

# **How much can the creative industries contribute to regional development in Britain?**

**Chris Gibbon, Senior Consultant, BOP Consulting, March 2011**

## **Abstract:**

Since the 'creative industries' term was first taken up by the British government in 1998, the industries have come to be seen as a particular strength of the national economy. The country is believed to excel in many creative fields and the industries have been seen as a sector which is capable both of providing knowledge-intensive jobs and of helping to fill the gap left by the decline in manufacturing and the loss of some business service jobs to outsourcing.

Economic development bodies were quick to latch onto the potential of the creative industries. At various points in the last ten years, all nine of the Regional Development Agencies in England made the creative industries a priority sector. The first decade of this new century also saw two ideas with strong creative or cultural overtones gain influence among economic development professionals in the UK: Richard Florida's notion of the creative class and the 'Bilbao effect'. Culture has come to be seen as a way of jump-starting economic recovery, boosting tourism and offering new sources of employment.

The combination of these two ideas and the relative strength of British creative industries led many economic development agencies to see the creative industries as a tool for city-centre economic revival. Money was spent on shiny new cultural buildings and projects in many of Britain's larger cities. Newcastle, Manchester, Glasgow, Birmingham and Liverpool have all invested heavily in culture and the creative industries. Yet the evidence suggests that this has had limited effects. BOP Consulting's research indicates that creative industries businesses tend to be small and to serve primarily local or regional markets. As a result, they tend to be more concentrated in areas with a strong private sector, affluent consumers, good transport links and a pleasant physical environment. In Britain these factors tend to be found especially in central and west London, and in parts of the wider London city-region.

This paper will explore the geography of creative industry employment in Britain in more detail. It will argue that understanding London's role, and its effects on its hinterland, is crucial to understanding Britain's creative economy.

The academics Peter Hall and Kathy Pain have argued persuasively<sup>1</sup> that London's economy stretches across a huge, polycentric city-region covering almost all of the South East of England, from Southampton in the west to Peterborough in the north. This city-region dominates the creative economy of Britain, and includes a variety of suburban and rural environments. Because of their place within the city-region's wider economy these environments can be appealing locations for creative businesses. Indeed, those suburban districts and smaller towns which lie within this giant city-region are often better placed to take part in the creative economy than are larger cities, especially those in the north of England, which lie outside this zone.

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<sup>1</sup> Hall, P. and Pain, K. (2006) *The Polycentric Metropolis*, Earthscan, London.

## Introduction:

Since the 'creative industries' term was first taken up by the British government in 1998, the industries have come to be seen as a particular strength of the British economy. The country is believed to excel in many creative fields – in music, to give just one example, Britain is one of only three countries to be a net exporter (the others being the United States and Sweden)<sup>2</sup> – and the industries have been seen as a sector which is capable both of providing knowledge-intensive jobs and of helping to fill the gap left by the decline in manufacturing and the loss of some business service jobs to outsourcing.

The Work Foundation's influential *Staying Ahead* report<sup>3</sup> declared that 'the UK has probably the largest creative sector in the EU, and relative to GDP probably the largest in the world' (p16). It accounted for 7.3 per cent of national GVA and 2.7 per cent of employment on its calculations. It noted that the industries on average had grown faster than the wider economy, although there was 'considerable volatility' around the average, with some industries starting to struggle. It observed that the digital and internet technologies were disrupting business models in film, music and publishing in particular. It also pointed out that some sub-sectors were pro-cyclical: rising with economic good times and declining sharply in recessions (it mentioned advertising, design, architecture and software as examples).

Economic development bodies were quick to latch onto the potential of the creative industries. At various points in the last ten years, all nine of the Regional Development Agencies in England have made the creative industries a priority sector. The first decade of this new century also saw two ideas with strong creative or cultural overtones gain influence among economic development professionals in the UK. The first was Richard Florida's notion of the creative class<sup>4</sup>. Florida argued that highly educated workers preferred to live in tolerant, bohemian places in which they were able to 'be themselves'. As such, knowledge-intensive companies, notably those in the high-tech sector, wanting to employ such people have little choice but to follow them to these 'creative cities'. A virtuous circle thus develops, in which a tolerant urban environment attracts educated people, who attract high-tech businesses, who in turn attract even more educated people.

The second influence was the 'Bilbao effect'. The building of Frank Gehry's spectacular Guggenheim museum in that city (opened in 1997) and the subsequent transformation of Bilbao's image was seen in Britain as offering a new model for post-industrial cities. Culture could be a way of jump-starting economic recovery, boosting tourism and offering new sources of employment.

There were problems with both approaches. The statistical model which underpinned Florida's creative cities theory was built using American data only. Even that American work has been

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<sup>2</sup> Page, W. and Carey, C. *Adding Up the UK Music Industry for 2009*, PRS for Music Economic Insight no. 20, London.

<sup>3</sup> Work Foundation (2007) *Staying ahead: the economic performance of the UK's creative industries*, Work Foundation, London.

<sup>4</sup> Florida, R. (2003) *The Rise of the Creative Class: And how it's transforming work, leisure, community and everyday life*, Basic Books, New York.

challenged<sup>5</sup>, and it has not so far been possible to replicate his findings in the different socio-economic climate of the UK<sup>6</sup>. The Bilbao Guggenheim, meanwhile, has regularly been cited as the most important building of the last thirty years<sup>7</sup>; its success and impact are thus difficult to copy.

Nevertheless, the combination of these two ideas and the relative strength of British creative industries led many economic development agencies to see the creative industries as a tool for city-centre economic revival. Money was spent on shiny new cultural buildings and projects in many of Britain's larger cities. Newcastle, Manchester, Glasgow, Birmingham and Liverpool have all invested heavily in culture and the creative industries, in the hope of sparking an economic revival to help fill the gap left by the decline of traditional manufacturing. Yet the evidence suggests that this has had limited effects. BOP Consulting's research indicates that creative industries businesses tend to be small and to serve primarily local or regional markets. As a result, they tend to be more concentrated in areas with a strong private sector, affluent consumers, good transport links and a pleasant physical environment.

This paper will argue that in Britain's creative economy the particular importance of London, and its effects on its hinterland, has to be understood. London is, in the words of the urban theorist Saskia Sassen, a 'global city', one which is embedded within international networks of communication and finance. This 'global' London reaches well beyond the city's conventional administrative boundaries. The academics Peter Hall and Kathy Pain have argued persuasively<sup>8</sup> that London's economy stretches across a huge, polycentric city-region covering almost all of the South East of England, from Southampton in the west to Peterborough in the north.

This city-region dominates the creative economy of Britain, and includes a variety of suburban and rural environments. Because of their place within the city-region's wider economy these environments can be appealing locations for creative businesses. Indeed, those suburban districts and smaller towns which lie within this giant city-region are often better placed to take part in the creative economy than are some larger towns and cities, especially those in the north of England, which lie outside this zone. This implies the creative industries' usefulness as a tool of regional development is constrained.

Industrial sectors are not evenly spread across Britain – many regions of the country have different mixes of industrial and service activity. If the creative industries are concentrated in London and the greater South East; why should that be seen as a problem?

One reason for concern is that there is some tentative evidence that the creative industries are an important transmission mechanism for innovative ideas. This is an under-researched field, but BOP Consulting's work (in conjunction with Volterra Consulting) for the Manchester

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<sup>5</sup> See e.g. Glaeser, E. <http://www.creativeclass.com/rfcgdb/articles/GlaeserReview.pdf> Accessed 28 August 2010.

<sup>6</sup> See e.g. Nathan, M. (2007) *Creative class theory and economic performance in UK cities*, at [http://www.squareglasses.co.uk/squareglasses/pdf/02papers\\_presentations/creativeclassandukcities2007.pdf](http://www.squareglasses.co.uk/squareglasses/pdf/02papers_presentations/creativeclassandukcities2007.pdf), Accessed on 28 August 2010.

<sup>7</sup> See e.g. <http://www.vanityfair.com/culture/features/2010/08/architecture-survey-201008?currentPage=all> Accessed 28 August 2010.

<sup>8</sup> Hall, P. and Pain, K. (2006) *The Polycentric Metropolis*, Earthscan, London.

Independent Economic Review<sup>9</sup> found that creative businesses, especially in design and advertising, helped spread new ideas along the production chain both to their customers and suppliers (research which seems to be supported by findings from NESTA<sup>10</sup>). If this is correct, then creative industries are, if anything, likely to reinforce existing economic divides, by helping to strengthen the local economies of areas in which the private sector is already doing well.

