The Power of Creativity and the Power of the City

The Functioning of Labour Markets and its Role for Urban Location in the Restructuring of German Advertising

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Abstract

Urban socio-economic theory today strongly focuses on labour markets and their role in shaping the structure of the urban economy and society. However the main emphasis of this work is on polarising mechanisms at work within the urban society without considering the internal structure and functioning of particular labour markets in cities. The present paper aims providing insights into the predominantly urban labour market of advertising. At the same time it attempts to highlight the nexus between its structure and functioning and the spatial structure of the economic activity by examining the role of labour markets for the spatial restructuring of the German advertising industry.
After giving a brief critical overview of how labour markets are dealt with in contemporary urban theory, the paper portrays the restructuring of German advertising both in a more descriptive and quantitative way of regional variation of employment changes and by a more profound qualitative approach to the sector, focusing on different agency types and on the labour market of creative professionals.
The paper concludes by launching two key arguments: first, it will be decisive for understanding future urban economies to get insights in just these labour markets of 'classic' post-industrial activities and, second, to understand them one has to seriously consider the way how they interact with the social relations the labour market actors are embedded in.

1 Introduction: Labour Markets in the Urban Economy

Urban labour markets have undergone a process of severe restructuring over the last at least 25 years. The decline of the industrial city as motor of economic growth in the western post-war economies as well as the only selective growth of an urban post-industrial economy, both inter- and an intra-regionally, has substantially affected urban employment patterns, the prototype of a skilled and semi-skilled male industrial worker, full-time employed continuously in one big firm making way for a more diverse configuration of increasing women's participation in the labour process, increasing flexibilisation, higher qualification, among other aspects[1].

These significant alterations on the level of processes have also set off vivid debates on how the empirical changes can both be put in a broader theoretical context and how thereby the urban labour market may be conceptualised in an appropriate way. Two approaches appear particularly useful to provide an overview of the overall debate, that is, the idea of a polarised service-sector as structuring force of urban labour markets and thereby of urban society as a whole as it is articulated in Sassen's global-city theory, and the hypothesis of a flexibilisation triggered by the fragmentation of mass markets in western societies (Piore and Sabel 1984; Sabel 1989, among others), for the urban labour market in the most comprehensive way elaborated by Allen Scott, in his work on the labour market of animated film workers in Los Angeles. We shall subsequently offer a brief outline of these two approaches, before we propose a stronger focus on the 'upper end' of the urban employment system.

1.1 The 'Polarisation-of-Services'-Debate

Sassen's account of the urban labour market basically draws on a 'classic' critique of Daniel Bell's vision of a 'post-industrial society' in which the rise of theoretical knowledge as 'axial principle' within society and 'as the main source of innovation' (Bell 1974: 14) fosters the establishment of a new leading class of professional, technical and management staff that accomplishes the realisation of the axial principle in economic life and dominates society.

Her - as many others' - argument is that this class does exist as dominant economic group in 'post-industrial production sites' but that the rise of high-skilled, knowledge-intensive service work necessarily implies a simultaneous rise of low-skilled, precarious service work. Or, as Sassen puts it:

> "We tend to think of finance and specialised services as a matter of expertise rather than of production. High-level business services [...] are not usually analysed in terms of their production process. Thus insufficient attention has gone to the actual array of jobs from high-paying to low-paying that are involved in the production of these services. In fact, the elaboration of a financial instrument, for example, requires inputs from law, accounting, advertising, and other specialised services. [...] The production process itself, moreover, includes a variety of workers and firms not usually thought of as part of the information economy - notably, secretaries, maintenance workers, and cleaners. These latter jobs are

> also key components of the service economy. Thus, no matter how high the place a city occupies in the new transnational hierarchies, it will have a significant share of low-wage jobs thought of as somewhat irrelevant in an advanced information economy, even though they are an integral component" (Sassen 1994: 105).

This dual logic of the service economy is mirrored in an equally polarised urban labour market of post-industrial intellectual workers, on the one hand, and a wide field of low-paid service workers, casual labour force and a huge informal economy, on the other, these lower segments being to a large extent fed by flows of immigrants (Sassen 1997). This polarisation encompasses the whole urban society and it is mirrored on the housing market, in patterns of consumption, strategies of household survival etc.

In a comprehensive review of contemporary urban theory Michael Storper (1997: 223ff.) criticises Sassen's idea of a 'global-dual city', in which increased polarisation of the labour market is depicted as automatic result of a city's globalness, above all using empirical arguments. He holds that New York in the context of the USA, although it has the strongest relative concentration of advanced service industries among all metropolitan regions, shows a similar occupational structure and a less and lessening polarised income distribution as compared to the US average. 'The "yuppie plus servant classes" analysis of inequality does not work', Storper claims (ibid.: 232). According to him, intellectual economic activities, as well as services in general, may well shape the future of urban economies. Just these urban speficities are yet not considered in Sassens formula of 'global equals dual' that is, 'the way that specific practices not only transmit, but transform these global forces into concrete social patterns and relations.' (ibid.: 233).

Thus, Sassen's polarisation-approach is criticised for dealing with the urban economy and society in a mere top-down view conceiving of it as a passive machine-like 'subassembly' of the global capitalist economy (ibid.: 222).

An argument similar to Sassen is put forward by Manuel Castells (1996). He equally maintains the argument of social polarisation as crucial feature of urban society; it is yet based on different driving mechanisms. According to Castells the dualism of services is not the single and main vehicle of social inequality. Instead polarisation is described by the notion of *exclusion,* on its part derived from the logic of a global 'space of flows' which determines the structure and functioning of contemporary societies. The status of individuals in this model strongly depends on whether or not they are linked to the dominant global information flows (ibid.: 415ff.). A polarised service labour market thus does not emerge automatically, but it is socially constructed. The space of flows is

> "the spatial logic of dominant interests/functions in our society. But such domination is not purely structural. It is enacted, indeed conceived, decided and implemented by social actors. Thus, the technocratic-financial-managerial elite that occupies the leading positions in our societies will also have specific spatial requirements regarding the material/spatial support of their interests and practices. [...] Articulation of the elites, segmentation and disorganisation of the masses seem to be the twin mechanisms of social domination in our societies." (ibid.: 415f.).

Social inequality is thus a matter of uneven distribution of power between different groups or networks in society, and its manifestation in space is an expression of elite strategies of power consolidation. Social mechanisms are thus, on the one hand, described as an active force both pervading and shaping (not only) the urban labour market. On the other hand, the structure of urban societies is conceived of also by Castells as a mere outcome of a wider logic of a dominant space of flows, mediated by the 'interests and practices' of its 'dominant, managerial elites' (ibid.).

