graduate scheme. I finished university at Cambridge in June, where I studied French and Spanish, and I am eight weeks into it and delighted to be here to speak with all you guys. Thank you.

Q20 **The Chairman:** Thank you very much indeed for those introductions. What I want to start by doing is to ask all of you to come in as you wish before I hand over to the rest of the Committee. Could you just say a little about what educational routes there are for people who wish to go

into the advertising industry? For Mr Salama, what was it that took you into it, what attracted you first and what routes did you see? Is it a popular choice for many students? What perceptions do you encounter from students or young people about advertising? What specific skills are needed and what is it the Government and all of us here can do to help?

Raphael Salama: As part of my French and Spanish degree, I did my third year abroad in Buenos Aires, where I worked for Ogilvy. That is how I found out about WPP and about their fellowship programme, which is a multidisciplinary, three-year, one-year rotation programme. You do three different placements across WPP agencies, and the idea is then you end up working in a permanent role, if all goes well, at WPP. What attracted me to it is that a lot of other schemes, say, in law, consultancy or banking, felt very rigid. I felt like I would be a cog in a machine, to be honest, and I wanted to do something where I could put my hand up, have a point of view and be creative.

What I learned at Ogilvy and what I have been pleased to find at AKQA is just the people are completely brilliant and I work with some of the most dedicated, committed people I have ever met. Even today, working on stuff you really feel the passion that everyone in the room wants to be there. Working among people who truly believe in what they do is the most fun thing that I could ever want. That is why I wanted to do advertising.

Kate Burnett: To answer your question about a popular career choice, it still is a popular career choice for young people. It is viewed as a very young and dynamic industry, which is attractive to people. It is something that young people can connect to very well in terms of brands and the marketing that surrounds that. Often, people are attracted to the larger brands to work for, but there are a lot of opportunities around things like business-to-business marketing as well.

I do not know how you feel about this, but I think sometimes there is a relatively low awareness of what you do on a day-to-day basis when you want to work in advertising—I say that because the responses you get when you ask people about why they want to go into advertising are often vague.

The point you made about different graduate schemes is interesting. In some quarters—particularly parents, perhaps—marketing and advertising is not necessarily viewed as much of a professional job as accountancy, law and other areas, and that is a point we perhaps need to address as an industry.

The Chairman: You mean the likes of me feel very proud when their children say they are going to be lawyers or accountants.

Kate Burnett: Yes, but if they say they want to go into marketing the response is sometimes a little different.

The Chairman: Because it does not look like a proper profession.

Kate Burnett: That is sometimes the opinion.

Paul Bainsfair: That is a very relevant point when it comes to trying to improve diversity within the advertising industry. This is an issue that we have made a lot of progress in over the last few years. As we have heard, advertising remains a very popular choice amongst young people, but we are concerned that we are hiring too many people in our own image. It is too middle-class and probably too white. That is not to in any way diminish the capabilities of the people coming into the industry, but the UK industry became a great advertising industry by being open to all including people straight from school who had no qualifications. Some of the most well-known people in advertising worked their way up from the dispatch room.

We used to have a much more open-minded approach to attracting people into the industry and we are trying to re-encourage that. Recently, we have been trying a few things, including one thing we called Advertising Unlocked. We opened the doors to all the advertising agencies in London to school leavers or even just pre-school leavers and advertised it around the schools, in order to get kids to come in and find out what the industry was all about. It was incredibly successful and we were surprised to find schools one mile from Soho where none of the pupils had even thought of a career in advertising. It just was not on their wish list or, indeed, had never even occurred to them.

We are pushing hard on that issue, however, there are lots of ways to get into advertising. It is still difficult to get in, but as we have heard universities and art schools provide many courses. There are not quite yet as many grad schools over here as you get in America, where kids go on from university to study to get into advertising, but that is almost happening too. So there is no shortage of ways to learn about it and, once you get into the industry, we, the IPA, provide lots of specific training, often provided by practitioners, which is very well regarded. It is not an industry that is short of training, but perhaps it is short in the broader sense of the people we would like to see attracted to it.

