Beyond the creative industries: making policy for the creative economy

Defining the creative industries as thirteen sectors\(^1\) 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 for 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 1998\(^5\) and 2001\(^6\) 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 antiquities market; crafts; design; decorative fashion; interactive leisure software; music; the performing arts; publishing; software and computer services; and television and radio.
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.

NESTA Policy & Research Unit
1 Plough Place
London EC4A 1DE
research@nesta.org.uk
www.nesta.org.uk
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. The creative industries are perceived as having a significant role in the wider economy. 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. 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 supporting the creative industries. There is a widespread belief – through little hard evidence – that the creative industries have an important role to play in supporting business innovation in the economy. The creative industries are viewed by regional policymakers in England as engines of economic regeneration.

Most of the Regional Development Agencies (RDAs) target the creative industries. 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. 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.

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expected to have accessed this support by 2010. Together, the nine RDAs have developed more than 70 different initiatives which aim to link creativity, design and business.

**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. NESTA’s research with Experian and Oxford Brookes University suggests that firms with stronger business-to-business links with the creative industries are more innovative in several ways.

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. 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 Economics and the GLA 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.

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

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

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

<table>
<thead>
<tr>
<th>creative activities</th>
<th>Numbers employed</th>
<th>Those employed in the creative industries</th>
<th>Those employed outside the creative industries</th>
<th>Embedded proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialist creative workers</td>
<td>1,197,237</td>
<td>552,170</td>
<td>645,067</td>
<td>54%</td>
</tr>
<tr>
<td>Support workers</td>
<td>690,641</td>
<td>690,641</td>
<td>645,067</td>
<td>54%</td>
</tr>
<tr>
<td>Sum</td>
<td>1,887,878</td>
<td>1,242,811</td>
<td>645,067</td>
<td>34%</td>
</tr>
</tbody>
</table>

% share of specialist workers 63% 44%

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 as 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.


38. Ibid.

39. Ibid.


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 groupings. Also, there is no information on the earnings of the self-employed in either the Census or the Labour Force Survey.


45. The private sector is already ahead of the curve. In 2001, 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/2003/030124niss-london/ [Accessed 28 January 2008].

46. Policymakers need higher frequency, more timely data with broader coverage. Policymakers 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, capacity in the creative industries; this is useful for skills and business development.

47. 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.34

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.

Innovating the creative industries with innovation policy

Policymakers need higher frequency, more timely data with broader coverage. Policymakers 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 policymakers have to use much weaker data than their US, Australian and New Zealand counterparts.44

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

Policymakers 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.’