Again Storper strongly criticises this mere top down perspective of cities. His key argument is that Castells focuses too much on information as the competitive edge of the economy, which he considers to be a 'totally banalised, mass produced and distributed' (1997: 238) commodity. To focus on knowledge, as Storper proposes, would necessarily lead to different results as far as the role of the social within urban economies is concerned. It would shift from having a passive role of being polarised to being an active force in building competitiveness. In his words:

> "The knowledge part of the economy [...] includes […] the functions likely to have strong needs for proximity to other activities and to be embedded in specific territorial contexts as a result of the development of the relational frameworks in which knowledge is developed and deployed. [...] Only specialised knowledge-based activities are truly localised in the spaces of big cities, as their economic bases" (ibid.: 240f.).

Put in other words, contemporary urban economic theory basically lacks to capture the mechanisms within the labour markets that 'drive' the urban economy, so to say as the specific 'local content' of economic action, through which firms build their competitiveness in an increasingly turbulent economic environment. Castells is certainly right that these labour markets are strongly based on social relations. To conceptualise these relations merely as an urban elite's means to maintain its power however misses the point.

1.2 The 'Flexibilisation-Disintegration'-Debate

Scott's work on the labour market of animated film workers in the Los Angeles region (Scott 1984, 1988) starts just from its internal functioning emphasising its extremely high turnover rates - according to the cycle of television programming - which even increase as job status increases and vice-versa (1984: 298). Creative workers, the highest status group in the sample, most frequently change their jobs. This positive correlation is reversed when looking at the total time spent in unemployment. This is to say, the most volatile group of creative workers stay unemployed for the shortest periods as compared with the lower status groups (2.41 months per year as compared to 3.76 months for technical workers).

Scott then argues that high turnover rates 'encourage the spatial agglomeration of producers' (ibid.: 299). Given the impossibility of adjusting wages regular separation and re-accession is considered to be the only possibility for employers to deal with unstable demand. A large local labour market along with a pool of specialised labour

decreases turnover costs for both employers and employees since it lowers search and recruitment costs and offers employment alternatives for periods of layoffs (ibid.: 300).

He thus considers labour turnover as a possibility to minimise costs by distributing labour so to say over time, thereby avoiding labour costs to become fixed costs. Spatial agglomeration in this sense serves as a means to reduce transaction cost both for employers and workers. This is certainly true for the low skilled segments of the workforce; it yet does not appear a satisfying explanation for the turnover of the knowledge-intensive (creative) workers. Following Scott's argument the high turnover rates of creative workers would be indeed due to the fact that they are the most expensive part of the total labour force, their optimum deployment being the most effective way to lower total production costs. However, it is hardly imaginable that in a business strongly dependent on the content input of their storywriters, designers, layouters etc. cost reduction could be the most appropriate and most important way to improve the firms' competitiveness.

With this unsolved problem Scott reiterates one of the crucial shortcomings of the overall discussion on vertical disintegration as source of local agglomeration. To concentrate on firms' adjustment to unstable demand through sourcing out parts of the core process of production only partly covers the nature of clustering, given that competitiveness is not primarily and not in the long run based on the 'efficient socialisation of costs and risks' in networks (Veltz 1997: 91). Rather, it is a firm's long term adaptability to changing circumstances as well as its innovativeness that counts in terms of how it may be able to have long-standing economic success (ibid.). To conceive of highly skilled labour as a pure matter of factor cost both ignores the inherently social character of the labour supply (Storper and Walker 1989: 157, Peck 2000) and does not meet the logic of the knowledge-intensive workforce in the long-term innovativeness of firms.

1.3 Conclusion: The Unknown 'Upper End'

We have just discussed two approaches to urban labour markets, being distinct as regards the perspective from which they look at their subject. On the one hand labour markets are discussed as working as reflections of a top-down logic of the global economy that needs the city as a place in which post-industrial production takes place, that at the same time yet produces polarisation of the labour market within the city. On the other hand, labour markets are portrayed as having their own internal 'bottom-up' rules and mechanisms derived from the specific needs of single firms in specific sectors. These needs in turn imply an inclination to agglomerate with other firms of the same sector in order to reduce the uncertainty of an unstable demand.

Both arguments thus, roughly said, lead to the same result in that they identify a need for agglomeration for the very functioning of knowledge-intensive segments of post-industrial labour markets. The problem is that both do either not specify at all or not in a satisfying manner how this need is actually manifested and how these segments actually

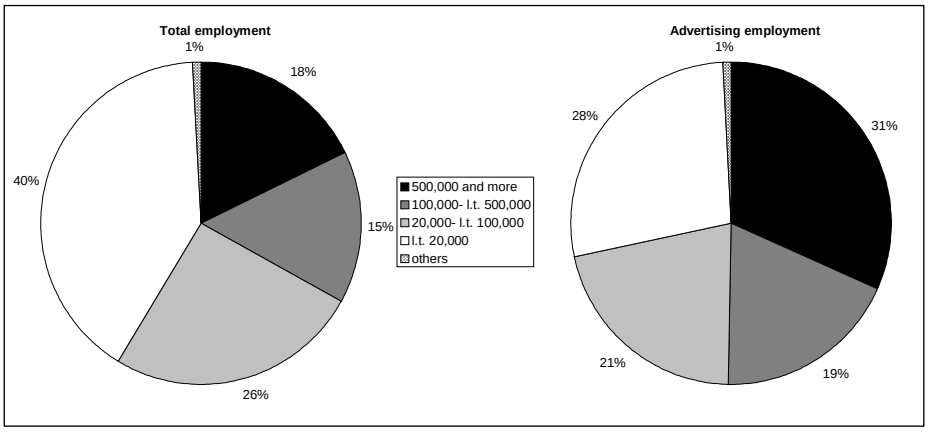
work. In what they succeed is to conceive of the lower end of low skill, low wage workers in urban labour markets as either being inherent part of the post-industrial economy or being subject of increasing casualisation in flexible environments. The 'upper end' of the urban employment system, despite being generally considered as the active force for the competitiveness remains basically unknown. We shall now shift our attention towards a very specific example of an inherently urban economic activity with a very special labour market at its heart: advertising.

2 Labour Markets and the Territorial Restructuring of German Advertising

2.1 Advertising in the German Space-Economy: Hamburg's Rise as 'Creative Capital'

The advertising labour market, notwithstanding its still relative small dimension in the context of the overall national economy[2], has been among the employment segments in Germany which revealed the highest growth rates during the 1980s and 1990s. According to the German Microcensus, employment in the advertising industry amounted to 155,191 in 1997, that is, an increase by 16.3% as compared to 1991[3]. The calculations by the German Advertising Observatory (ZAW 2001: 71), including advertising professionals in the media and client industries, as well as the employees of supplying sectors estimate a volume of 361,000 employees in German advertising in the year 2000[4].