The Chairman: With the changes in the industry and the shift to digital and social media, will that involve changes to the training?

Paul Bainsfair: Yes. We are trying to attract more STEM students. Traditionally, advertising people have come either from art school or the arts; they have been English graduates or art history or the like. We have not had many from a science background and, given the importance of technology, we want more of those. However, as you heard in the previous session, it is changing so quickly. We are hiring people now who are learning about technology that will probably be outdated by the time they join our agencies. That is the speed of change that we are having to cope with. Of course, this whole area of data insight and management and coding and all the rest of it just did not exist in advertising to any extent, at least not in the mainstream advertising agencies, five years ago. It has completely changed.

Kate Burnett: When you start to think about skills shortages, I know skills shortages are notoriously difficult to define, but one of the biggest areas of concern is that we need a lot more people who are coming through who can understand how you manage and interpret data, and how you use it effectively to inform both business and marketing decisions. That is not traditionally something that has been taught in business schools. The IDM and DMA run a programme called Creative Data Academy, for example, which actively targets people from different disciplines, from STEM disciplines and from social sciences, to get them to think about a career in marketing and advertising. They have some very good data skills in place already, so we are taking students from different areas and different academic backgrounds into the industry to satisfy that.

Raphael Salama: It is really important that we get people who have a data degree or an engineering degree, but I feel that a lot of the work we do is more about a state of mind than a qualification, and just being inquisitive, curious, wondering how things work and how things could be better is just as important as spending four years at university like I did. The more we can do to give people the confidence to put up their hand and have an opinion on something is just as valuable as pummelling them with code and algorithms; that is really important, and I work in a digital agency, whatever that means anymore, but it is also so important to just give people belief, as much as giving them a degree or qualifications.

Q21 **The Lord Bishop of Chelmsford:** I was interested, Paul, in what you were saying about how, in the past, people would come up from the dispatch room, and there were routes through. It just so happens I met a young person over the weekend who has started up his own small business. He does not have a degree or any training. The business is going really well. It is all done on the internet. He has taught himself how to do advertising. I do not suppose for a minute he wants a job with any of you. He is an incredibly entrepreneurial young person who is just doing it from his bedroom, as it were. My sense is that there are quite a lot of people like that. I am not saying there is no talent in the universities, but there is an awful lot of talent that is not in the universities, and I just wondered what the routes will be for somebody like that person in five or six years' time. Will that person overtake you completely? Will you become obsolete? I just want to move the conversation in a different direction.

Paul Bainsfair: I cannot remember who said it—it might have been Martin Sorrell—but someone said that the biggest company in the world in 10 years' time has not been invented yet, so it might be your young fellow; I do not know. There are routes in. If these young entrepreneurs are successful in our sphere, they get gobbled up. They get bought by the bigger companies.

Baroness Bonham-Carter of Yarnbury: Are you talking about by non-British firms?

Paul Bainsfair: Not necessarily, WPP is British. There are five big networks and they are all very acquisitive. It is not a bad thing to be bought, because obviously you get paid for your business. Very often those young people are kept in the acquiring companies and they provide energy and inspiration for other people around them. Many of them do end up in big jobs, but not perhaps coming up through the dispatch department as people may have done in the 1960s.

Q22 **Baroness Quin:** My question follows that, in a way. The two institutes, the IPA and the IDM, have training courses. How do you feel that these work? What is the profile of the people who come on the courses and who funds them?

Kate Burnett: The IDM runs a large variety of training courses, as well as qualifications. You can either choose a one to three-day training course or commit to taking a diploma, award or a certificate. They are very much developed with and delivered by practitioners, people who are working in the industry doing these things on a day-to-day basis—which, given the pace of change we have talked about in the industry, is really important. We aim to serve people from when they are in university all the way through up to senior marketers. Again, given the new digital technologies, sometimes you will have very senior people coming and taking a short award in mobile marketing, for example, because they want to understand how that works within their teams.

