

Beyond the creative industries: making policy for the creative economy

Defining the creative industries as thirteen sectors¹ has been useful in showcasing their role in the UK economy. As a result, all levels of government have developed policies to support them. However, to date, there has been insufficient evidence about the interaction between the creative industries and innovation in the wider economy. Consequently, there is an unhealthy disconnect between innovation policy and the creative industries.

Two new pieces of research from NESTA shed light on this problem. The first analyses business-to-business links between the creative industries and firms in other sectors of the economy. It suggests that the creative industries may play a greater role in the UK's innovation system than has previously been recognised by policymakers. For instance, firms that spend twice the average amount on creative inputs are 25 per cent more likely to introduce product innovations.

The second shows that creative workers are also more integrated in the wider UK economy than previous mapping studies have implied. The methodology – developed by the Centre of Excellence for Creative Industries and Innovation (CCI) – reveals that there are more creative specialists working outside the creative industries than within them.

Together, these pieces of research mean that the UK should start to think in terms of a 'creative economy' rather than a set of 'creative industries'.

The creative industries play an important role in the UK

The economic contribution of the creative industries is now widely recognised

The UK has the largest creative sector in the European Union, and probably the largest in the world relative to GDP.² The Department for Culture, Media and Sport (DCMS) estimates that in 2005 the creative industries accounted for 7.3 per cent of total UK Gross Value Added (GVA), and grew at 6 per cent per year on average between the years 1997 and 2005.³

Recent research commissioned by NESTA shows that the creative industries have grown strongly in rural regions too, although they account for a smaller share of economic activity than in urban areas.⁴

The UK leads the world in measuring the economic contribution of the creative industries

The DCMS Mapping Documents in 1998⁵ and 2001⁶ identified thirteen different creative sectors, and defined the creative industries as "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property". This definition includes both traditional arts such as painting and the

performing arts, and newer media such as TV, film and software.

Policies support the thirteen 'creative industries'

Based on their assessment of market failures,⁷ policymakers across the UK have sought to support the development of the creative industries, mostly through programmes targeting particular sectors.⁸

The Creative Economy Programme, led jointly by DCMS and the Department for Business, Enterprise and Regulatory Reform (BERR),⁹ was designed to explore seven issues with the industries themselves, ranging from access to finance to intellectual property protection,¹⁰ and to recommend improvements in those areas that are seen as drivers of success.

Business support schemes have provided small creative firms with business planning advice and mentoring

Public agencies provide business support to small and medium-sized enterprises (SMEs) in the creative industries, including business skills development and access to finance. Business Link operators act as brokers between creative businesses and a wide range of business

1. The thirteen sectors as defined by the Department for Culture, Media and Sport in 1998 are: advertising; architecture; the art and antiques market; crafts; design; designer fashion; film; interactive leisure software; music; the performing arts; publishing; software and computer services; and television and radio.

2. The Work Foundation (2007) 'Staying Ahead: the economic performance of the UK's creative industries.' London: The Work Foundation.

3. This compares with whole economy growth of 3 per cent over the same period. DCMS (2007) 'Creative Industries Economic Estimates Statistical Bulletin October 2007.' Available at: <http://www.culture.gov.uk/NR/rdonlyres/4DE5B8FB-A95F-49B6-9900-3BE475622851/0/CreativeIndustriesEconomicEstimates2007.pdf> [Accessed 28 January 2008].

4. Mahroum S. (ed.) (2007) 'Rural innovation.' London: NESTA.

5. DCMS (1998) 'Creative Industries Mapping Document 1998.' London: DCMS. Available at: http://www.culture.gov.uk/Reference_library/Publications/archive_1998/Creative_Industries_Mapping_Document_1998.htm [Accessed 28 January 2008].

6. DCMS (2001) 'Creative Industries Mapping Document 2001.' London: DCMS. Available at: http://www.culture.gov.uk/Reference_library/Publications/archive_2001/ci_mapping_doc_2001.htm [Accessed 28 January 2008].

7. 'Market failure' refers to the situation where the allocation of goods and services is not judged to be efficient. Provided the costs of government intervention are no greater than the costs of market failure, this may justify some form of public support.

8. Frontier Economics Ltd (2007) 'A framework for evaluating cultural policy investment.' London: Frontiers Economics Ltd. Available at: http://www.culture.gov.uk/Reference_library/rands/research/framework_ecpi.htm [Accessed 28 January 2008].