Figure 1: Total Employment and Advertising Employment (%) by Municipality Size Class (1997)

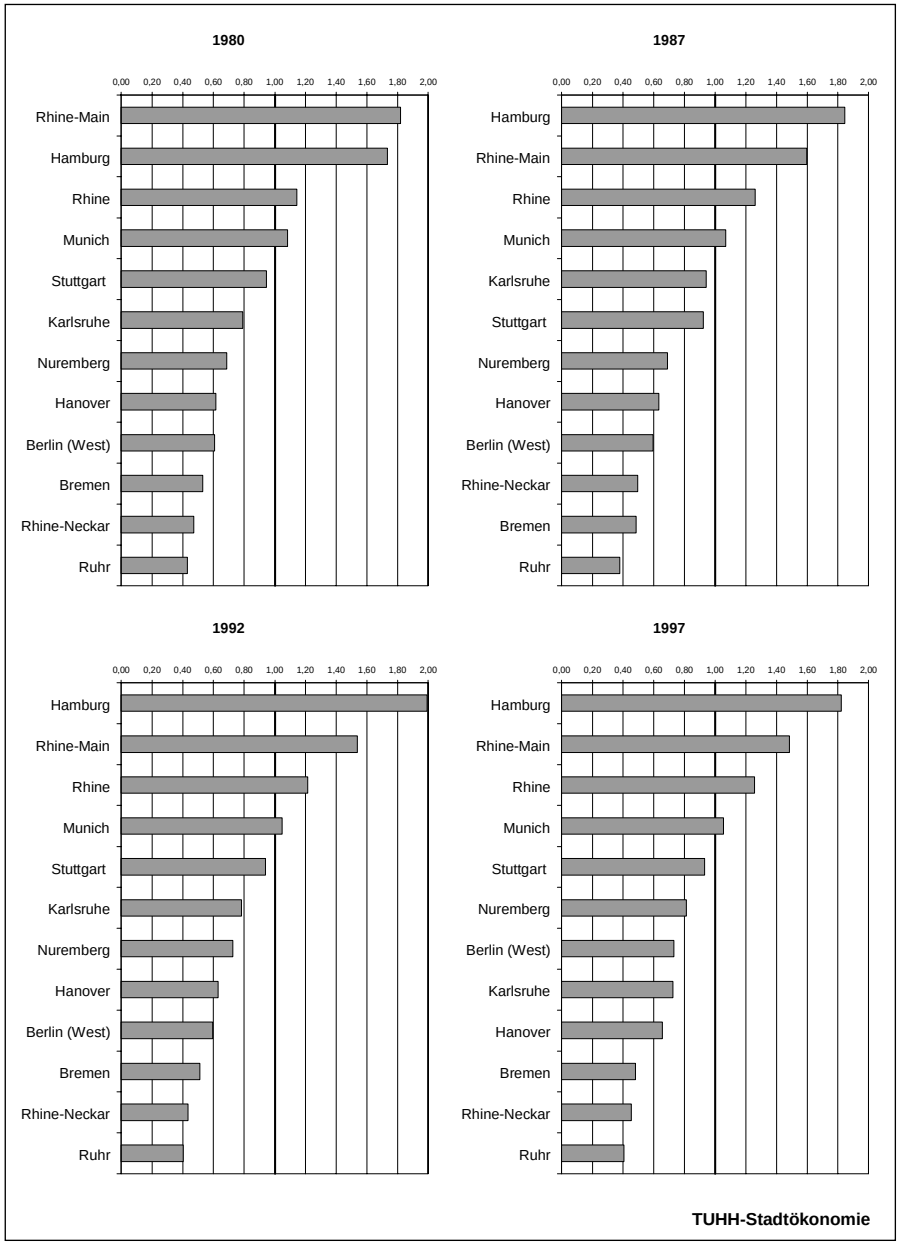


Source: Microcensus Scientific Use File, own calculations

In addition, the advertising labour market is inherently urban. As figure 1 shows, nearly one third (32.1%) of the employees in West German advertising[5] lives in municipalities with 500,000 and more inhabitants in 1997, as compared to 17.8% in terms of total employment[6]. The relative concentration of advertising in municipalities from 0.5 million onwards measured by the location quotient is 1.8. Using instead of

administrative borders functional metropolitan regions[7] the concentration is even higher, more than 75% of the West German advertising employment being concentrated in the twelve most important metropolitan areas[8]. Yet also among the big urban conglomerates the industry is distributed in a strongly uneven pattern: The three main German advertising centres Rhine (with Düsseldorf and Cologne as main cities), Rhine-Main (with Frankfurt) and Hamburg on their part cover 57% of the total employment within all metropolitan regions[9]. In comparison with the structure of other business services in the German space-economy advertising appears thus rather polarised (Läpple and Thiel 1999). In comparison with other countries, the spatial structure of the (West-) German post-war advertising industry yet reveals a quite decentralised pattern.

Figure 2: Ranking of West German metropolitan regions - location quotients in advertising



Source: Employment statistics, own calculation

The concentration of advertising employment in the three TOP cores has remained stable since 1980, revealing only a slight decrease by about 1%; what has changed in this period, however, has been the employment distribution among the three top regions with Rhine-Main losing nearly 3.5% to the favour of Rhine and above all Hamburg. If we look at these changes in terms of the location quotient (figure 2) they become even more visible. Hamburg appears to have replaced Rhine-Main as advertising centre of Germany.

As regards the internal structure of the advertising industry within each region one can identify significant qualitative differences which may have been the forces behind the diverging development paths of the West German advertising regions. In terms of the size both Frankfurt and Hamburg reveal a relatively high share of big agencies, unlike Düsseldorf where the structure is more strongly dominated by SMEs. The internal organisation of the agencies yet appears to be diametrically opposed in these cities: Tables 1 and 2 allow throwing a glance at the occupational structure of the advertising sector, distinguishing 'creative activities' as core tasks of the advertising process from the overhead functions 'management' and 'clerical activities'[10]. According to this criterion Hamburg seems to reveal a peculiar type of advertising which despite substantial firm size poses main emphasis on the creative core work. Rhine-Main, unlike this, clearly shows a strong focus on strategic management and marketing consultancy, more characteristic for international network agencies. This structure, necessary for the adaptation of international campaigns to particular markets, implies a high level of fixed costs, thereby hindering the firm to flexibly react to changes in the national market structure (personal interview, 2000).