### **BOP Consulting**

BOP Consulting is a specialist consultancy ([www.bop.co.uk](http://www.bop.co.uk)) based in London which has been mapping and analysing the creative economy for more than ten years. Our investigations into the creative industries across Britain are carried out in response to commissions from our clients rather than through a systematic research programme. As a result, this paper draws on a mix of sources and on work carried out over a number of years<sup>11</sup>. Nevertheless, over time we have carried out a sizeable number of studies in many areas of Britain, and are thus able to offer some thoughts based on the patterns we have seen. This paper examines some of the trends seen in research conducted in London; in Basingstoke and the Milton Keynes-South Midlands area (both in the South East of England); in the East Midlands and Yorkshire; and in Birmingham.

Before looking at these particular places in more detail, however, the paper will start by briefly discussing the origins of the ‘creative industries’ concept in Britain, and by reviewing the national picture.

### **Creative Industries: A Brief History**

The term ‘creative industries’ first appeared in the mid-to-late 1990s. Britain’s was the first government to take it up at a national level. The concept was an attempt to change the terms of the debate about the value of arts and culture. While the arts were supported to some degree or other by most governments, they tended to be seen as marginal to economic life and dependent on public subsidy. Advocates of the ‘creative industries’ idea believed that this was too narrow a view – the totality of economic activity stemming from creativity and culture, including their commercial forms, needed to be considered to understand their true contribution to the nation’s life. This activity included not just the more traditional art forms, such as theatre, music and film, but services businesses such as advertising (which sell their creative skills mostly to other businesses), manufacturing processes that feed into cultural production, and the retail of creative goods. Based on this broader definition, it was argued that the industries with their roots in culture and creativity were an important and growing source of jobs and wealth creation.

The adoption of the ‘creative industries’ concept was very much associated with the election of the New Labour government in 1997 and the creation of the Department for Culture, Media and Sport (DCMS), which built upon the functions of the earlier Department of National Heritage. One of the new department’s first acts was to set up the Creative Industries Task Force, which was responsible for the landmark Creative Industries Mapping Document in 1998 and a follow-up report in 2001.

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<sup>9</sup> BOP Consulting/Volterra Consulting (2009) *Innovation, Trade and Connectivity*, Manchester Independent Economic Review, Manchester.

<sup>10</sup> Miles, I. and Green, L. (2008) *Hidden Innovation in the Creative Industries*, NESTA, London.

<sup>11</sup> This paper draws on research conducted by a number of BOP Consulting staff. I would like to thank my colleagues Richard Naylor, Colin Kirkpatrick and Callum Lee in particular for their various contributions.

The 1998 mapping document<sup>12</sup> was the first systematic attempt to define and measure the creative industries. It was designed both to collect data on the industries and to promote a deeper understanding of the sector by telling its story in a way that politicians and government officials could immediately understand. It revealed, to the surprise of some, just how economically significant the creative industries were. It calculated that they accounted for almost a million jobs and 4 per cent of GDP in Britain, and earned £7.5bn from exports. It also showed, though, that the sector is polarised between a myriad of very small firms and sole traders and a handful of very large, often multinational companies.

The idea of the creative industries soon started to catch on, as it was seen as encapsulating a truth about Britain’s changing economic landscape. In particular, the definition adopted by the DCMS and the list of creative industries derived from it soon became influential.

The DCMS regards the creative industries as:

*‘those activities 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.’*<sup>13</sup>

In its first mapping document in 1998, the DCMS went on to define the following industries as creative:

Creative industries, DCMS 1998 mapping document		
Advertising	Design	Performing Arts
Architecture	Designer Fashion	Publishing
Art and antiques market	Film and Video	Software and Computer Services
Crafts	Music	Television and Radio

The definition and the list have both come in for criticism in the years since they were first published. It has been claimed, for instance, that the definition could apply just as easily to scientific creativity as to artistic creativity. The list of sub-sectors has also been challenged. The industries do not necessarily have much in common – there are few trading links between some of them, and their business models are often rather different. The specific inclusion of computer software has also been questioned. It is the largest of the sub-sectors in employment terms, and thus boosts the overall figures for creative industries jobs, yet much of the activity that takes place under that heading involves conventional business software.

Despite these criticisms, both the definition and the list have largely endured. Indeed, the convergence that is taking place between some creative industries as a result of the so-called ‘digital shift’ is, if anything, given them greater coherence as time passes. The definition and list have been taken up more widely, including by people working within the industries themselves, and have proved to be internationally influential. Many other countries have adopted the creative

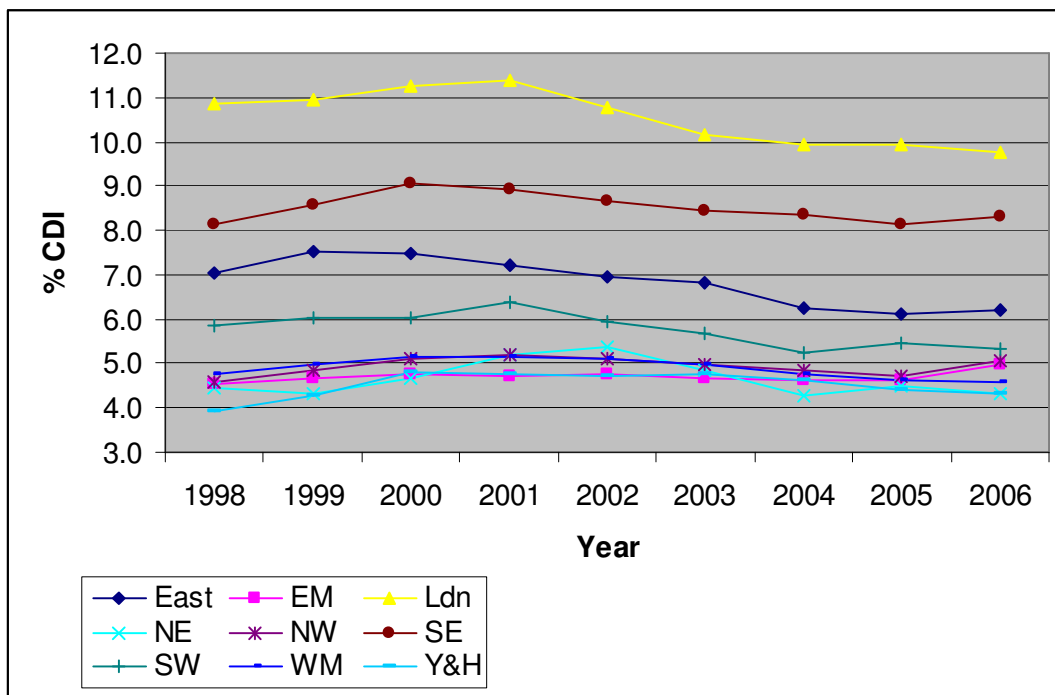
<sup>12</sup> DCMS (1998) *Creative Industries Mapping Document 1998*, Department for Culture, Media and Sport, London.

<sup>13</sup> *Ibid.*, p3.

industries term, although they have usually adapted the list of sub-sectors to some degree to reflect local circumstances.

In Britain, the DCMS also began to publish annual Creative Industries Economic Estimates to estimate the size of the creative economy. They showed that employment in Britain's creative industries rose sharply in the late 1990s alongside the 'dotcom' boom (reflecting the inclusion of computer software in the British definition). However, the growth in job numbers seems to have slowed rapidly in the years since, despite Britain's comparatively strong economic performance for much of that time<sup>14</sup>. A BOP Consulting report into the creative and digital industries in the English region of Yorkshire and the Humber<sup>15</sup>, which used a wider than standard definition of the creative industries, echoes this finding. In the majority of English regions the creative industries' share of employment (rather than the absolute numbers of jobs) peaked around 2000-02 before edging downwards.

**Figure 1: Creative and digital industry employment as a percentage of all employment, English regions, 1998-2006**



Source: BOP Consulting, Annual Business Inquiry (2008)

In this analysis, the dominance of the wider London city-region, as defined by Hall and Pain, in Britain's creative economy can be seen quite clearly. The three English regions which make up the greater South East – London, the South East and the East of England – have the three largest shares of creative and digital employment. By contrast, areas further north and west, such as the North East, Yorkshire and Humberside, and the West Midlands, had smaller shares, with creative and digital employment accounting for less than 5 per cent of jobs in 2006.