9. Creative Economy Programme website. Available at: <http://www.cep.culture.gov.uk/index.cfm?fuseaction=main.viewSection&intSectionID=334> [Accessed 28 January 2008].

10. The seven issues are: Education and skills; Competition and intellectual property; Technology; Business support and access to finance; Diversity; Infrastructure; and Evidence and analysis. For more information, please refer to http://www.culture.gov.uk/what_we_do/Creative_industries/creative_economy_programme.htm [Accessed 28 January 2008].

11. See <http://www.berr.gov.uk/bbf/enterprise-smes/streamlining-government/bssp/page38586.html> [Accessed 28 January 2008].

12. See DCMS website. Available at: http://www.culture.gov.uk/what_we_do/Creative_industries/access_to_support/education_and_skills.htm [Accessed 28 January 2008].

13. See Scottish Government website. Available at: <http://www.scotland.gov.uk/Topics/ArtsCulture/CreativeIndustries/FactsFigures> [Accessed 28 January 2008].

14. Scottish Government (2007) 'Principles and priorities: The Government's Programme for Scotland.' Edinburgh: Scottish Government.

15. Cardiff Council (2006) 'Cardiff's creative industries sector.' Available at: http://www.cardiff.gov.uk/content.asp?Parent_Directory_id=2865&nav=2866,3386,4806 [Accessed 28 January 2008].

16. Welsh Assembly Government (2005) 'The new Wales' creative industries support service.' Cardiff: WAG.

17. Northern Ireland Department of Culture, Arts and Leisure (2006) 'Feedback report on the creative industries workshop.' Available at: http://www.dcalni.gov.uk/creative_industries_workshop_report-2 [Accessed 28 January 2008].

18. Roodhouse S. (2006) 'Cultural quarters – Principles and practices.' Bristol: Intellect Books.

19. DTI (2001) 'Business Clusters in the UK – A first assessment.' London: DTI.

20. Northwest RDA (2007) 'Baseline update report 2007: Progress One Year On.' Available at: <http://www.nwda.co.uk/pdf/RESBaselineUpdate2007.pdf> [Accessed 28 January 2008].

21. Northwest RDA (2007) 'mediacity:uk – The Vision.' Available at: <http://www.nwda.co.uk/publications/business/mediacity.aspx> [Last accessed 28 January 2007].

22. See Frontier Economics (2007) 'Creative industry spillovers – understanding their impact on the wider economy' for an overview of the issues. Available at: http://headshift.com/dcms/mt/archives/blog_36/5%20-%20Creative%20Industry%20Spillovers.doc [Accessed 28 January 2008].

23. HM Treasury (2005) 'The Cox Review of Creativity in Business: building on the UK's strengths.' London: HM Treasury.

support schemes in the English regions. The Government is currently working with businesses to streamline existing publicly-funded business support schemes through the Business Support Simplification Programme.¹¹

Knowledge transfer schemes have encouraged collaboration between universities, colleges and creative businesses

Other industry initiatives have included the Creative Industries Higher and Further Education Forum to improve the business relationship between higher and further education and the thirteen creative industries, mainly through entrepreneurship education and knowledge transfer.¹²

Scotland, Wales and Northern Ireland actively support the creative industries

In Scotland, the creative industries account for around 4 per cent of GDP.¹³ The Government of Scotland is creating a new national cultural development body – Creative Scotland¹⁴ – to provide them with more strategic support.

The creative industries are an important economic resource for Wales.¹⁵ In 2005, the Welsh Assembly Government restructured and unified its support services to the film, television, music and new media sectors, with the creation of the 'Wales Creative Industries' Support Service', which includes a £7 million Creative IP Fund.¹⁶

In Northern Ireland, the creative industries accounted for 5 per cent of the local economy in 2003 and employed 33,500 people (compared with 32,500 agricultural workers).¹⁷ The Northern Ireland Executive is developing a new strategy for the creative industries.