Table 1: Employment in advertising (%) by occupation of employees in West German advertising centres (1997)

	Metropolitan Regions	**Hamburg**	Rhine	Rhine-Main
Creative activities	33.83	**41.53**	36.41	35.29
Management activities	5.22	**5.38**	4.77	6.77
Clerical activities	30.96	**26.24**	29.44	36.03
Others	29.98	**26.84**	29.38	21.91

Source: Employment statistics, own calculation

Table 2: Evolution of employment (%) in creative activities in advertising - West German advertising centres (1980-1997)

	1980	**1987**	**1992**	**1997**
Metropolitan Regions	30.70	32.18	33.38	33.83
Hamburg	**31.64**	**33.22**	**36.61**	**41.53**
Rhine	35.56	35.00	35.87	36.41
Rhine-Main	33.60	36.41	36.65	35.29

Source: Employment statistics, own calculation

The evidence is even more notable when looking at a time series of the last twenty years (table 2). Whereas Rhine and Rhine-Main maintain a more or less stable share of creative activities in advertising, Hamburg has obviously done the most striking structural change. In other words: The growth process of the advertising sector in Hamburg has not just made agencies grow but was able to change the traditional agency structure towards a focus on creative work. This change has constantly occurred since 1980, however only led to a distinguishing feature in the recession period between 1992 and 1997.

Thus, the Hamburg advertising industry may have undergone the most striking shift towards creativity, and this shift appears to have ultimately driven also its economic success. The creativity rankings annually collected by specialised journals and sector associations and putting together the different agency's success in the diverse national and international creativity contests the most prominent of which is the International Advertising Festival of Cannes do also confirm this evidence, Hamburg based agencies constantly occupying the top positions (Richter and Peus 1999: 124; Boldt 2001: 170). In addition to this, a whole body of small enterprises with a remarkable success in terms of both creativity and business has risen during the 1990s. The title 'Newcomer-agency of the year', which is awarded annually since 1991, until 1999 four times went to agencies from Hamburg (Strahlendorf 1999: 14), and the regional distribution of agencies founded in the 1990s among the TOP 100 shows the city's prominence in the sector's recent dynamic as compared to the other advertising centres (Werben und Verkaufen 13/2001).

That is to say, the northward-shift of the German advertising industry may well have been based on a fundamental process of restructuring the sector has gone through in the course of the last about 20 years which – in addition – is likely to have affected not only Germany but to have produced a specific outcome in the German market. We shall now focus just on this wider process of structural change at the same time both putting Germany into the wider context of the global advertising industry and structuring the German industry internally.

2.2 Restructuring in the German Version of the 'Second Wave of Advertising'

The history of 20th century global advertising was – up to the end of the 1970s – largely a history of big American advertising agencies. Following the big US consumer goods corporations in their process of pre- and post-war internationalisation they until the beginning 1980s constituted global advertising nearly alone: In 1981, for instance, American firms accounted for 95% of the total turnover made by all advertising agencies world-wide outside the borders of their home countries (Ziegler 1994: 81).

At the latest from the beginning 1980s onwards this unilateral pattern, widely discussed as the 'first wave' of international advertising (Lash and Urry 1994; Leslie 1997; Grabher 2001) has dramatically changed. Until 1991 the US share in world-wide abroad

turnover decreased to about 51% (Ziegler 1994: 81). Mainly the UK succeeded in assuming a reasonable role in the world of advertising, shifting its share from 0.5% in 1981 to nearly one third ten years later (ibid.). At the same time the degree of internationalisation in the sector has grown dramatically during the decade: world-wide abroad turnover increased by 480% between 1981 and 1991.

In addition to this operative dimension of cross-border advertising activity the 1980s did also open the advertising industry to the logic of financial markets, thereby substantially reorganising the traditional pattern of advertising firms through the establishment of big mega-holdings which united several internationally organised advertising networks, bringing about a massive concentration of the overall business. With this holding-structure pioneered by the Interpublic Group in the early 1970s (Mattelart 1991: 7) the agency networks aimed at overcoming the growth-limiting effects of the conflict clause which hinders advertising agencies to work for competing clients (Ziegler 1994: 123). The different networks within one holding can compete among one another in terms of the operational business but they are submitted to the same financial logic of one public company. In this sense the tremendous increase of the internationalisation of UK advertising was to a large extent owing just to this financial dimension of globalisation: The lion's share of the UK's growth was based upon hostile take-overs of big US agencies by UK-based holdings, particularly WPP and Saatchi & Saatchi (Leslie 1995).

The recent change in the global advertising industry did however have an important dimension beyond growth and concentration, respectively beyond subordination of advertising to the global financial market. The relative importance loss on the part of US-networks did also reflect a deeper crisis of the 'first wave' of international advertising in that it revealed the weaknesses of the traditional, big, factory-like American advertising firm that proved to be little apt to the changes in an increasingly fragmented consumer market. European, and particularly British agencies seemed able to provide the more entertaining and creative advertising style required by 'the growing opposition, scepticism and resistance on the part of the consumer towards advertising' (Leslie 1997: 1022). In contrast to that American agencies' campaigns appeared too 'bombastic' (Lash and Urry 1994: 141) and 'conservative' (Leslie 1997: 1022) to make the increasingly sceptical audience enthusiastic. Shapiro et al. (1992) nicely describe how British creatives saw their task in taking consumers' scepticism seriously, thereby establishing a sort of contract between themselves and their audience in which they, to a certain extent, pay for people's attention by entertaining them:

> "... from the late 1960s a characteristically 'British' sort of advert was created that was not bombastic, declaratory or literal as the American adverts typically were, but was based on a more humorous, self-deprecating, ironic and rather more subtle style. This has been seen as bargain struck, initially between British advertisers and audiences but since widely imitated elsewhere, to consume the ad in exchange for being amused, or dazzled, rather than hectored or patronised" (Shapiro et al 1992: 191).

This shift to the favour of creativity, as a movement parallel to the massive globalisation during the 1980s, gave rise to a whole body of small, but fast-growing firms which were

placing their emphasis clearly on creativity thereby even challenging the traditional agencies in their classic field of globally marketed consumer brands.

The new period in the global advertising industry, having its roots already in the late 1960s but beginning to seriously transform the overall business from the 1980s onwards, has been labelled in analogy to the period of unrestricted American dominance as the 'second wave' of advertising (Lash and Urry 1994; Leslie 1997; Grabher 2001) It replaced the sector's 'first wave' by a more complex pattern, in which processes of global concentration and dominance are evident, but interact with a decentralising tendency encouraged by the increasing need for creativity.

Germany, being the third biggest national market in terms of advertising expenditure (ZAW 2001: 26), shows a somehow contradictory pattern in this context of change. On the one hand, German agencies still play a minor role in an international perspective, but also on the home market (Läpple and Thiel 2000). On the other, the rise of the 'second wave' did also affect the German agency landscape, first bringing about the emergence of two pioneer agencies in Hamburg, Scholz & Friends (S&F) and, still more radically, Springer & Jacoby (S&J), that offered both a new more creative and entertaining advertising style following the British model, constituting an alternative to the international network agencies mainly based in Frankfurt and Düsseldorf, and a new agency structure with flattened hierarchies and a decentralised organisation in units which enabled above all creative professionals both to become actively involved in strategy development and to quickly assume responsibility for the whole firm:

> "And so we had lots of very ambitious young people here […]. And since we had the character of a school – in normal firm higher ranks in the hierarchy always tend to keep the lower ones low in order to have a calm life – we didn't do that this way. Instead we wrote down a sort of basic law, and it said: 'In this agency everybody can get as far as he or she wants to, and as fast as he or she wants to'. And there were no brakes at all. There was also no reason to be afraid, since when there was a young and dynamic talented guy, he could open up a new unit, and you can continue this as much as you like, you can have 100 units, that's no problem" (personal interview, 2000).