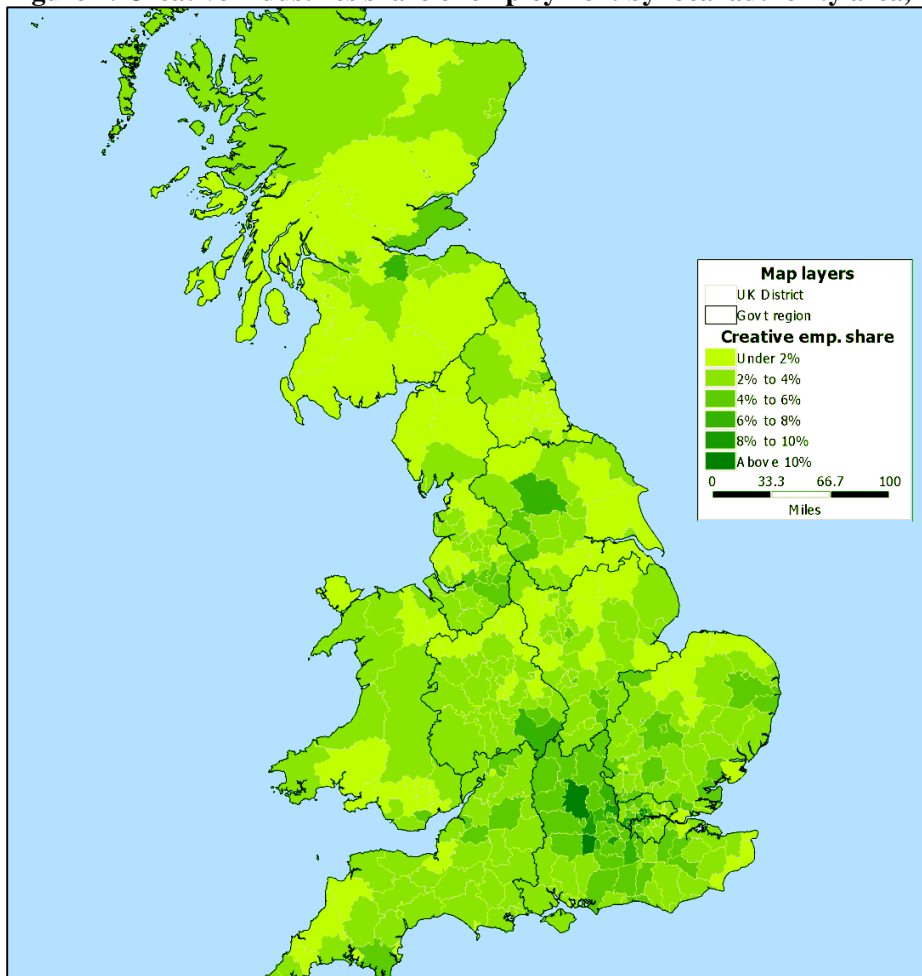
<sup>14</sup> DCMS (2007) *Creative Industries Economic Estimates Statistical Bulletin*, London.

<sup>15</sup> BOP Consulting (2008) *The Creative and Digital Industries in Yorkshire and the Humber: 1998-2006*, London.

A more fine-grained analysis, developed for internal purposes at BOP, uses 2006 Annual Business Inquiry data and broadly supports this picture. This dataset used a slightly narrower definition of the creative industries than does the DCMS, and also applied standard weightings to ABI data across the country. It is therefore likely to flatten out some areas of local distinctiveness. Nevertheless, some broad trends are clear (see figure 2). The highest percentage shares of creative industries employment are generally found in central and west London boroughs, and in the counties lying to the west of London: Oxfordshire, Buckinghamshire, Hampshire and Berkshire. This area, which is also known as the Thames valley, is characterised by good transport links (road, rail and air), an educated, affluent workforce, and a number of medium-sized business-services dominated cities.

It should be noted that there are other parts of the country which have creative industries strengths too. The areas around Edinburgh in Scotland and south of Manchester also score reasonably well. On the other hand, districts which have been scarred by industrial decline, such as the valleys of South Wales, the old mining communities of Yorkshire, Nottinghamshire and Derbyshire, and the North East of England do not do well. Nor do relatively remote rural areas such as north Cornwall, north Norfolk, and much of Cumbria and the south of Scotland.

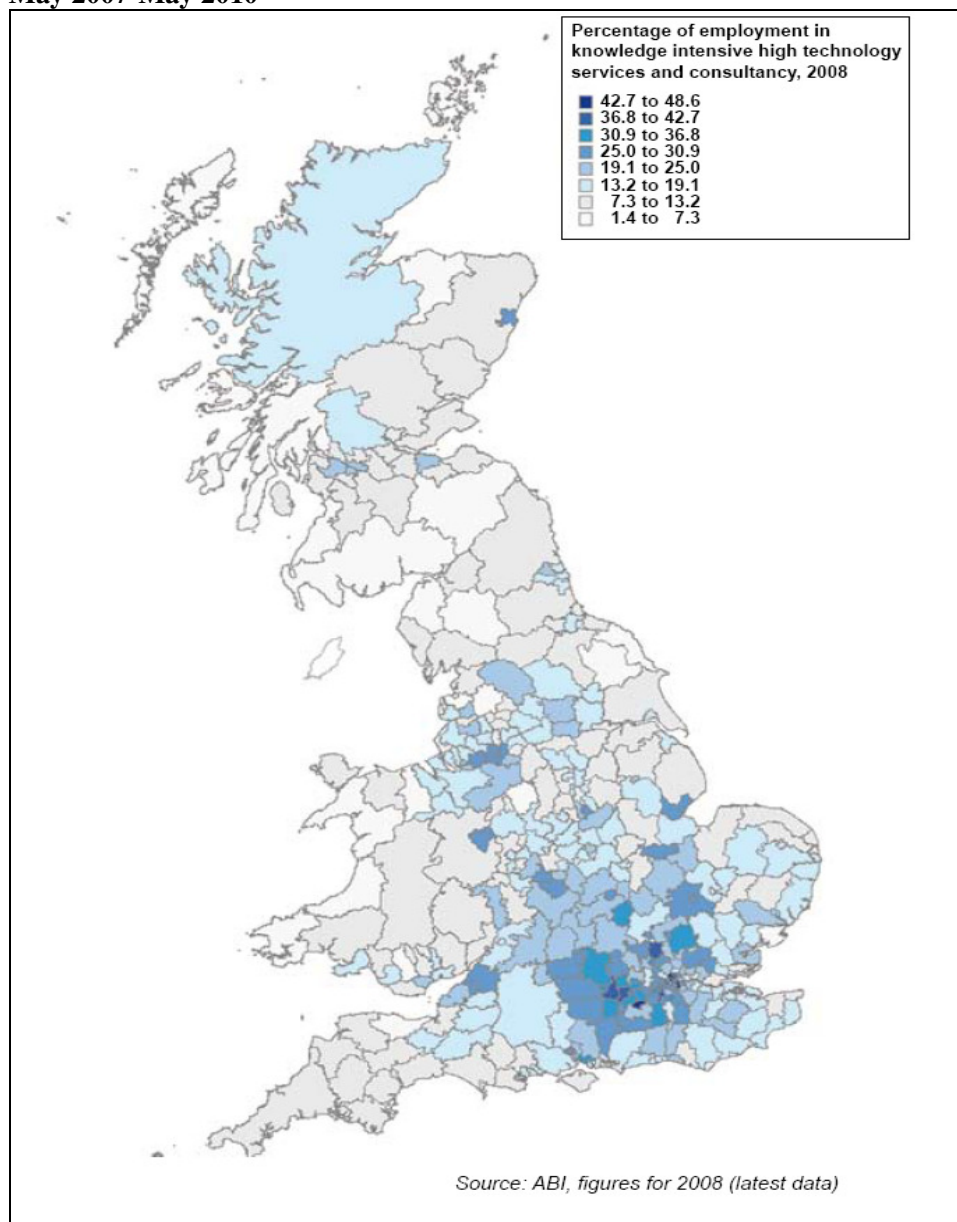
**Figure 2: Creative industries share of employment by local authority area, 2006**



Source: BOP Consulting, Annual Business Inquiry (2008)

It is interesting to compare this map with one of knowledge-intensive high-technology services<sup>16</sup>. There are striking similarities between the two. This is in part because both high-technology services and creative industries rely heavily on highly-skilled labour, and partly because high-technology services are important consumers of creative services such as advertising, design and marketing. The dominance of London and the greater South East is again apparent (fig. 3).

**Figure 3: Employment in knowledge intensive high-technology services and selected consultancy May 2007-May 2010**



Source: Work Foundation (2010)

<sup>16</sup> From Lee, N. *et al* (2010) *No City Left Behind?: The geography of the recovery – and the implications for the coalition*, The Work Foundation, London.



The location decisions of highly skilled labour clearly affect an area's economic prospects. An analysis by the Centre for Cities of Britain's 64 largest urban areas found that the cities with the highest proportions of skilled labour include a number of medium-sized cities in the southern half of England – Cambridge, Oxford, Brighton and Reading – as well as London and a trio of Scottish cities (which may perhaps be a reflection of the different education system in Scotland).

**Figure 4: Cities with the highest % of skilled labour**

City	% with high skills
Cambridge	51.8
Edinburgh	45.1
Aberdeen	41.2
Oxford	40.8
Cardiff	38.5
Brighton	38.1
London	37.7
Reading	36.3
York	36.3
Glasgow	35.2

Source: Centre for Cities (2010)

Several of these cities re-appear in Centre for Cities' list of the cities with the highest percentage share of people employed in knowledge businesses. The list in figure 5 gives an indication of the locations in which an educated workforce and a strong private sector combine. Again, London and smaller cities in the southern half of England are prominent.