The creative industries are viewed by regional policymakers in England as engines of economic regeneration

Across the English regions, policymakers have seen the creative industries as having an important role in developing local economies, and in attracting talented professionals to live and work in an area.¹⁸

Most of the Regional Development Agencies (RDAs) target the creative industries.¹⁹ For instance, the Northwest Regional Development Agency is actively promoting the development of a digital and creative industries cluster – with the BBC having a major role – at mediacity:uk in Salford.²⁰ It is hoped that, once complete, this cluster will support growth in the wider North of England and add £1bn to the UK economy over five years.²¹

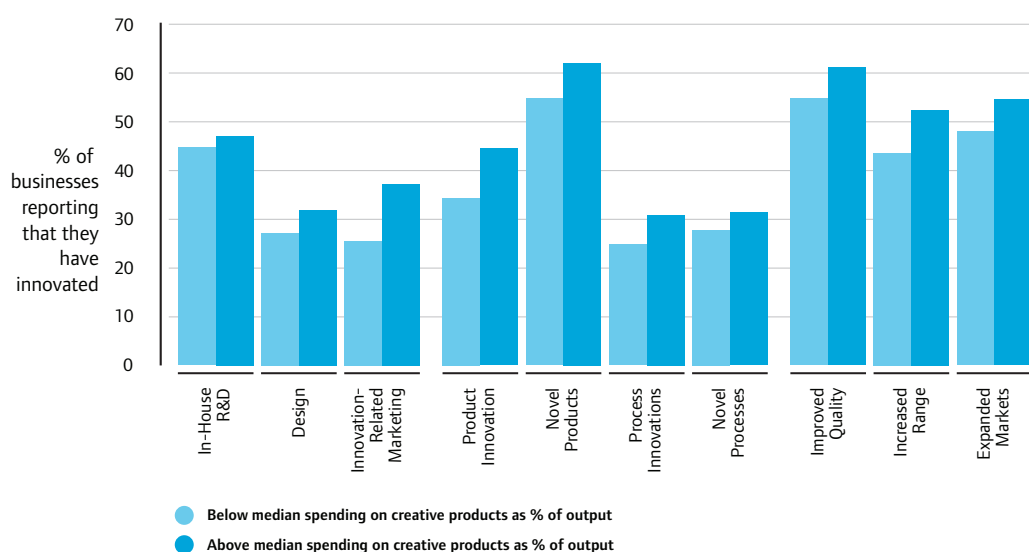
Policymakers have begun to recognise the wider benefits of design

There is a widespread belief – though little hard evidence – that the creative industries have an important role to play in supporting business innovation in the economy.²²

Policymakers have reflected this perceived importance in their policy proposals and support measures. For example, the Cox Review of Creativity in Business stressed the importance of design to the UK economy.²³

The 'Designing Demand' programme, which helps firms to use design to drive innovation, has been implemented in five Regional Development Agencies (RDAs).²⁴ Almost 6,000 businesses are

Figure 1: Innovation performance is strongest for industries with highest spending on creative industry products as a percentage of their output



Source: Bakhshi H., McVittie E. and Simmie J. (2008) 'Creating Innovation: Do the creative industries support innovation in the wider economy?' London: NESTA. Based on CIS data.

expected to have accessed this support by 2010.²⁵ Together, the nine RDAs have developed more than 70 different initiatives which aim to link creativity, design and business.²⁶

But the importance of creativity goes far beyond design

One of NESTA's main goals is to understand the extent to which the various creative industries stimulate innovation in the wider economy. So, in 2007, NESTA launched a major programme of research on the Arts and Innovation.²⁷

NESTA's research with Experian suggests that firms with stronger business-to-business links with the creative industries are more innovative in several ways.²⁸

Figure 1 shows that for a wide range of innovation measures reported in BERR's Community Innovation Survey, industries with greater links to the creative industries²⁹ have stronger innovation performance.³⁰

An econometric analysis implies that if the typical firm in the UK economy spends twice as much as it does on creative products – 6 per cent as opposed to 3 per cent of its own output – it is 25 per cent more likely to have introduced a product innovation either new to the firm or new to the market.³¹ The evidence also suggests that firms that cooperate with creative businesses in their supply chains offer a more diverse product range and higher quality goods and services.

We must map the creative economy, not just the creative industries

NESTA and CCI have applied a new methodology to map the UK's creative economy
Policymakers need robust methodologies to map the creative economy if they are to identify the mechanisms by which creative *activities*, rather

than just industries, support innovation and if they are to consider policies to encourage them.

Improving the methodology used to estimate the size of the UK's creative economy has been driven in part by the DCMS's Creative Economy Programme. Two major studies in this area by Frontier Economics³² and the GLA³³ were published in 2007.

NESTA has used an alternative methodology, developed by Professor Stuart Cunningham and Peter Higgs at the Centre of Excellence for Creative Industries and Innovation (CCI) in Australia to measure the extent of creative activity in the UK.³⁴

The 'Creative Trident' model focuses on three types of employment, which collectively form the 'creative workforce':³⁵

1. 'Specialist' – artists, professionals or creative individuals working in the creative industries.
2. 'Support' – staff in the creative industries providing management, secretarial, administrative and accountancy back-up.
3. Creative individuals 'embedded' in other industries not defined as creative.