A lot of people traditionally have been funded by their companies to come along and do training courses. Increasingly, we are seeing people fund their own training courses to invest in their own career development. There is funding from both sides. From a student point of view, though, we also work within the universities. We have an accreditation programme whereby we set a syllabus that the university can follow in terms of digital marketing, which covers all the major areas somebody working a junior marketing role would want to learn about. Through that, they are then able to take an IDM qualification. Again, sometimes the university funds that for them, sometimes the individuals pay for that themselves, but it is very heavily subsidised to ensure that they can afford to do that as part of their course.

Baroness Quin: Are these universities scattered around the UK?

Kate Burnett: Yes, all around the UK.

Q23 **Baroness Quin:** I wanted to ask Rafi a bit about the WPP fellowship scheme, as to how it is structured and what kind of training is offered. What do you see as the positive likely outcomes of doing such a fellowship?

Raphael Salama: Basically, it is three one-year rotations and it is a global programme, so the idea would be that you spend one year in London, where everyone starts, and then you move around WPP offices internationally. In terms of what you do, you can do an account role, a strategy role or a creative role, but often those talk with each other and you do a bit of everything. The training has been brilliant. You get

mentorship from really senior people in the business and you also get a peer mentor, who is someone who has just gone through the fellowship whom you are able to talk with about more day-to-day stuff.

Looking forward, I have just started and it has been absolutely brilliant and, all being well, I would love to stay with the company in a more permanent role, but what exactly that will be is up for grabs right now. As I say, I work for AKQA, which is on the more digital side of things, but the idea is that you would then go and do maybe some more traditional advertising or something data related or something media related, to get a good overview of how the whole holding company operates.

Baroness McIntosh of Hudnall: Can I ask a very quick follow-up to that? Just thinking back to what was being said about the skills that people need, you have, no doubt, a very good degree in modern languages from a very good university. What else did you have in your kitbag when you put yourself forward for that fellowship, and why do you think you got it and other people did not?

Raphael Salama: What I have in my kitbag is passion. Often, people think, "Oh, I need this qualification", or "I need this bit of work experience", or "They have a month of work experience and I only have two weeks". However, if you are able to go into a room and talk with someone fluently and genuinely about why you are interested in the industry and just pick an example or tell a story, it goes a long way to showing how you are going to be able to communicate. Fundamentally, that is what the job is. We are a marketing and communications company, and being able to talk at length and with passion is probably the number one criterion. For my boss—I hope he does not mind me saying this—his ultimate test is, "Would I be able to spend six hours on a flight with you?"

Baroness McIntosh of Hudnall: He was not too bothered about your digital skills then.

Raphael Salama: He was, and, as I say, I work in a digital agency and I have seen how important data and all that stuff is, but fundamentally it is still an office. There are still people in there and you still have to get on with them, so relationships and just being part of an office and getting on with people are still just as valuable as ever. I do not think the rise of data, robotics and AI detracts from being able to come in on a Monday morning, ask about someone's weekend and hear how they are. That is fundamentally still how these companies work. WPP is a talent organisation; it is a people organisation. Without me and however many others there are of us, there is nothing. That is a funny little anecdote but its kernel is correct: that the emphasis is still on the people and still on getting on with others.

Kate Burnett: I interviewed 60 students last year who were coming on to one of our programmes, and there is an awful lot of truth in that. We were offering a fully funded course for a week. We wanted to have the best people from the applications there, and passion is one of those key

things that you are looking for. It is not just in your manner; it is also whether they have bothered to go and do something voluntary, for example, that has demonstrated their enjoyment and interest in marketing and data or whatever it may be. It is demonstrating clearly what that passion is.

Raphael Salama: I agree. My friends tell me when they are applying, and I often say to them, "If it is right, you will find a way through", because I know that people who really have a passion will have done enough, coming up to a certain age, that it is something they really believe in. I have friends in mind who I really do back, because I have spoken with them about it and I can see it is genuine. I can see that they have put in the hours or they have read a book when they did not have to. It is often what you do not whack on your CV that is the deciding factor.