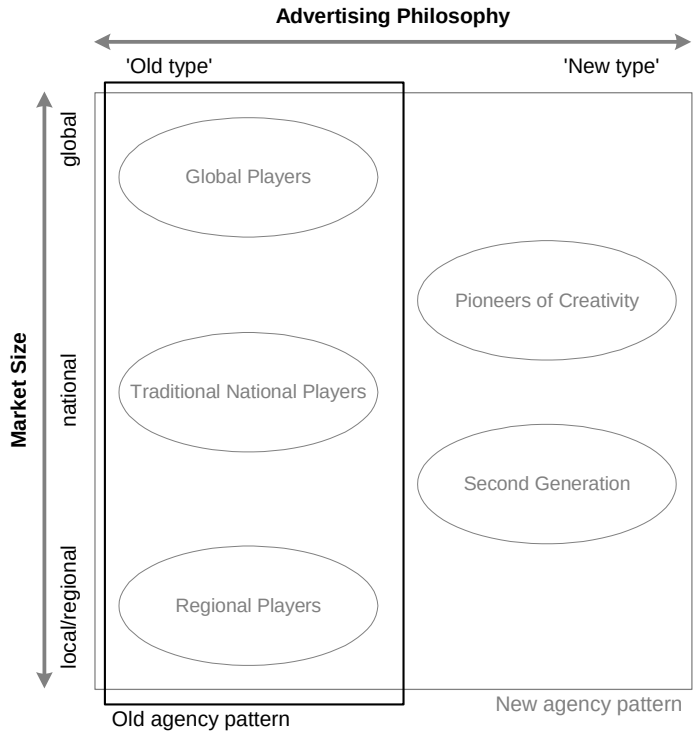
Second, this 'speeding-up' of internal labour markets did not remain without repercussions on the external labour market. That is to say, encouraging the ambitions of the own labour force automatically resulted in an enhancement of both labour mobility and new firm start-ups not only by 'real' S&J- and S&F-people: 'Dozens of agencies […] were set up throughout Germany, with one single purpose: to make an advertising as intelligent as that of Springer & Jacoby' (Boldt 2001: 172). Thereby as well as due to an increasing labour mobility the new style of an entertaining German advertising diffused through the whole German agency landscape. Focusing on Springer & Jacoby this sounds as follows:

> "Well the whole quality in advertising has of course been improved, since when you have some draws in front, they tend to inspire all the others. And lots of things are copied, you can see it or at least you notice that it has been inspired. In addition to this, from the Springer & Jacoby-school, have a look around, you'll find in nearly all more or less

> renowned agencies in Germany Springer & Jacoby-people. That has – even if homoeopathically thinned down – of course always some effect, that is logical, isn't it? Well, as a school we did certainly help to raise the national level" (personal interview, 2000).

As a result the German agency pattern was on the one hand restructured in that the traditional global-local continuum was extended by two new and innovative groups of players (figure 3), the pioneers of creativity, and the 'second generation' risen from the labour market dynamic triggered by the former.

Figure 3: The changing landscape of advertising agencies in Germany



On the other hand, and more importantly the changing agency landscape implied a new pattern of competition which above all had significant effects on the labour market of creative professionals. We shall in the course of the next two subsections try to outline to what extent the labour market was part of an innovation process inherent to the German version of the 'second wave'.

2.3 Innovation as a Labour Market Issue

Lash and Urry (1994: 141) conceived of the 'second wave' of advertising as the combination of two crucial innovations: first, in terms of product, leading to the more creative, 'entertaining' advertising style and, second, and closely linked to the first, in terms of process, managing 'to reconcile the creative and marketing research approaches to advertising' by putting them together and co-ordinating them through the function of 'account planning' (ibid.). Consequently, advertising so to say constitutes the paradigm

for the increasing convergence of the spheres of culture and economy (ibid.: 138). Taking Saatchi & Saatchi's self-description 'commercial communications' as starting point they hold that this label well displays the two dimensions of the business - 'commercial' connoting 'industry' and 'communications' connoting 'culture': 'Advertising in effect evolves from a free-professional type business service to, in Fordism, an industry and, in post-Fordism, to a fully fledged 'culture' 'industry'' (ibid.: 139).

This characterisation of contemporary advertising as a two-faceted business on the one hand appears very appropriate. However it must not lead to the impression that this double identity works without frictions. On the contrary the 'dissonances' between the philosophies of advertising as business service, aiming to solve their clients' problems of market communication on the one hand, and of advertising as popular art on the other, constitute its crucial feature influencing the firm strategies and above all the functioning of the labour market.

Figure 4: The Environment of the Advertising Agency: Between Business Service and Popular Art

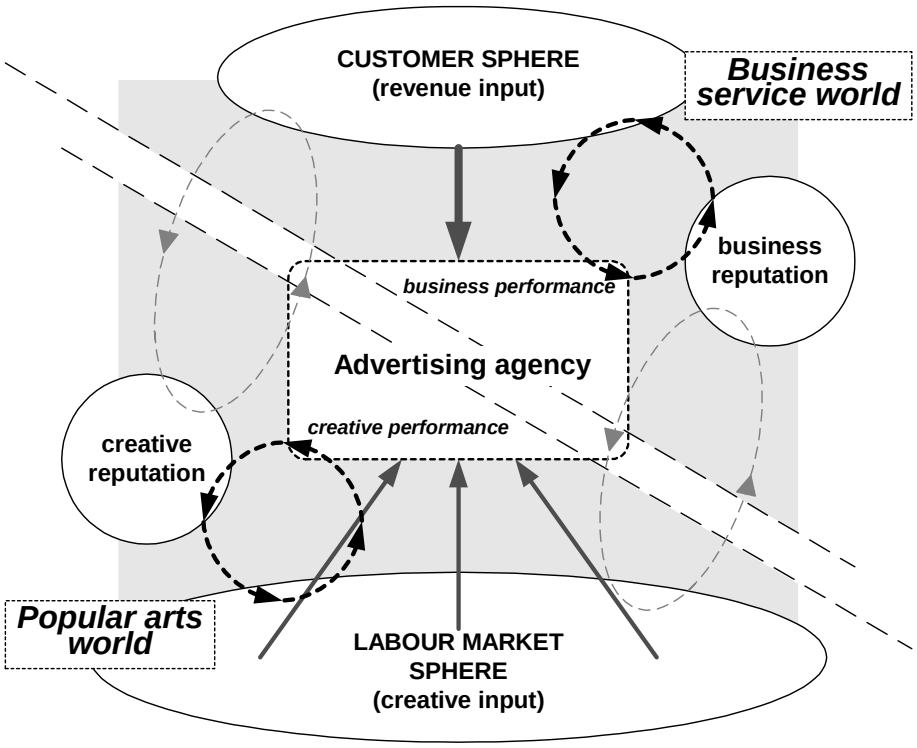


Figure 4 represents an effort to model this dual logic of advertising. It can be read along two axes: The diagonal line displays the conflict between the two 'worlds' outlined above, the advertising agency being in the middle of both. Its performance as a business service largely depends on its business reputation acquired – roughly said – through successful work for well-known clients. This system of growth is characterised by a self-reinforcing mechanism which is depicted by the bold circulating arrows. The relation is simply 'the more clients you have, the more you get'. In this sense,

advertising does not differ from any other business service such as consulting or engineering.