**Figure 5: Cities with the highest % employed in Knowledge Businesses**

City	% employed in Knowledge Businesses
Cambridge	35.2
Oxford	33.0
Edinburgh	29.6
Milton Keynes	28.0
Reading	27.7
London	26.5
Leeds	25.3
Bristol	24.7
Norwich	23.4
Brighton	23.2

Source: Centre for Cities (2010)

## **Creative Industries: London**

The paper will now turn to look at the role of London in Britain's creative economy. It will do so using an analytical framework developed by BOP Consulting in 2006 for NESTA (the National Endowment for Science, Technology and the Arts)<sup>17</sup>. The Creative Business Models framework groups the creative industries together into four categories, based on business models, value

<sup>17</sup> BOP Consulting, MIPC and NESTA (2006) *Creating growth: how the UK can develop world class creative businesses*, London.

chains and market structures they have in common (see figure 6). Doing this allows us to explore the creative industries at smaller geographies than using the DCMS 13 sub-sector list does. The four thematic groups of the Creative Business Models approach are:

### **Creative Services**

Enterprises based around providing creative services for clients, earning revenues in exchange for giving up their time and intellectual property (IP). Examples include architects, advertising agencies, graphic design, new media design and post-production.

### **Creative Content**

Enterprises that exploit intellectual property, usually copyright protected, which is distributed to customers or audiences through sales, advertising or subscription to earn revenues. Among these are broadcasters, record companies, and all kinds of publishers including software, computer games and electronic publishing.

### **Creative Experiences**

The core of this business model is based around selling the right for consumers to witness or experience specific activities, performances or locations such as theatre, music, opera, dance and cinema. These are consumed 'live' at the time and place of performance.

### **Creative Originals**

Creative Originals are based on the manufacture, production or sale of physical artefacts, the value of which derives from their perceived creative or cultural value and exclusivity (in other words, they are produced not in bulk but as one-offs or in limited runs). Examples include designer fashion, crafts, and arts and antiques.

There are also two other classes which support this four-part model. They are:

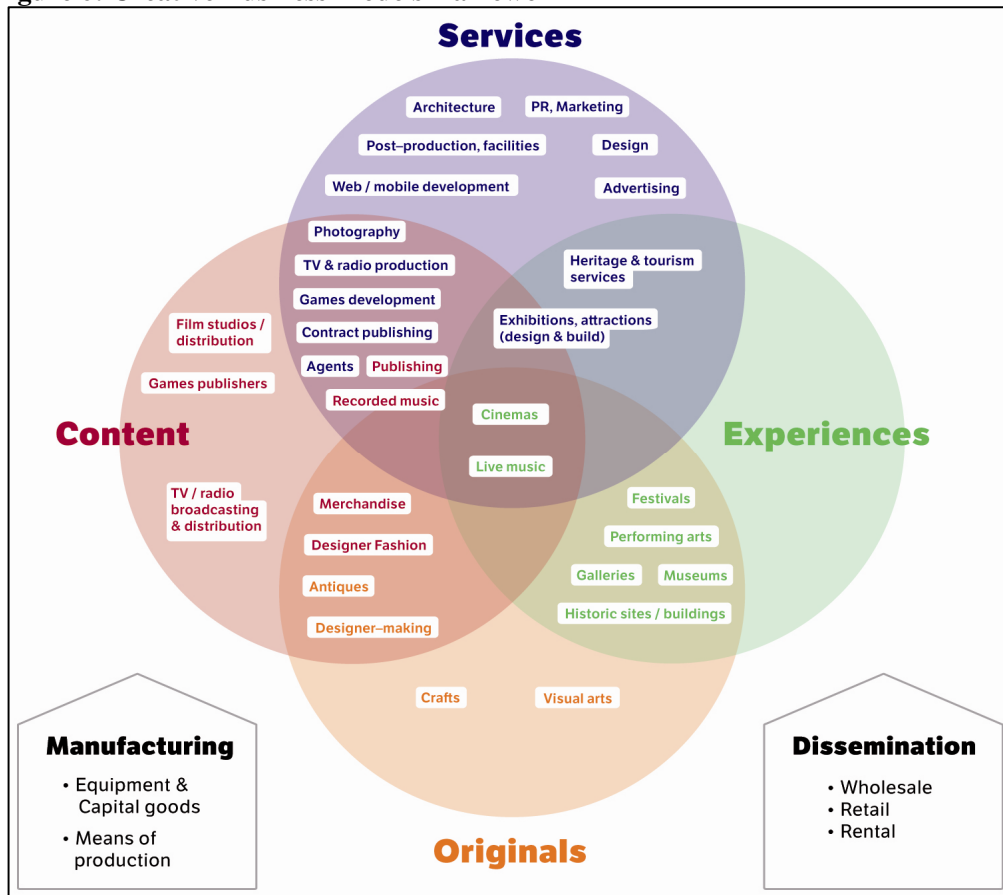
### **Dissemination**

This embraces the sale or rental of creative products. This category includes libraries as well as some specialist retail.

### **Manufacturing**

These cover specialist manufacturing activities on which the sector as a whole depends. They essentially fall into two categories: capital equipment used in production (such as TV cameras) or distribution (such as DVD or CD replication).

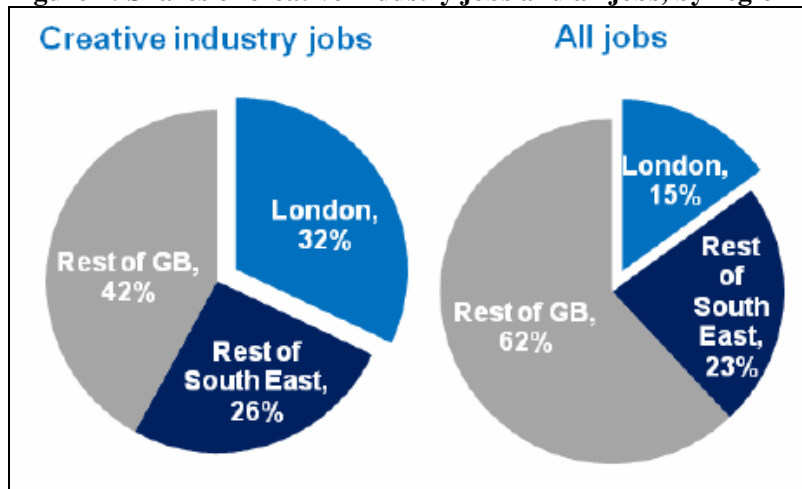
**Figure 6: Creative Business Models framework**



Source: BOP Consulting (2006)

The dominance of London in Britain’s creative economy can be seen in the following figures. London’s share of creative industries jobs is, at 32 per cent, more than twice its share of the UK economy as a whole. The rest of the South East too has a larger share of the creative economy than of the overall economy.

**Figure 7: Shares of creative industry jobs and all jobs, by region**

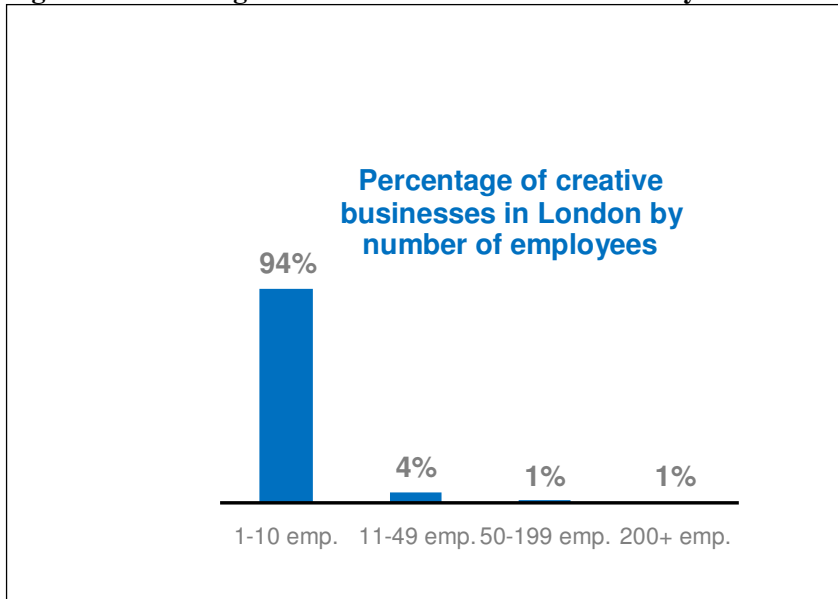


Source: GLA Economics and DCMS (2009)

The reasons for this dominance are complex, and rooted in London's history as a 'world' or 'global' city. It has long been the centre of British economic, political and cultural life, and has achieved an unusual degree of dominance over the rest of the country – much more so than most other capital cities. As a result, much of the country's major transport infrastructure, for example, runs to or from the capital. There are four major airports within close proximity (Heathrow, Gatwick, Stansted and Luton); and many of the major rail-lines run in and out of London, including Britain's only high-speed international link, to Paris. London's long trading history, diverse population, sheer size (it is the largest city in the European Union by population) and depth of international connections have helped make it one of the world's cultural capitals<sup>18</sup>. However, even in London the creative industries show mixed patterns of development. Although there is a high-profile cluster of creative industries in the borough of Westminster, based in the West End, Soho and Mayfair, which is home to many of the 'major players' in Britain's creative sector, it is not typical of London's creative industries as a whole. The vast majority of creative businesses in the capital tend to be very small. In all, 94 per cent of London's creative firms employ ten or fewer people (figure 8). This suggests that many of the creative businesses in London, especially outside Westminster, are 'lifestyle' businesses, run by their owner/founders, which depend on the capital's affluent residents or buoyant private sector for custom.