The Chairman: Mr Bainsfair, do you want to say anything about the IPA schemes?

Paul Bainsfair: They are very similar. When you are very young we have the Foundation Certificate, and we have advertising professionals coming in and out of the IPA throughout their career. What we do then is turn them around and get them to do the training when they get to their early 30s. They build a relationship with us, and the learning and the development side of what we do is always regarded as one of the key benefits of being a member of the IPA.

We subsidise the training. We do not try to make any money out of it, so it is a much more economical way of getting people trained than them going to outside training agencies.

Q24 **Baroness Kidron:** I believe I have to declare an interest as a non-executive director of Freeformers, which is a digital transformation company with a social purpose component that involves training 16 to 24 year-olds in digital skills.

My question is about immigration, about the talent chain and about who is missing here and so on. Before I ask that generally to the two of you at that end, I would quite like to ask you what you felt you gained from being in Buenos Aires—and I mean by being in a foreign country as opposed to the exact training—and perhaps what you left in Buenos Aires, in terms of what they may have got from you. Perhaps you could put that personal spin on it, and then obviously I am very specifically interested in the EU talent and then in how you feel the industry is going to meet the challenge of a post-Brexit world.

Raphael Salama: My time in Buenos Aires was nothing short of brilliant. You meet some of the most unusual people. You meet people who do crazy things. There are some people who just love football. There are some people who are like you. What it really is is getting you out of your comfort zone. There is a very set path in the UK, which is school, sixth form, university for three years, and then you come out and you are suddenly exposed to the world and you have never met a real person, if

that makes sense. You have only ever met people in your certain way up. Just getting outside your comfort zone to an area where you do not really know what is going on, you are working in a foreign language, you are sitting in a meeting and thinking, "I actually have no idea what is going on here", and then someone looks at you and asks you something. In that moment of pressure you learn so much about yourself, what motivates you and what you need to improve on. It is a massive learning curve.

My brother is doing French at university as well, and he is currently in Paris. Just speaking to him, it is remarkable how much of the same things come up. He was saying, "I was in a meeting. It was so scary", but you learn and then the next meeting is alright. You just hit the ground running so that in your first week proper, if you like, not when you are still in part of your university degree, you have had that scary moment and just getting that almost out of the way, but in a brilliant location in a city of brilliant people, is really what that gave me.

I would like to say something on the immigration side of things. I went to university with lots of foreign people who were on tier 4 visas and I found the difficulty that they had in terms of staying in the UK afterwards remarkable. I went to a good university and there were some extremely bright people there who we had already subsidised to be in the UK. The criteria they had to hit, in terms of a £20,000 starting salary, £945 in savings, to access a tier 2 visa seemed nonsensical to me. A lot of people cannot get a job as soon as they finish university—barely anyone does—but yet we just are getting rid of them.

I have a friend who went back to India. He is a brilliant engineer. I know we have an engineering skills gap, so why did we not keep him? I know that is an anecdotal example, but I cannot believe that is not going on up and down the country. We need to recognise that our universities are filled with people who can contribute so much, but we seem to make it hard for them to do that. That is a big part of the issue.

Paul Bainsfair: To answer your question, it is almost worth looking at it from a bigger point of view. We are regarded as a global centre for advertising. The very idea that we would have fewer people from other markets working in our advertising agencies in London, which is seen as a centre, does not really point to a successful outcome. A lot of the business that is done in London is with international clients. They are made up, not surprisingly, not only of people from Britain but people who come from all over the place. If we are talking about creating advertising in the south of Europe or in India or wherever it might be, clients like to see people who have shared cultural backgrounds with the target audiences. Were we to be in a place where we were able to employ fewer people from around the world in our agencies, the position I talked about earlier of us being one of the unquestioned leaders in the world, over time, would be threatened. Of course, to go back to what you were asking, many of them do provide skills that are harder to come by with just British advertising practitioners.