The uniqueness of advertising consists in the other world, in its character as a popular art: 'Creativity' as the key concept in this universe is not a simple input to the solution of problems in market communication but it has so to speak an 'institutionalised' status, being 'celebrated' as various national and international creativity contests. To win a *Clio,* a *Cannes Lion* or similar awards may belong to the biggest successes an agency can imagine at all. High positions in single important contests and accumulated success in creativity rankings improve the creative reputation. Also here, a positive feedback process is at work, however chiefly mediated through the labour market. As the motivation of creative and artistic labour is driven rather by acknowledgement in the artistic community than by pecuniary success, high creative reputation attracts creative labour force which again is likely to improve the creative performance of the agency and so on.

Put in another way, the diagonal axis of the figure shows the different basic motivations driving the business service world and the popular arts world of advertising. These different motivations are in equally different ways reflected in the two main interfaces of the agency, the customer and the labour market interface, respectively. In this dual logic the agency's role is to bridge over the cleavage between these two worlds, that is, to channel creative labour into business success and to convince customers that creative reputation is a necessary tool to attract talented labour force and to motivate it for good work. Or in the words of an agency boss:

> '...all those contests, as businessman I would abolish them, as strategist of course not because the creativity contests are nothing more than an incentive for creatives and wind behind the creatives [...] that's competition, and if there were no competition the party would be poor. [...] So you need some cocktails, and the cocktails are the awards [...]. I always said to the customers who are always sad because of not winning anything [...]: "You are silly, the award is to get good staff, and only if you have good staff, you client will be able to get good work. And therefore you must be keen on your agency getting awards, not for you, you can throw them away, for your turnover they are also just of secondary interest, but you need good staff, that's logical, isn't it?"' (personal interview, 2000)

However, to build the bridge between the two worlds is a difficult task. There has been a long and intense controversy in the advertising world about the role of creativity for the success of an advertising campaign. 'Clearly, winning an award for creativity does not guarantee success for an agency.' (Wells et al. 1989: 325). Creative reputation does only enhance business success when the positive impact on the promoted product is really proved. Springer & Jacoby, for instance, was only accepted as a 'serious' advertising agency after winning the Daimler-Benz account in 1989 and after achieving measurable success in sales increase, five years after having won their first golden *Lion* at the Cannes festival and despite having been the most creative German agency a long time before (personal interview, 2000).

The change which has taken place in the industry has been that such stories could happen at all, that thus the creative reputation of an agency acquired through its success in creativity contests made it acceptable for big clients. That is to say, the process of innovation triggered by the German pioneer agencies has both strengthened the popular arts world and succeeded to channel it into the client sphere. It is thus exactly the bridging of the different worlds inherent to advertising that was managed by the pioneers. Thereby the overall agency landscape has been restructured, to a certain extent shifting the crucial line of separation from running between the popular arts world and the business service world both outside and within the agencies, their being manifested between the two core functions account management and creative development, to structuring the landscape between (new) creative and (old) marketing oriented agencies. In that way also the clients have branched out in that they either accepted a new advertising style or they did not.

Yet there is a second structuring logic if one reads the model in another way, that is, along the central axis. Thereby the economic or narrowly monetary interdependence between the customer interface and the labour market interface is put to the fore, again displaying a circular nexus: An advertising agency can only survive and pay good personnel if it earns money and it can only earn money if it has good personnel. This 'monetary' logic is not without any impact on the relation between the two worlds. It even contrasts the actual friction between the cultural and the business logic of advertising, enabling big global players to enter the creative realm due to their higher financial power in several ways: by exploiting the inflationary rise of creativity awards world-wide, handling the creativity business as a sort of own advertising budget (personal interview, 2000), by attracting labour force talented and successful in creativity awards, by setting up own creative boutiques which can directly compete with the small independent enterprises, staffing them in the same way, thereby having the advantage of a better image among creatives (Leslie 1997: 1034), and finally by directly acquiring creative agencies that at the same time constitute efficient growth means to satisfy the shareholders of transnational holdings (Leslie 1995: 406ff.). Globally maybe the most prominent example has been the acquisition of Chiat/Day, the most notable creative agency in the USA of the 1980s (Leslie 1997: 1031ff.), by TBWA, a network under the umbrella of the Omnicom-holding in 1995 (Willenbrock 2000).

However, this process of increasing concentration by itself opens spaces for the establishment of new enterprises, either by conflict with clients or by discontent management personnel which either themselves become founders or are likely to be attracted by a growing start up. The Chiat/Day-example is again illustrative in this context: With the take-over by the Omnicom-group, the staff of the London branch decided to leave the network, setting up their own completely employee-owned agency St. Luke's which has been one of the most striking success stories of the last years in the world (ibid.).

Thus, put in terms of the model, it is the concurrence of the two axes that constantly restructures the agency landscape. The two dimensions of global vs. local and old vs.

new, which structure the agency landscape according to figure 3, are in these axes expressed by a structural monetary vs. a individual cultural logic whose dialectic drives the continuous process of change. Within the agency pattern this dialectic at first glance depicts the duality of global players' increasing concentration and the continuing start ups of the 'second generation'. Two types of middle-sized agencies run the risk to be squeezed between these two dynamics: the 'traditional national players' and the 'creative pioneers'. The latter yet on the one hand appear to manage the trade-off between growth and creativity (Leslie 1997: 1033) through their decentralised agency structure. On the other hand they have – through the speeding-up of their internal labour market – laid the foundations of the start up dynamic of the second generation, so to say by teaching their staff to become entrepreneurs.

That is to say, at second glance, the duality of concentration and dispersal cannot be understood as being directly driven by the conflict between global industry and the discontent individual employee but as fostered and mediated through the process of innovation having been boosted by the pioneers of the German second wave. Innovation in this sense did not only involve to have channelled popular arts into the business service world but also to have bridged the two worlds in the opposite direction by encouraging the emergence of a dynamic labour market of (above all) creative professionals capable of both incorporating the 'creative turn' of the industry and of constituting a counter pole to its globalising forces.