<sup>18</sup> See, for instance, Foreign Policy magazine's 2008 Global Cities Index, which ranked London as the world's leading city for cultural experience. (Issue no. 169, Nov/Dec 2008)

**Figure 8: Percentage of creative businesses in London by number of employees**



Source: BOP Consulting (2010)

Creative businesses in London may be small but they are extremely numerous. Their number exceeds that found in many other industrial sectors. As figure 9 shows, there are more such businesses than there are law, accountancy and management ones, or property firms.

**Figure 9: Number of businesses by sector**



Source: BOP Consulting (2010)

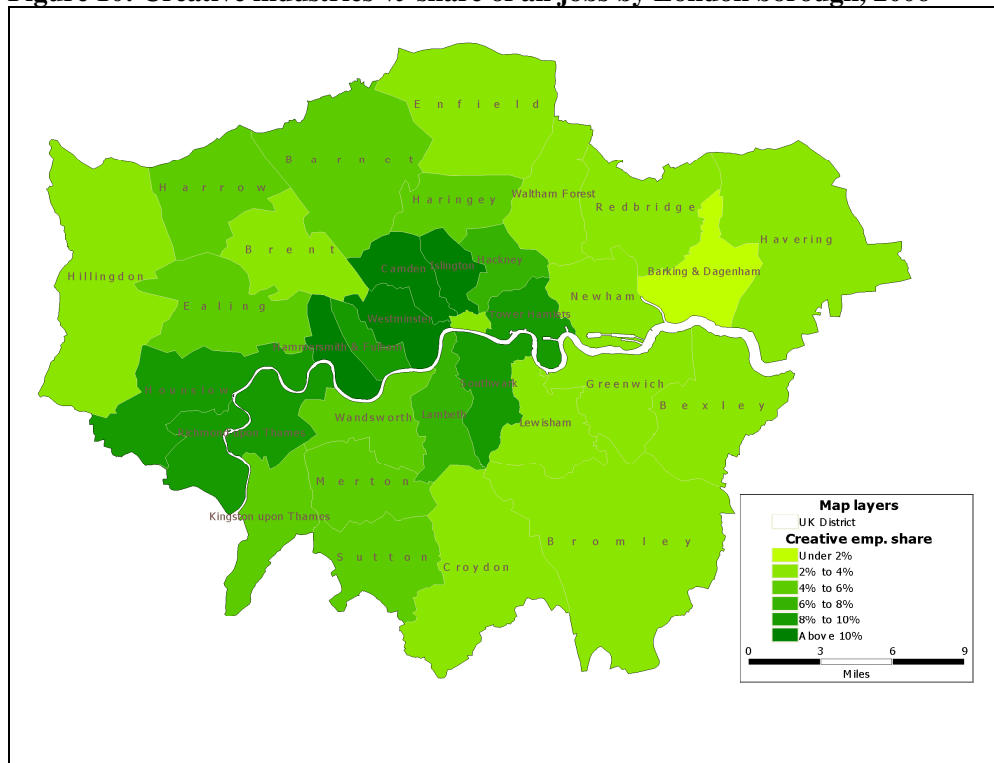
The ‘four circles’ analysis (from figure 6 earlier) offers some insight into the types of business found in London. Creative Services firms make up 64 per cent of the total number of creative

businesses in the city. For the most part these firms sell business-to-business, in fields such as design, advertising and marketing, and thus benefit from London's status as a world business capital and in particular from its role as a centre of financial services.

The second largest group is Creative Content firms, which make up 14 per cent of the total. Examples include the BBC and other broadcasters, publishers and the film industry. These firms can be big, but are often less tied to central London locations than are Services firms.

The following map looks at the percentage of jobs provided by the creative industries in the capital (based on 2006 ABI data). The percentage is highest in a band that stretches from Hackney in the east to Richmond in the south-west. This band includes many of London's wealthier neighbourhoods, and stretches out towards Heathrow airport and the Thames valley.

**Figure 10: Creative industries % share of all jobs by London borough, 2006**



Source: BOP Consulting, Annual Business Inquiry (2006)

### **Creative Industries: South East England**

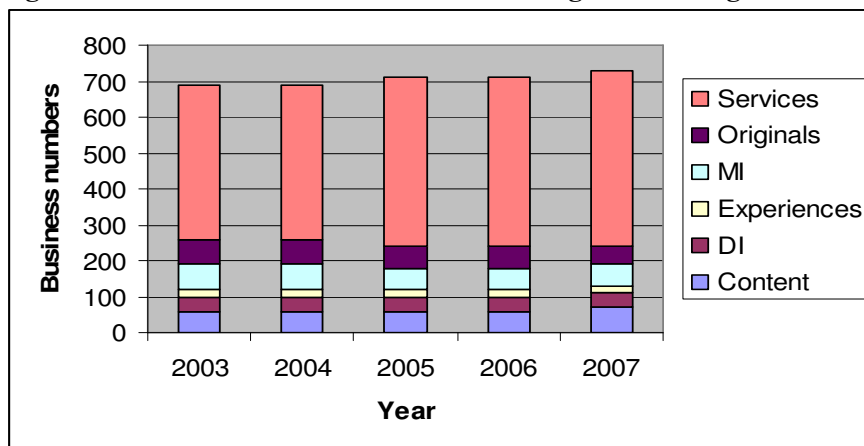
The report will now turn to look at the greater South East outside London. In the UK government's bureaucratic structures this is made up of two regions, the South East and the East of England. While this area is regarded in administrative terms as separate from London, it represents the outer ring of Hall and Pain's polycentric city-region. Patterns in creative employment outside London are often different from those of the capital. The creative industries tend to have a lower profile, and in the greater South East the audio-visual sector, particularly computer software, is more significant. Many of the big American software companies have chosen to base their British operations in the Thames valley: both Microsoft and

Oracle are headquartered in Reading, for instance. Publishing is also an important employer in the greater South East. A number of Britain's biggest publishers, including Oxford University Press, Cambridge University Press and Palgrave Macmillan (in Basingstoke in Hampshire) are based outside the capital, though still within easy reach of London. Once again, though, such large firms are not typical. In most cases, creative businesses in the South East are small.

BOP Consulting's work in Basingstoke in Hampshire supports this. Although Basingstoke has grown rapidly in the last 40 years, it is still a relatively small town of around 80,000 residents. It lies west of London, is close to two major motorways, and has a direct rail link to the capital. The town of Basingstoke itself is surrounded by prosperous villages and smaller towns in which many of the managers of Basingstoke businesses live.

In all, creative businesses make up around 15 per cent of all businesses and account for around 7.4 per cent of all jobs in the borough in which Basingstoke lies, a high percentage by national standards. Creative service firms, notably computer software and web design, account for the bulk of business numbers (67 per cent). The private sector is strong in Basingstoke, thus providing a local market for creative industry products.

**Figure 11: Creative business numbers in Basingstoke borough**



Source: BOP Consulting (2009)

BOP Consulting also has recently worked in the Milton Keynes-South Midlands (MKSM) area. This is a location north-west of London with a series of small cities and towns but without a dominant large city or a strong sense of cultural identity. It is close enough to London for many residents to commute there daily.

Detailed research into the creative industries in the MKSM sub-region was carried out in 2007<sup>19</sup>. It found that the creative industries were doing reasonably well – the share of employment was around the national average – but had a low-profile within the area. There were 4,700 creative businesses employing 27,500 people with a turnover estimated at £1.1bn. The largest cluster was in Milton Keynes, but 44 per cent of all businesses were based in rural or semi-rural areas. The

<sup>19</sup> New Media Partners (2007) *Creative Industries in Milton Keynes-South Midlands*, Arts Council East Midlands/South East/East.