This methodology has a number of advantages over established approaches

As a measurement tool for policymakers, the Creative Trident has a number of advantages over established methodologies.

- First, it focuses on core creative activities, excluding economic activity in related value chains not central to the creative process, such as distribution or retailing.
- Second, it enables us better to map the extent of creative individuals working in non-creative sectors.
- Third, it distinguishes between creative specialists and those working in a support

24. The five RDAs are: Advantage West Midlands; South East England Development Agency; South West of England; Yorkshire Forward; and One NorthEast.

25. See Designing Demand website. Available at: <http://www.designingdemand.org.uk/FAQs#1> [Accessed 28 January 2008].

26. Ibid.

27. Details of all the research projects that make up the Arts and Innovation programme can be found on NESTA's website: http://www.nesta.org.uk/informing/policy_and_research/research_in_progress.aspx#artsinnovation [Accessed 28 January 2008].

28. Bakhshi H., McVittie E. and Simmie J. (2008) 'Creating Innovation: Do the creative industries support innovation in the wider economy?' London: NESTA.

29. Those that have above average spending on creative industry products expressed as a percentage of their output.

30. Figure 1 reports three broad categories of innovation measures: (1) Innovation activities (in-house R&D, design, innovation-related marketing); (2) Innovation products (product innovation, novel products, process innovations, novel processes); and (3) Innovation impacts (improved quality, increased range, expanded markets).

31. Bakhshi, H., McVittie, E. and Simmie, J. (2008) 'Creating Innovation: Do the creative industries support innovation in the wider economy?' London: NESTA.

32. Frontier Economics Ltd (2007) 'Creative Industry Performance, DCMS Evidence and Analysis Unit.' Available at: [http://headshift.com/dcms/mt/archives/blog_36/1-Statistical Analysis of the Creative Industries.ppt](http://headshift.com/dcms/mt/archives/blog_36/1-Statistical%20Analysis%20of%20the%20Creative%20Industries.ppt) [Accessed 28 January 2008].

33. Freeman, A. (GLA Economics) (2007) 'Working Paper 22: London's Creative Sector Update.' London: Greater London Authority.

34. CCI originally developed this model in 2005 for Australia. For further information on the Creative Trident Methodology, see Higgs, P. and Cunningham, S. (2007) 'Australia's Creative Economy: Mapping Methodologies. Technical Report.' Brisbane: Centre of Excellence in Creative Industries and Innovation.

Figure 2: There are more creative specialists employed outside the creative industries than there are inside

	Numbers employed	Those employed in the creative industries	Those employed outside the creative industries	Embedded proportion
Specialist creative workers	1,197,237	552,170	645,067	54%
Support workers	690,641	690,641		
Sum	1,887,878	1,242,811	645,067	34%
% share of specialist workers	63%	44%		

Source: 2001 Household Census data, Higgs P., Cunningham S. and Bakhshi H. (2008) 'Beyond the Creative Industries – Mapping the creative economy in the United Kingdom.' London: NESTA.³⁶

35. For this model, the creative workforce has further been segmented into six classifications: Advertising and marketing; Architecture, visual arts and design; Film, TV, radio and photography; Music and performing arts; Publishing; Software, computer games and electronic publishing. To widen our understanding of where creative activities are performed in the wider economy and maintain statistical integrity, it is necessary to define what a 'creative occupation' is in a way that is transparent and defensible. This is not meant to imply that other people are not creative as they do their jobs in all walks of life. Higgs, P., Cunningham, S. and Bakhshi, H. (2008) 'Beyond the Creative Industries – Mapping the creative economy in the United Kingdom.' London: NESTA.

36. See http://www.nesta.org.uk/assets/pdf/beyond_creative_industries_report_NESTA.pdf

37. Higgs P., Cunningham S. and Bakhshi H. (2008) 'Beyond the Creative Industries – Mapping the creative economy in the United Kingdom.' London: NESTA.

38. Ibid.

39. Ibid.

40. The Work Foundation (2007) 'Staying Ahead: the economic performance of the UK's creative industries.' London: The Work Foundation.

41. Higgs P., Cunningham S. and Bakhshi H. (2008) 'Beyond the Creative Industries – Mapping the creative economy in the United Kingdom.' London: NESTA.