2.4 The Labour Market of Creative Professionals: Volatility, Contact-intensity, and Pressures

Simply put, the labour market dimension of the innovation process in German advertising involved the opening of labour market segments previously standing outside the logic of rigid economic exploitation, namely visual arts, literature, journalism or fields even more distant from business. This in turn implied both to get access to these segments, respectively to make advertising attractive for them, and to adapt their creative capacities to the needs of a business service, that is, to tame the creativity to a certain extent down, according to the restrictions advertising sets in terms of formats, marketing requirements etc. The crucial challenge in this context was to deal with the tension inherent to this double objective.

Springer & Jacoby as the key driver of innovation basically followed two strategies to manage this challenge, which together somehow constitute a bargain between the agency and its employee: The first strategy is training. In terms of the bargain this means that the creative employees declare themselves willing to adapt to the needs of advertising or, even more importantly, to the 'basic laws' of the agency which comprise all parts of the advertising business (Boldt 1996). In contrast, as the second strategy, the agency offers to treat them as individually as possible, as regards the tasks they accomplish, their possibilities to promote etc., also in order to exploit their creative

potential as much as possible through 'allow(ing) them to do something they love.' (Collins and Amabile 1999: 305)

Thus adaptation did not mean a mere subordination of 'artist' employees to the needs of business but rather a way to channel their creative capacities into advertising at the same time being considerate of their 'idiosyncrasies' through providing the opportunity to win creative 'merits', through looking after the wishes of employees for optimal work constellations etc. This innovation ultimately succeeded in changing the image of advertising jobs. Konstantin Jacoby, one of the two S&J-founders in the middle of the 1990s describes this as follows:

> "When I began with advertising, having just concluded my studies in 1975, all my colleagues had the dream to get a job at one of the big weekly journals: 'Spiegel', 'Stern', or, even better, 'Die Zeit'. I had studied communication and Germanic studies, advertising was rather considered as decline. Today you probably have a certain status when you get a job in an advertising agency." (Jacoby 1995: 126).

However, also this changing labour market has to be seen as involved in the monetary logic of 'second wave' advertising thereby facing the new pattern of competition outlined above. The mechanisms at work within the labour market thus also mirror the interaction between the monetary and the cultural logic of advertising. Three main features exemplify these mechanisms: the strong *volatility of creative employees*, the high degree of *personalised relations* and the *personal strain* of creative professionals due to both the time pressures imposed by the project-orientation of work (Grabher 2002: 247) and to the fact that occupation as creative in advertising normally only covers 'the first half of one's professional life'.

Above all the *volatility* characteristic nicely reflects how individual peculiarities of the employees interact with the logic of the business. Mobility on the one hand can be explained by creatives' particular 'sensitiveness' as regards work environment, nature of work and the personal attitude towards the own career. Or, in the words of an experienced managing director:

> "Among creatives mobility was always higher than in all other fields, as long as I can think back. And this is not without reasons, since to be creative means to be more sensitive than account managers. The latter need to be thick-skinned given that they have to deal with customers. Yet the former need to be sensitive to generate new ideas. And so they have so to say a shorter life span in their job, they more rapidly tend to be burnt out. Basically they have to produce more with their head, their intuition, actually out of themselves." (personal interview, 2000).

On the other hand, also the globalising business fosters inter-firm mobility either by directly headhunting employees away from their former agencies or by driving frequent management changes through acquisitions or the reorganisation of global networks, which in turn affect the work atmosphere within an agency. As an art director describes her own situation:

> "The new management was really strange, the atmosphere continuously worsened, many good and nice people were leaving the agency, and others followed them. I was really having the feeling that one day I would be last. At last, even my jobs lessened, I actually had almost no more work. And then I renounced without having something new. And I was really sad and thought that I would never have the chance to return into an advertising job […] and then I started to work as freelancer." (personal interview, 2001).

This dual logic is superimposed by the labour-intensive nature of advertising work that necessarily entails variations in the employment level since every additional account needs additional personnel and vice-versa. In addition the labour intensiveness implies a strong continuity as regards the clients for which single professionals work. This in turn causes frequent dissatisfaction on the part of both employees and the agency due to the fact that creativity is running out over time.

> "We had a creative who had worked ten years on a petrol account. And then he could change to a small regional cheese label. And his work was excellent. He was highly creative since had yearned for something new." (personal interview, 2000).

The large number and closeness of *personal relations* which distinguish the advertising labour market have to be seen as functioning in close interaction with the volatility. Professional biographies, the 'space-time filtering' of single employees through the agency landscape are strongly shaped by the number and quality of 'contacts' one has:

> "That is actually a sort of incestuous 'cliquishness': you go where people are that you know, and these people give you a hint as to somebody else who has heard about somebody etc… And so you move through a diversity of agencies." (personal interview, 2001).

Reliable contacts help to compensate the risks inherent to the instability of the employment system. On the other hand, inter-firm mobility helps to produce contacts. Granovetter, focusing on the labour market strategies of management professionals labels this nexus as 'investment in contacts' (1992: 256), arguing that single workers 'as […] mov(ing) through a sequence of jobs' improve their market position in that they enhance the number of people having made the experience of a common work and 'knowing their characteristics' (ibid.: 239). Individual promotion in this context occurs via 'lateral mobility' (Lash and Urry 1994: 200) underpinned by a strong and growing network of personal relations.

This argument certainly helps to understand the mechanisms at work within the labour market of creative professionals in advertising. However, it has to be modified according to three crucial aspects: First, the main objective both creatives and agencies pursue is not always to promote in the classic sense of rising in the managerial hierarchy but to be able to make satisfying work. This may even be conflicting with classic promotion given that talented creatives are not automatically appropriate for and aiming at management tasks:

> "Some people are very strongly focused on their careers. They already try to start in the best agencies – at any cost – and they look for a post as Creative Director as soon as possible. I have always concentrated on working with the people I like, on having the opportunity to learn a lot and not on getting a CD-job, since as CD you do not really work any more but are strongly involved in agency policy etc." (personal interview, 2001).

Agencies sometimes even prefer to keep, say, a copywriter in a lower position but paying the same wage as for a CD in order to keep him as creative worker (Hattemer 1995: 51).

Second, 'investment in contacts' is not only a strategy of individuals. Also agencies are forced to deal with the volatile environment in an appropriate way. As a human resources manager claims:

> "We dispose of a very big database of 13,000 people. Of course we do not manage to observe every step in the career of each, but in principle this is our task. And there is a whole body of 'flops' among them, no doubt […]. Well we have 3,000 contacts every year and among these 3,000 there are at least 500 really top people that I would like to employ immediately. You can of course not employ them all, but we try to keep in touch with them and to observe where they are at the moment etc. (personal interview, 2000).