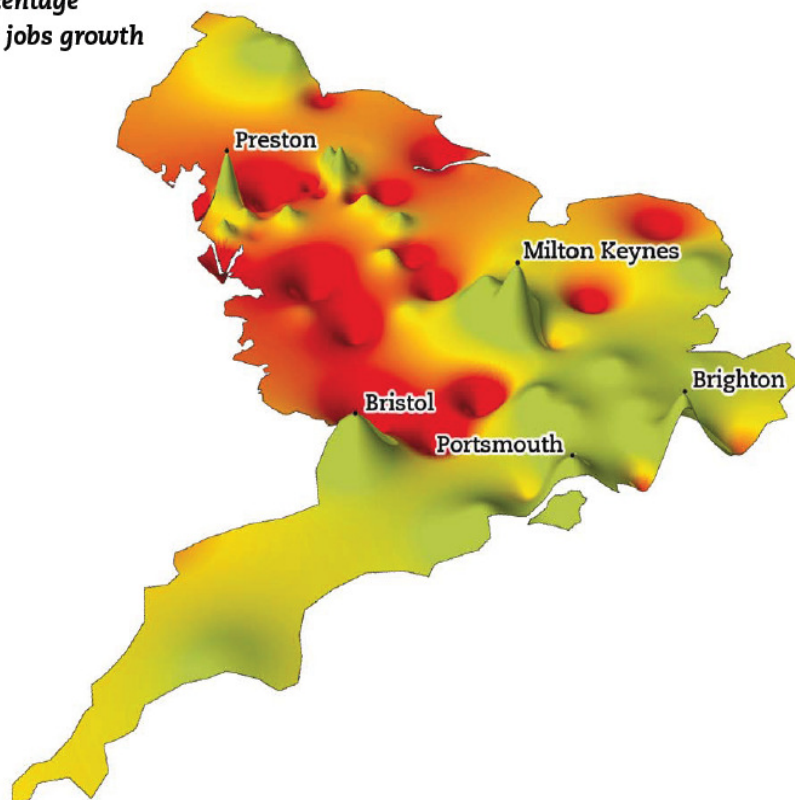
main challenge was identified as developing the sector's infrastructure – its networks, workspaces and information sources.

This sense that the creative industries have built up a significant presence even without achieving a high profile and in an area without a distinctive cultural identity of its own suggests that their success is related to other wider economic factors. Milton Keynes in particular has been one of the most successful places for generating new jobs in Britain.

Figure 12 demonstrates this (and incidentally also shows the relative strength of the South East as a whole). The peaks in green show the areas with the highest private sector jobs growth. Milton Keynes has the highest growth rate in England. Again, this would seem to offer evidence in support of the idea that the creative industries' fortunes (particularly those of its creative services firms) are related to those of the wider private sector.

**Figure 12: Percentage growth in private sector jobs<sup>20</sup>**

**c. Map of percentage private sector jobs growth**



**Source:** NOMIS 2010, Annual Business Inquiry, workplace analysis. Estimates based on jobs added between 1998-2005 and 2006-2008 to take into account changes in ABI methodology.

Source: Centre for Cities (2010)

<sup>20</sup> Taken from Centre for Cities (2010) *Cities Outlook 2010*, Centre for Cities, London.



## Creative Industries: The Midlands and the North

For those areas which lie outside the London city-region, however, developing their creative industries is potentially more challenging. The larger cities in those parts of the country often have underperforming economies. Data from the Centre for Cities shows that most major Midlands and Northern cities have employment rates that are some way below the national average.

**Figure 13: Employment rates in major cities**

Major City	Employment rate 2008-09
Bristol	77.8
Edinburgh	77.1
Belfast (2007)	73.2
Leeds	71.6
London	71.2
Nottingham	70.2
Glasgow	69.6
Newcastle	69.4
Manchester	69.0
Birmingham	64.8
Liverpool	62.5
<b>Great Britain</b>	<b>73.9</b>

Source: Centre for Cities (2010)

This relative economic weakness means that demand for creative industry products may well be less strong in such places. This is explored further in the next section of the report which looks at two English regions, the East Midlands and Yorkshire and the Humber, as well as the city of Birmingham.

### The East Midlands

The East Midlands region of England embraces 40 local authority districts, ranging from the largely rural to the heavily urban. It has two sizeable cities: Nottingham, which has a population of 670,000, and Leicester, with 440,000. In 2007, BOP Consulting was commissioned to research its creative industries using a classification devised by the Department of the Environment, Food and Rural Affairs (Defra), which divided the authorities up into one of five categories based on their level of urbanisation. 'Large Urban' areas are the most urbanised, while 'Other Urban' districts have no more than a quarter of their population living in market towns or rural settlements. 'Significant Rural' have between 26 and 50 per cent of residents living in rural areas or smaller towns, while for 'Rural 50' the percentage can vary from 50 to 80 per cent. For 'Rural 80' it is over 80 per cent. These classes therefore reflect the urban/rural spectrum.

Figure 15 indicates that in 2005 the three more rural classes were home to 45 per cent of creative industry employment (by workplace) in the region. It is also worth noting that the creative industries' share of total employment is highest in the 'Other Urban' districts. In the more urbanised 'Large Urban' areas, the relative percentage share is only just above the average for the whole region.

**Figure 14: Employment in creative industries by urban/rural class, 2005**

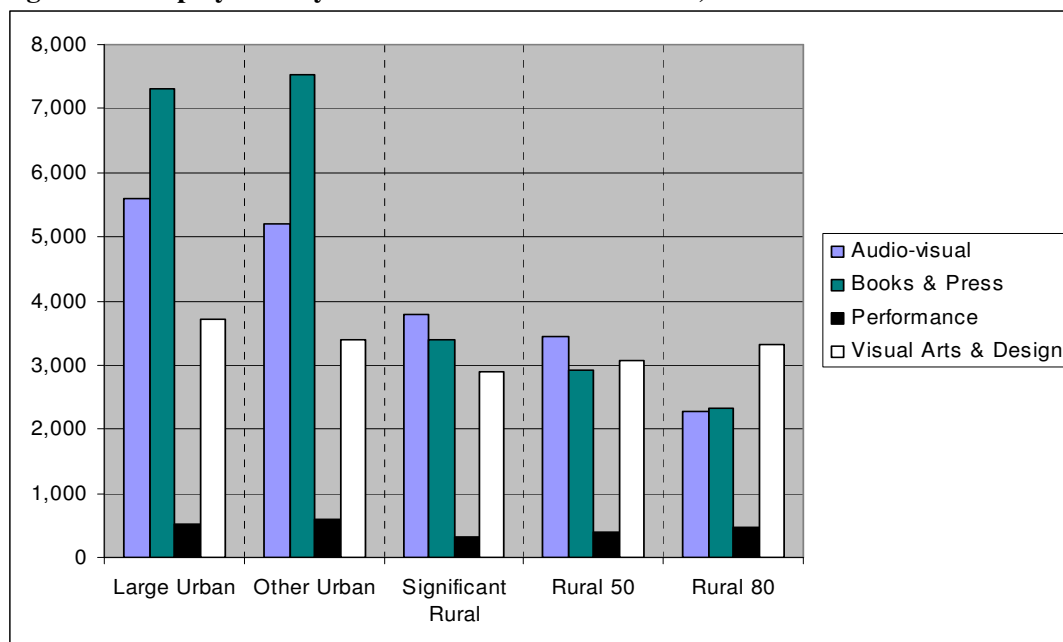
	<b>Creative industries employment</b>	<b>Share of all employment in class of district</b>
Large Urban	17,200	3.3%
Other Urban	16,700	3.7%
Significant Rural	10,400	3.1%
Rural 50	9,800	2.9%
Rural 80	8,400	2.6%
<b>Total East Midlands</b>	<b>62,500</b>	<b>3.2%</b>

Source: BOP Consulting, Annual Business Inquiry (2008)

In this particular piece of research, BOP Consulting used the DCMS’s Evidence Toolkit (DET) to divide the creative industries into four ‘domains’: Audio-visual, Books & Press, Performance and Visual Arts & Design. Figure 16 gives an indication of the breakdown of these domains for each urban/rural class.

The two more urban categories have the lion's share of Audio-visual and Books & Press jobs, but the other two domains are much more evenly spread. In the most rural class, Rural 80, Visual Arts & Design is the largest employer.