Baroness Kidron: For those people who say if you stop the flow coming in you will turn your attention to filling that gap, what would your answer be then—or would it be back to point 1?

Paul Bainsfair: It is more or less what I said. If you turn the clock back 50 years, when 90% of the advertising or more was just for the UK, it would make perfect sense. It does not make any sense anymore, because we are in a global market and it is a big industry that contributes a great deal to the GDP of the country, which is a flywheel to all the other creative industries that add to the creative sector. You will all be familiar with Hollywood directors starting out in advertising, or photographers, actors or designers. It is how lots of people learn their trade and then go on to these other more aspirational industries that, together with the advertising industry, make our creative industries sector so dynamic and so much more important to our overall economy than it is in, say, France or Germany or any of the other competing nations we are up against.

Baroness Kidron: Would you therefore make a special argument for the creative industries sector or would you say that they sit alongside other industries that are feeling they may have a skills gap?

Paul Bainsfair: I would hope to make a special argument, because the product we are making is literally international. It is being created in our country for use in other marketplaces and, therefore, having an international workforce is a sine qua non of being successful in that field.

Kate Burnett: The case has been made quite strongly by the Advertising Association report that you saw recently in terms of the need to maintain talent in what is essentially a global industry, as Paul has pointed out, so we are in a fairly good place to maintain that. I do quite passionately feel that we have to invest in young people in this country as well, to ensure that young people are coming through and filling those skills gaps. We have to do both. It is very much a complementary situation to grow that culture and for them to experience that international dimension that we have. There are a number of things that we need to look at and do, and some of those come very much right back down to school and the careers advice that we are giving people. The Careers and Enterprise Company was set up in 2015 by the Government as a one-stop shop for careers advice. We are looking to work with them to provide a sector approach for marketing, because you are right: people do not necessarily understand what the roles are.

Baroness Kidron: Can I ask you something specific about that? We often hear in this room, on this Committee, whatever we are talking about, that the education system is not giving the right skills coming out. If you had to point to a nation that has it right for the creative industries, do you have a sense of that from the people who you employ or train, or are you still concentrating on getting it right, or both?

Kate Burnett: I could not name a country that I would look to. I do not think it is all wrong. This is a very demanding time with lots of changes. We need to support both the careers function and the academic function

at all levels. We cannot go back to head teachers and ask them to put yet another thing on the curriculum; they are already bursting with frustration. However, there has to be ways that we can integrate this learning into the syllabuses of our schools and universities. Some of that is going to be supporting people. We have talked a lot about the training portfolios that we have for people in industry who are always needing to keep themselves up to date. We need to do that for the people who are teaching our future marketers and advertisers as well. It is very difficult, if you are in full-time education, to stay on top of the latest thing that is happening in mobile marketing or social media. We do support that, to a degree, at the IDM with subsidised training, but there needs to be a consistent approach across institutions.

- Q25 **Baroness Bonham-Carter of Yarnbury:** One of my questions has been covered, but I will just expand on it. Paul, at the beginning you said about the schools in Soho not knowing that there was a career in advertising on their doorstep, which is astonishing really. Picking up on what has just been said, it is the responsibility of the business, in a way, to go into schools, is it not? It is for business people to go into the schools, because, as Kate was saying, for the teachers to keep up with what is going on is—

Paul Bainsfair: Yes, I agree, and we are doing what we can. There is a great scheme called Speakers for Schools. I do not know if you are aware of that.

Baroness Bonham-Carter of Yarnbury: I am, yes.

Paul Bainsfair: I have done a couple myself, but picking up on something Kate said, it is quite noticeable how crammed the teacher's day is and how hard they find it to create time just to get someone from the outside to come and talk. Obviously, the students love it and it completely opens their eyes to all sorts of possibilities. Rather like you were saying, we almost need to create more time for a bit of blue-sky thinking in schools rather than just, "You have to be here; you have to do this; you have to do that" – filling every minute of the pupil's day. We are doing our best to get into schools, but it is not easy.