42. These numbers refer to 2001. Ibid.

43. There are, for example, too few industry classifications relevant to the creative industries in these sources compared with other countries, and the level of detail released is often restricted even in large occupational groups. Also, there is no information on the earnings of the self-employed in either the Census or the Labour Force Survey.

44. Higgs P., Cunningham S. and Bakhshi H. (2008) 'Beyond the Creative Industries – Mapping the creative economy in the United Kingdom.' London: NESTA.

45. The private sector is already ahead of the curve. In 2003, the Japanese car manufacturer Nissan established its European design headquarters in central London. The decision to relocate in London was based on the possibility to have "access to important and influential sources in contemporary art, architecture, fashion and design movements." See <http://www.nissan-global.com/EN/DESIGN/BASE/> [Accessed 28 January 2008]; and <http://archive.carsdesignnews.com/features/2003/030124nissan-london/> [Accessed 28 January 2008].

capacity in the creative industries; this is useful for skills and business development.

Creative activities are deeply embedded in the UK economy

The Creative Trident research shows that more creative specialists in the UK work outside the creative industries than inside them. Figure 2 shows that 54 per cent of creative specialists are employed in businesses outside the creative industries.

Over the past two decades, creative employment has grown in all areas, though there are some important differences between activities.³⁷

Using the definitions within the Creative Trident, the largest growth in creative employment has, unsurprisingly, been in software, computer games and electronic publishing. This sector accounted for 14 per cent of the creative workforce in 1981, but now accounts for 31 per cent.³⁸

Growth in advertising and marketing has also been strong: this sector now accounts for 11 per cent of the overall creative workforce, compared with just 5 per cent in 1981. Music and the performing arts have maintained a 10 per cent share of employment. Despite growth in absolute terms, three sectors have become relatively less important: architecture, visual arts and design; film, TV, radio and photography; and publishing.³⁹

Creative activities are as embedded in the economy as financial activities

Previous research has noted that the UK's creative industries now compete in size with the financial services sector.⁴⁰ Both contribute over 7 per cent of GVA. Our mapping goes beyond this and establishes that creative workers are as embedded in the wider economy as financial services professionals.⁴¹

Thirty-four per cent of the overall creative workforce (including support workers in creative businesses) is embedded in non-creative sectors – a figure broadly similar to the 39 per cent of total UK financial services workers embedded in non-financial service industries.⁴²

Intriguingly, we also find that sectors making use of financial expertise are also more likely to employ creative specialists, perhaps suggesting base-level requirements for efficient working in the 21st century.

Integrating the creative industries with innovation policy

Policy-makers need higher frequency, more timely data with broader coverage

Policy-makers need better data on where creative activity takes place in the UK. Greater attention should be given by the Office for National Statistics (ONS) to the availability, frequency,

timeliness and coverage of the Household Census and Labour Force Survey, and other official data sources relevant to understanding the creative economy.⁴³

Currently, UK policy-makers have to use much weaker data than their US, Australian and New Zealand counterparts.⁴⁴

Policy-makers should move beyond industry-based approaches to thinking about the creative economy

Policy-makers must recognise that the reach of the creative economy stretches far beyond the creative industries. They will need to go beyond industry-based approaches if the UK is to make the most of its creative capabilities.

Strong cross-industry linkages and knowledge transfer mean that the creative industries are more involved in the innovation system of our national and regional economies than has previously been recognised.

The DCMS should work closely with government departments such as the Department for Innovation, Universities and Skills and BERR to ensure that creativity is embedded in innovation and enterprise policies across government.

The Devolved Administrations and English RDAs should consider the importance of business-to-business linkages when supporting creative clusters

The UK nations and English regions have traditionally focused on the creative industries' role in attracting talented people from across all walks of life. But development agencies should also consider business-to-business links between creative businesses and firms outside the traditional creative sectors.⁴⁵

It is critical that those in the private and public sectors who are developing cluster strategies for creative businesses recognise the importance of potentially valuable knowledge exchange between creative businesses and firms in 'non-creative' sectors. Regional business incubators should encourage knowledge transfer across creative and 'non-creative' sectors.

The Technology Strategy Board's work on creative industries should also support exchange of knowledge and ideas between firms in different sectors

The Technology Strategy Board's forthcoming Knowledge Transfer Network for the Creative Industries should also allow knowledge flows across creative and 'non-creative' businesses. The £10 million creative industries Collaborative R&D programme should provide seed funding for creative businesses wanting to innovate through collaboration with businesses outside the thirteen 'creative industries.'