**Figure 15: Employment by domain and urban/rural class, 2005**

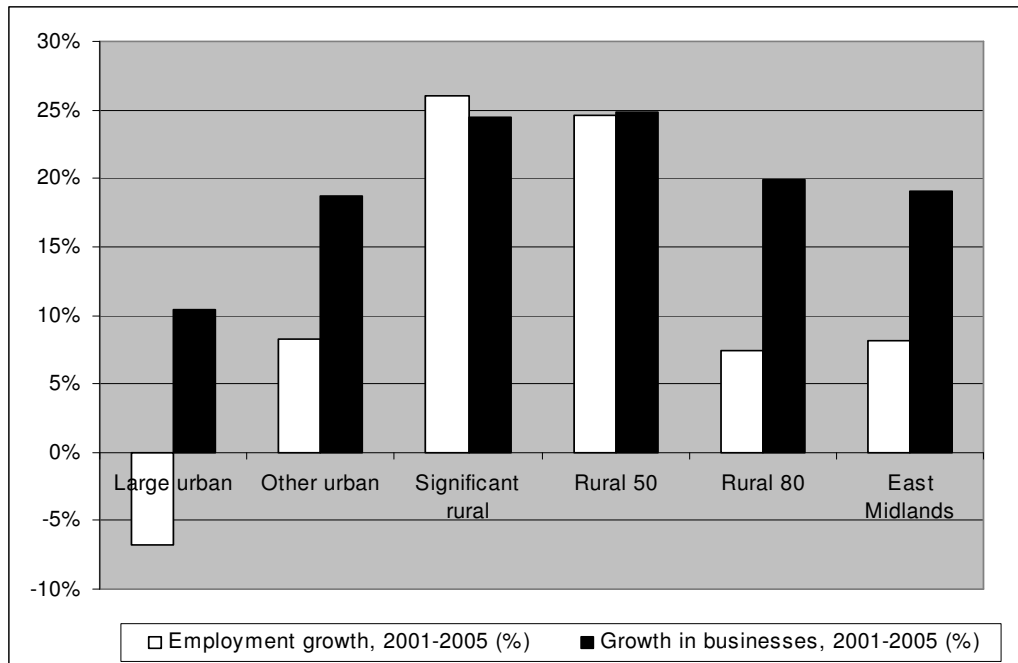


Source: BOP Consulting, Annual Business Inquiry (2008)

The growth rate of creative industry employment over the 2001-05 time period in the East Midlands was greatest in Significant Rural and Rural 50 – those districts with a mix of urban and rural areas, such as might be found in suburban areas or commuter belts. The most rural districts (Rural 80) have done relatively poorly by comparison, while Large Urban areas have lost jobs

over the four years. Business numbers have generally grown faster than job numbers, suggesting the average size of companies is getting smaller.

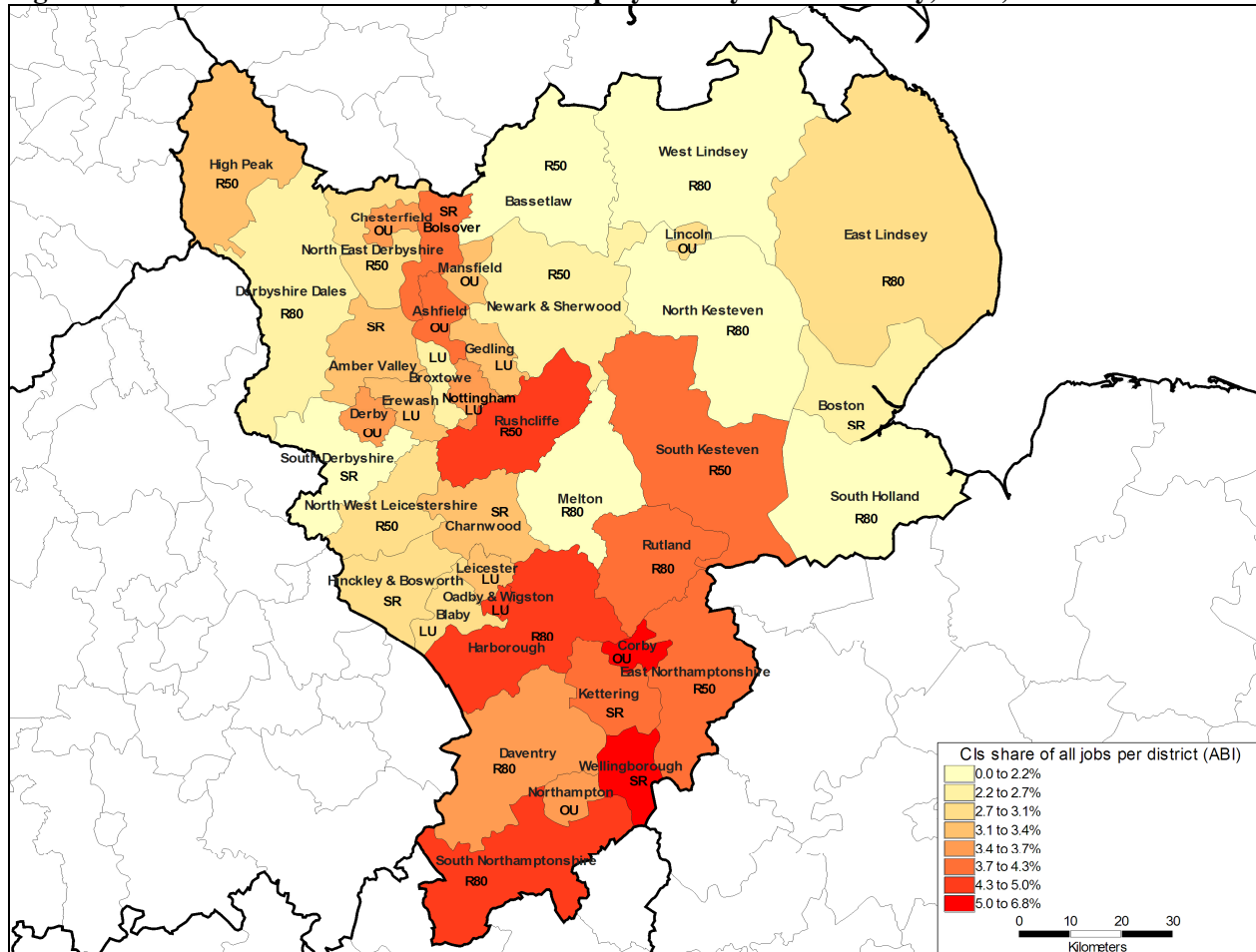
**Figure 16: Change in employment and business numbers by urban/rural class, 2001-05**



Source: BOP Consulting, Annual Business Inquiry (2008)

Mapping the creative industries' relative share of total employment by district reveals that, while the largest absolute numbers of creative industry jobs are still to be found in Nottingham and Leicester, the highest percentage shares are generally to be found in the south of the region, which is closer to London and has good transport links.

**Figure 17: Creative industries' share of total employment by local authority, 2005, East Midlands**



Source: BOP Consulting, Annual Business Inquiry (2008)

These patterns suggest there is no simple city-country divide at work here. In Britain urban and rural economies increasingly resemble each other, partly due to the decline in traditional land-based industries. Richard Naylor, BOP Consulting's Head of Research, has argued elsewhere<sup>21</sup> that framing the discussion in terms of accessible versus remote locations may be a more sensible way of understanding the geography of the creative industries.