Baroness Bonham-Carter of Yarnbury: It is interesting. I know Pinewood had the same experience. They tried to go into their local schools and it is all the private ones that are saying yes.

Paul Bainsfair: Exactly, and then you get into the repeating problem of attracting the same kids all the time.

- Q26 **Baroness Bonham-Carter of Yarnbury:** Can I move on to something else, which is apprenticeships? This Government and the last had the apprenticeship levy, but I know in other areas of the creative industries it is not felt to be a very good fit. I just wonder what your and Kate's feelings are about how the apprenticeship levy is or is not working for the advertising industry.

Paul Bainsfair: It feels like design by committee. The problem is, as I am sure you all know, that if your firm's salary bill is over £3 million you pay 0.5% as a levy, which is £15,000. That would be an agency of probably about 50 people and suddenly they have to find £15,000—which you can get back if you train apprentices. However, you have to hire the apprentices to get it back. You have to probably put more training into the apprentices, and the problem that I see is that amongst the approved apprenticeships that you can get the money back for, there are not many that fit our industry. There are one or two that might, but they do not exactly.

Therefore, if I am running an agency like that, I am under pressure and I suddenly have to find £15,000—it is a levy; it is a tax, effectively—I might have a look at my headcount. I might find someone I do not need and save my money that way, because I have to make the same amount of profit next year, or even more than I made the year before. It can have unintended consequences. We are trying, with our members, to get some new relevant apprenticeships approved, but the Institute for Apprenticeships is a slow-moving body; it could take quite a few years before we get them through. I have given you an example of a relatively small agency; that £15,000 goes up pro rata, so you are talking pretty quickly about a lot of money amongst the bigger agencies. So, although well intentioned, I am not sure it is a good fit for our industry.

Kate Burnett: I agree with some of the points that you have made there. It is a great idea in principle and, in a way, the levy is a good idea in principle, because it forces apprenticeships on to the agenda of businesses that perhaps would not have thought about it before. However, it is a huge task to create consistent delivery across the UK, and I hear two points regularly mentioned. It is hard to set standards for this industry. I do not know how many times we have said it between us: it is a rapidly changing industry, so the standards, once they are put in place, are not quite specific enough for the jobs they are covering. In addition, they are changing all the time, so once the apprentice is on that track and the standard has been set and it is not reviewed for two years, it is hugely out of date by the time people come to address it. I also think apprenticeships as a concept should be marketed better. It should be viewed with the same parity of esteem as going to university or taking a different career route. That is an issue as well.

Specifically with the levy, yes, it is quite restrictive in terms of what people can spend that on, and often they do not feel there is either the type of training they are looking for to put people through, or there is not the quality of training they need to put their young people through to do their job better.

Apprenticeships are good in principle and the levy is good in principle, but it is a huge undertaking that needs an enormous amount of resource that I am not sure it has at the moment.

Q27 The Lord Bishop of Chelmsford: We are probably all mindful of the clock at the moment, so we will ask for some brief responses. We are

interested in exploring the idea of business or creative clusters. What do you understand by that concept and what is its relevance to the advertising industry? You may not, but assuming you may think there is some relevance here, what role, if any, should the Government have in promoting these clusters? In terms of there perhaps being a bit of an emphasis on London and the south-east with advertising, what could be done to encourage regional clusters? There is a whole host of questions there.

Kate Burnett: A cluster really refers to an ecosystem of businesses that work together in a similar industry and that proliferates once you get those businesses working together. London is clearly the biggest cluster that we have in the UK. The DMA, as an organisation, has councils in the north, in Scotland and in the west and Wales, where we take some of the programmes that we have in London and try to replicate them or make them work with the local community in those different areas. It is really important to support regional initiatives. I frequently hear businesses and councils complaining about the talent drain to London. They feel very strongly about this and are very receptive when regional initiatives are set up and moved forward. We run some of our creative and data programmes in four or five different locations in the UK, but our ambition in these things far outweighs the resources we have to deliver them.