Third, as pointed out above, personal contacts do not only support individual promotion but help to compensate risks which on their part are not only brought about by the volatility of the labour market but also by the strong selectivity of opportunities based upon the *personal strain* characterising work in advertising. On the one hand, the narrow time slots inherent to the culture of project work forbid the combination of advertising work and childcare. In this context a reliable contact pool may enhance the opportunities of both temporary casual freelance work, according to the time resources left by the family obligations, and of a re-entry into regular employment.

On the other hand, the creative core work of art directing and copywriting is a 'youth' job and it appears to be depreciated with growing experience unless one has succeeded to advance in the occupational hierarchy. An art director older than 40 is likely to be smiled at (personal interview, 2001). Even if evidence of the 'second half' of creatives' professional life is actually non-existent and also interviewees do not actually know what happens with people beyond the age of 40, there is no information about significant unemployment and, even more importantly, it is not mentioned as a problem at all (except by younger professionals who do not know where their career may still take them). Thus, interpersonal networks built up during the previous career also appear to support creatives to find a satisfying activity for the 'second half' of their professional life. It would be extremely interesting for an in-depth labour market analysis to focus just on the question of ageing as a creative in advertising.

3 Conclusion: The Locational Power of Labour

This paper was to offer a hitherto practically ignored approach to urban labour markets, that is, to study them from the standpoint of their 'upper end' of well-skilled,

knowledge- and culture-intensive labour force. So as not to consider the labour market as an isolated phenomenon we linked our analysis to the reflection of advertising as an economic activity as well as to the structural change it has undergone over the last about 20 years. In very general terms, the findings show that labour market mechanisms have a vital role for the functioning of the industry, in terms of shaping both the process of change as well as the present spatial organisation of the industry.

Concerning the process of change one can hold that it had – both on the global level and on the level of the German economy – a strong territorial dimension, in the case of the latter implying a shift of the centre of gravity of the advertising industry in the national space-economy. Even though this shift has been driven by a small group of pioneer agencies being set up in Hamburg and triggering there a tremendous sector dynamic the labour market of creative professionals is of major importance in this context. In analytical terms of 'recent' theorising about industry location (Storper and Walker 1989) the pioneers of fundamental change

> "do not face severe locational specification constraints attributable to needs for labour, resource inputs [...] because innovation necessarily means solving technical problems presented by new ways of producing, organisational problems of how to secure (or produce) various inputs, and labour problems of mobilising and training workers. In sum, growing industries may be said to enjoy - for a certain period [...] - both a factor-creating and factor-attracting power. [...] These moments of enhanced locational freedom may be called **windows of locational opportunity.**" (ibid.: 74f., *original emphasis*).

Although Storper and Walker's argument actually refers to high-tech manufacturing industries it well applies to our advertising case: The shift of the centre was on one hand a case of 'locational freedom' combined with the need for locating outside existing centres. On the other hand, the freedom appears to have been only relative: 'Factor creation' and 'factor attraction' basically meant the 'production' of a labour market the 'new' advertising industry was based on. This in turn implied both to get access to (i.e. to mobilise) particular groups of the labour force and to integrate them into the logic of a business service (i.e. to train them). Mobilisation yet needed places where the 'new' groups of labour were, that is, in the case of employees coming from arts and literature and closely linked to urban lifestyles, it needed metropolitan spaces. That is to say, the new advertising centre was produced as a new labour market within the given metropolitan context of Hamburg.

Once being established this labour market developed its own dynamic shaped by the new pattern of competition within the sector between the global financial logic and the logic of creativity, both driving the emergence of start-ups and attracting big and financially powerful players to Hamburg which aimed at exploiting the dynamic labour market.

The present spatial organisation is also above all moulded by the interplay of the globalising logic with the peculiarities of the creative professional, thereby strongly fostering the spatial clustering of advertising agencies. Spatial proximity appears to underpin the social relations necessary to deal with the volatility brought about by this

interplay, providing both firms and employees with the possibility to adapt to changing circumstances. In addition it facilitates the 'enculturation' of newcomers into the 'community of practice' (Grabher 2002: 254) thereby constantly restructuring and rejuvenating the professional milieu. It is obvious that a relatively small and decentralised national space-economy as the German territory also offers possibilities of community-building between different regions. However these cannot replace the construction of sociability in everyday life as in one urban context.

To sum up, two major conclusions can be drawn: First, it appears indispensable for understanding the spatial logic of the advertising industry to take the organisation and structure of its labour markets seriously under scrutiny and, second, to understand them, they have to be conceived of primarily as being embedded in networks of social relations, together constituting a dense professional milieu which functions both as vehicle of risk-reduction and as a 'community of equals' in which individual employees can see their work appreciated by other members of this community, thereby being enabled to develop an own professional identity.

Advertising clearly is a particularly drastic case study as regards the role of the labour market, given that artistic labour force appears particularly difficult to be integrated in the logic of capitalist work. It would certainly be interesting to confront our findings with other knowledge-intensive, classic 'post-industrial' activities. The very argument, that labour markets have a vital role in shaping and reshaping the spatial structure of the knowledge-economy however seems to be valid.

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[1] For a comprehensive account on the trends on urban labour markets see Turok 1999 for the UK-situation, for Germany Läpple and Kempf 2001, among others.

[2] In terms of employment the narrow advertising industry accounts for about 0.5% of the German total according to the German Microcensus scientific use file. In terms of GDP, the contribution of advertising expenditure is estimated as 1.63% of the German economy for 2000 (ZAW 2001: 15).

[3] Own calculations from German Microcensus scientific use file, 1991 and 1997. The following figures will refer to West Germany, including Berlin, in order to avoid as much as possible distortions through the radical transformation in the eastern part of the country.

[4] For 1996, the same calculation led to a total amount of 350,000 (ZAW 1997: 67).

[5] See note 3. Here we use a total of 142,214 for 1997.

[6] Being a household sample the Microcensus refers to the *living place*. This is unlike the *workplace* based employment statistics. For our present purpose the difference may yet not that striking since commuting flows in advertising are comparably low.

[7] The metropolitan regions are a spatial aggregate of the NUTs-3 level which is constituted by the German rural districts (Landkreise). They include both urban cores and fringes, except in the case of Berlin where only Berlin (West) is used. Eastern Germany has not been included both due to the reasons outlined in note 3. For an overview and discussion of the selection and delimitation of the regions see Pohlan 2001.

[8] Employment statistics, own calculations.

[9] Ibid. Employment statistics which are the only available data source on the level of functional metropolitan regions omit both freelance work and self employment. Given that this phenomenon is equally distributed among all regions comparative analysis may yet be possibly based on these data.

[10] Here we use the adapted version of an own classification developed for a report on employment in Hamburg (Läpple and Kempf 1999, Läpple and Kempf 2001)

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