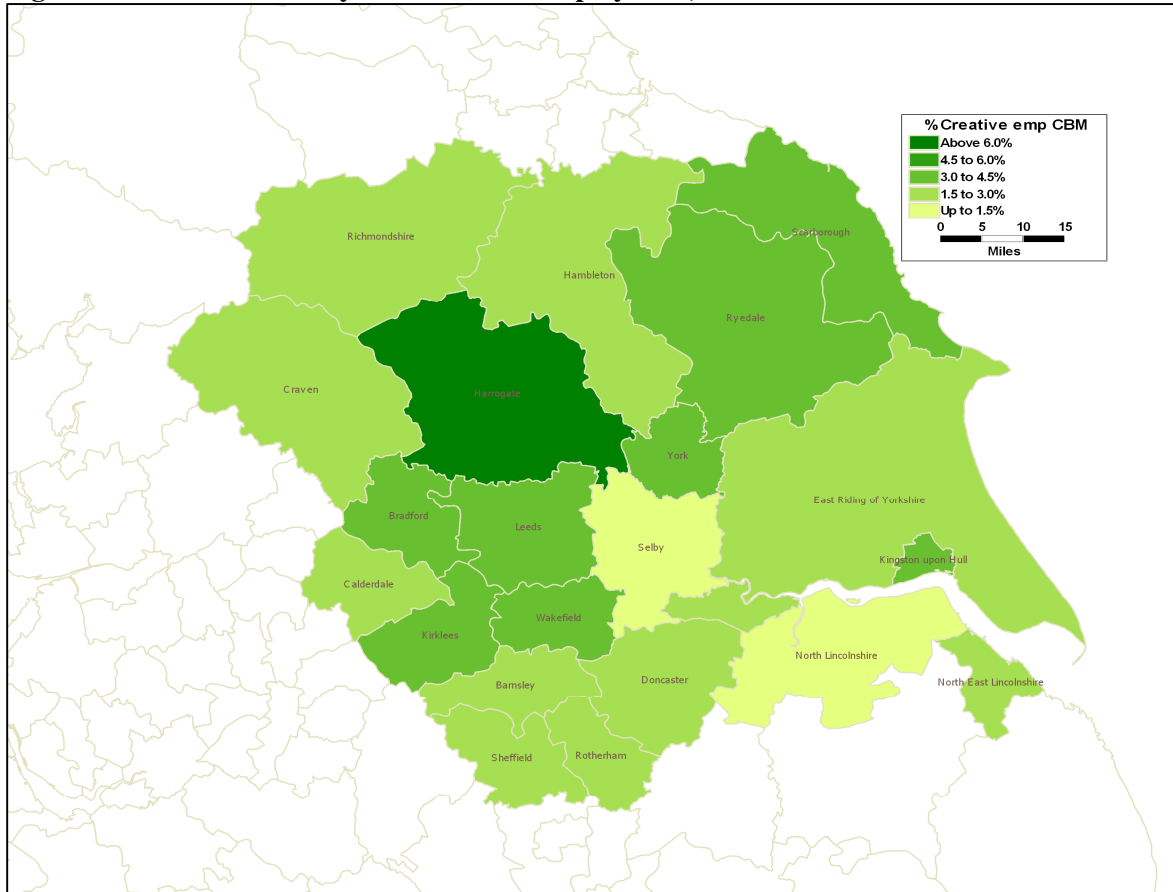
### **Yorkshire and the Humber**

The second area outside the London city-region to be considered is Yorkshire and the Humber. This region of northern England has seen many of its traditional industries – coal-mining, steel-making, textiles and seaside tourism – decline in recent decades. A number of cities in Yorkshire were quick to identify creativity and culture as potential alternative avenues of economic revival. Huddersfield launched its Creative Town initiative in 1997, while Sheffield tried to develop a Cultural Industries Quarter as early as the 1980s. The region's largest city, Leeds, has carried out a number of cultural and creative schemes, while Bradford has persuaded UNESCO to declare it

<sup>21</sup> Naylor, R. (2007) 'Creative Industries and Rural Innovation' in *Rural Innovation*, NESTA, London.

a City of Film. Despite these efforts, though, there is little sign of a significant creative industries base having been built up. Although individual ‘hub’ buildings such as the Round Foundry Media Centre in Leeds have succeeded in attracting creative businesses and becoming ‘mini-clusters’, the effect on the area’s economy as a whole of creative initiatives has been relatively limited. Only Harrogate, a prosperous area with a strong computer software sector, scores particularly well for creative industries employment by national standards. South Yorkshire and Humberside do relatively poorly.

**Figure 18: Creative industry % share of all employment, Yorkshire and the Humber**



Source: BOP Consulting, Annual Business Inquiry (2010)

BOP Consulting has recently examined the creative economies of two Yorkshire local authority areas in more depth. The evidence from the two, Hull and Doncaster, suggests that while their creative economies have local quirks they also face similar challenges.

Printing makes up an unusually large share of Hull’s creative economy. This is an industry which has been under pressure in the last decade from technological change and increased international competition, and its long-term prospects in the UK do not look especially bright. Doncaster’s labour market is roughly the same size as Hull’s, and it has marginally more creative businesses. However, creative employment in Doncaster is only half Hull’s level; Doncaster’s creative businesses are unusually small, with a high proportion of sole traders or micro-businesses.

In both places, creative services firms in such fields as advertising, marketing, software consultancy and design are relatively weak. These types of companies are at the forefront of the increasing convergence of the creative industries around digital technologies. Furthermore, they are not just employers in their own right: the services they provide seem to play an important role in boosting the competitive advantage of the wider private sector economy. This weakness may therefore have wider consequences for the local economies of Hull and Doncaster – it suggests they may be at risk of falling further behind.

## Birmingham

Figures for Birmingham suggest that even in England's second city creative industries employment is under pressure. The DCMS's Evidence Toolkit methodology suggests that, in the time period under review, employment peaked in 2004.

**Figure 19: Numbers employed in creative businesses by domain, 2003-07**

Year	2003	2004	2005	2006	2007	% change
<b>Domain</b>						
Audio Visual	10,280	11,330	9,850	9,810	9,250	-10.0%
Books & Press	5,540	5,610	5,430	4,800	4,290	-22.6%
Performance	900	700	1,060	1,300	1,000	11.1%
Visual Arts & Design	3,200	3,510	3,670	3,860	4,180	30.6%
<b>Total</b>	<b>19,920</b>	<b>21,150</b>	<b>20,010</b>	<b>19,770</b>	<b>18,720</b>	<b>-6.0%</b>

Source: ONS ABI/BOP Consulting (2009)

The creative industries accounted for around 4 per cent of the city's employment over the five years. It is worth noting that, according to the *Annual Business Inquiry*, total workplace employment for the city's economy as a whole peaked in 2005 and has since edged downwards. This seems to suggest that the fortunes of the creative sector are closely linked to those of the local economy as a whole.

**Figure 20: Creative industries' share of overall employment in Birmingham, 2003-07**

Year	2003	2004	2005	2006	2007
DET creative industry jobs	19,920	21,150	20,010	19,770	18,720
All jobs	488,262	492,107	496,150	482,178	479,821
% of total	4.1%	4.3%	4.0%	4.1%	3.9%

Source: ONS ABI/BOP Consulting (2009)

Figure 21 shows the results of applying the Birmingham analysis to the main local authority area in the other English core cities. While this can only be an approximate guide to the size of creative industries, it suggests that although creative industries employment is far from insignificant, it still accounts for under five per cent of employment in all the cities bar Bristol.

**Figure 21: Estimated creative industry employment as a share of the total, Core Cities, 2007**

<b>Core City</b>	<b>Creative Industry employment</b>	<b>Total employment</b>	<b>% of total</b>
Bristol	12,070	227,020	5.3%
Manchester	15,090	309,440	4.9%
Leeds	19,840	407,190	4.9%
Newcastle	7,520	174,900	4.3%
<b>Birmingham</b>	<b>18,720</b>	<b>479,820</b>	<b>3.9%</b>
Sheffield	8,810	248,430	3.5%
Liverpool	7,930	226,430	3.5%
Nottingham	6,330	184,720	3.4%

Source: ONS ABI/BOP Consulting (2009)

## Summary

The creative industries have been identified as a growth sector in Britain for more than a decade now. They have often been seen essentially as an urban phenomenon, and thus as a tool for urban economic regeneration: a way of reviving those city centres which have been abandoned by manufacturing. The emergence of Richard Florida's theory of 'creative cities' and the example of Bilbao seemed to lend weight to these arguments.

This, however, now seems to be too simplistic a picture. Creative businesses have characteristics which mean they are suited by certain environments more than others. The creative industries are heavily reliant on educated labour, and seem to thrive in places where they have access to affluent consumers and a buoyant private sector (to buy business-to-business services). Good transport links too are important.

Creative firms also tend to be very small, often what are called 'lifestyle' businesses. Owners often prefer to be based close to home (or even in the home itself; a significant minority of creative businesses are based in their owner's home.) In such cases, the nature of the local environment becomes an important determinant of location choices.

In Britain at least, this mix of elements tends to favour parts of London and its wider city-region. These are already prosperous areas where the private sector does well. Indeed, given some creative services' role in spreading innovative ideas their presence may help to reinforce existing economic strengths. It has been reported, for instance, 'that there is a strong negative correlation between employment in the creative industries and current unemployment rates'<sup>22</sup>.

This may be bad news for some larger cities, especially in the North and Midlands of England, which have developed ambitious creative industries strategies. It suggests that wider weaknesses in their local economies, such as a shortage of highly skilled labour, an over-dependence on public-sector employment and relatively weak private-sector demand, will impose constraints on the potential contribution of the creative industries. By implication it also therefore calls into question the creative industries usefulness as a tool of economic regeneration in such places, and their potential to contribute to regional development.

<sup>22</sup> Lee, N. *et al* (2010) *No City Left Behind?*, Work Foundation, London, p17.

On the other hand, it also presents opportunities for those smaller towns and cities which have a healthy business environment not just for creative firms but for all private-sector businesses. In Britain such places are found especially in the southern half of England. It seems that these places are potentially attractive to the creative industries, especially the more decentralised computer software sub-sector, despite being perceived in many cases as lacking a distinctive cultural identity. Creative industries policy may therefore have a greater relevance to these smaller cities and suburban areas than has generally been acknowledged.

However, creative industries strategies in intermediate cities will not necessarily look like those that bigger cities have adopted. The emphasis on big cultural attractions and new buildings that has characterised some strategies in the larger cities may not be appropriate for these smaller places. Indeed, having a self-contained creative industries strategy may miss the point: creative industries may instead best be thought of a way of linking a number of separate economic and social agendas to give them more coherence.

**Chris Gibbon, BOP Consulting, March 2011**