The Lord Bishop of Chelmsford: What, if anything, do you think the Government could do?

Kate Burnett: Look at successful initiatives that are working and help to fund some of those initiatives.

Paul Bainsfair: I know we do not have a lot of time, but I would add that we are very familiar with the idea of clusters. You find advertising agencies where there are businesses and then you find, around the advertising agencies, design studios and photographers. In many ways and in the nicest possible way, we are a positive parasite, in that agencies appear wherever there is business and activity. Rather like Kate was saying, the IPA has a big cluster of agencies in Bristol, Birmingham, Manchester, Edinburgh, Glasgow and Newcastle. It is true that all the big, glossy advertising agencies tend to be in London, but there is a hell of a lot of employment and advertising outside the south-east.

Raphael Salama: I was reading an article by James Murphy, the CEO of Adam & Eve, this weekend and he was talking about how 57% of the industry's workforce is now based outside London. There is another thing that has been talked about a bit, which is "peak London"—which basically means that, for the first time recently, in a month more people left the city of London than joined to come and live here. Over the past five years, there has been an 80% rise in people leaving London. You are seeing people think that there is a Britain outside London for advertising and, slowly but surely, that might be something that organically takes place.

Q28 **Baroness McIntosh of Hudnall:** This is a question about the role of

entrepreneurs, start-ups and small enterprises in the industry as a whole. When you are talking about these clusters you are often talking about clusters of small businesses, which is different from the kind of employment that traditionally people have thought of as being what they could aspire to. You get a job with an organisation and they pay you and on you go, which is the route that you have taken, Rafi, in a way, for now, but these small independent units are obviously very important.

Paul Bainsfair: Yes, it is almost a time-honoured thing in advertising that start-ups prosper and succeed. London in particular is very receptive to start-ups. Big clients will go in and see agencies that have only been open for a few months, usually because the names are well known because they have worked in bigger agencies. They, in turn, as I mentioned earlier, as they grow, are acquired and help to make the bigger networks even bigger. However, I do think there has been a shift among young people, and they are much more prepared to go and work in start-ups these days, largely because they have all read about the people starting in garages in Silicon Valley and everything else. They are more prepared to do it and they are less risk averse, if you like, than perhaps our generation was.

Baroness McIntosh of Hudnall: Do we have enough data to know what the average survival rate is for a small company starting up in that way, before it either gets gobbled up or cannot survive because it is not gobbled up?

Paul Bainsfair: I do not have it to hand, but we do have some data on it, and I will write back to you with that data, if I may. There is a high survival rate, but there are also casualties, as you might imagine. Often companies mutate, so the three of us might start an agency and then I might leave and then you might get him in, and then suddenly the company finds its mojo and grows that way.

Baroness McIntosh of Hudnall: In terms of the advantages to the industry of this quite loose, freelance-based, small company-based—

Paul Bainsfair: All positive, I would say. It is the lifeblood of talent and energy.

Baroness McIntosh of Hudnall: What about people earning a living? This is an industry where there are more people wanting to work in it than there are opportunities for them to do so.

Paul Bainsfair: There has been exploitation in the past—it is definitely on the way out—mostly among the creative talent, who would come and write ads for nothing on the basis that you might give them a job. There was a tendency, I would say, five to 10 years ago of bigger agencies thinking, “Why would you not?” They had free talent coming in. However, people have realised that is just not acceptable and people are being much more responsible now about making sure that these placements, as they are called, do get paid for their efforts, even if it is,

"Thank you very much; we did not quite think you made it", but they would be paid while they were there.

The Chairman: Can I thank you all very much indeed for coming along? I am sorry we have run over time. I am sorry that there were disruptions, but we are very grateful indeed for the evidence you have given and grateful for your offer to send on more details and any further thoughts you have about particular training within this industry, what is going to get people in and where there are gaps. Thank you very much indeed for your time.