

Industrial Strategy for the Creative Industries

The new Prime Minister Theresa May announced her plans for an industrial strategy almost as soon as she arrived in Downing Street. We applaud that, and firmly believe that the creative industries, the UK's fastest growing sector since 2008, should be at the heart of this strategy.

As the national membership body for all the UK's arts, creative industries and cultural education (see 'about us' at the end of this submission), we argue that this is a huge opportunity for government and policy-makers to embrace our sector's power and potential.

The creative industries are worth more than £87.4bn in GVA to the UK and the creative economy employs one in every 11 working people.¹ But for far too long, the sector has been undermined by a piecemeal approach to investment and support.

Despite its size and success, our sector's need for an industrial strategy has never been fully recognised by the Government. When Vince Cable set out his plans for industrial strategy under the coalition government, the creative industries were not named as a key sector. This was a mistake.

Now, ministerial responsibilities under BEIS are announced without mentioning the creative industries. It is often taken for granted that Britain is a creative nation, but at the Creative Industries Federation we say emphatically that this success is not random. The sector has benefitted from a suite of successful government interventions over the last 20 years - from public arts funding to tax credits and investment in our specialist higher education institutions. And there have also been areas where a lack of joined-up thinking has held back the success of the sector - for example, investment being made in the skills pipeline is being undermined by schools' policy.

In this document we address where the sector most needs an industrial strategy in order to stop this piecemeal approach and what that strategy might look like, under four headings:

- 1. Skills pipeline**
- 2. Finance and funding**
- 3. Infrastructure**
- 4. International policy**

Why hasn't this happened before? It might be because of a knowledge gap: parts of the sector are high growth (creative tech, games design, animation etc.) but also relatively new. And misconceptions prevail. Some might assume the sector is made up of 'artists', when in fact it supports the third most STEM (science, technology, engineering, mathematics) graduates of all sectors. An industrial strategy for the sector would go some way to addressing this. It could set out routes into the creative industries, as well as explaining the different ways in which employees and industry are supported, from public funding and tax credits to training. This would form the basis of a blueprint for all ministers who make decisions that might affect this world-beating sector. We work with all Government departments to help form a comprehensive strategy for the sector and we hope that with the use of an industrial strategy, the Government can start to work in an equally joined-up way.

¹ "DCMS Sectors Economic Estimates." DCMS, August 2016.

² "Understanding the UK STEM Technician Workforce: For the Gatsby Charitable Foundation." TBR: economic research & business intelligence, September 2014.

What are the creative industries?

The creative industries were defined in the Government's 2001 Creative Industries Mapping Document 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"³.

The proportion of creative jobs for each industry was calculated (by creative intensity - based on working practice). Industries with a creative intensity above a specified threshold are considered creative industries. The creative economy includes the contribution of all those who are in creative occupations outside the creative industries as well as all those employed in the creative industries.

The sector includes: advertising, architecture, broadcasting, crafts, design, creative tech, fashion, film, heritage, museums & galleries, music, performing arts, photography, publishing, video games and visual arts.

What needs to go into an industrial strategy for the creative industries?

1. Skills pipeline

1.1 The creative industries have long-standing skills shortages. These stem from inadequate training and provision at schools in this country compounded by the ever-greater need for talent in a growing sector. The skills pipeline is perhaps the area where an industrial strategy is most needed by the creative industries.

1.2 These skills shortages are why education is one of the cornerstones of our work, and why the skills pipeline should be a key pillar of an industrial strategy. We look at the entire skills pipeline through school education, apprenticeships, higher and further education, learning later in life and immigration regulation. In order to understand how these shortages have emerged, the Government must take the same holistic approach.

1.3 The Migration Tier 2 Shortage Occupation List (jobs where the Government will permit sponsorship of migrants in recognition of severe skills shortages) highlights that our country is already crying out for a combination of creative skills - and in particular, design and technical skills. The list includes 17 creative industries occupations reliant on both such as graphic designers (working in visual effects and 2D/3D animation). The Migration Tier 2 Shortage Occupation List also contains seven types of engineer. This is notable because engineering often requires the same combination of skills as those required by the creative industries - technical ability alongside creativity in design. Taking a sample of 200 civil engineering (QUEST) scholarship applicants in 2014, 36.5% studied a creative or design subject to AS/A Level, with 67% combining arts and STEM at GCSE⁴.

1.4 The UK already has a high percentage of creative employment (including creative jobs outside the creative industries and the creative economy), at around 24% of the workforce⁵. It is also particularly valuable employment, with 87% of highly creative occupations at low risk of being replaced by robots in the future⁶. We believe the Shortage Occupation List is likely to grow, in particular as the number of 18-year-olds will decrease by 8.9% between 2012 and 2022.

1.5 Despite the need for arts subjects in a range of careers across several industries, entries for GCSEs in arts and creative subjects have fallen by 8% (46,000) this year compared with last, according to official statistics published by exam watchdog Ofqual. The steep decline is in sharp contrast to some other GCSE subjects, notably those included in the English Baccalaureate (EBacc) – the suite of subjects on which the

³ "Creative Industries Economic Estimates January 2016." DCMS, January 2016.

⁴ More on this can be found: Easton, Eliza, and Jonothan Neelands. "Creative Education Agenda." Creative Industries Federation, May 2015. Available at: http://www.creativeindustriesfederation.com/assets/userfiles/files/CIF_EduAgenda_spreads.pdf

⁵ Mateos Garcia, Juan, and Hasan Bakhshi. "The Geography of Creativity in the UK." Nesta; Creative England, July 2016.

⁶ Bakhshi, Hasan, Carl Benedikt Frey, and Mike Osborne. "Creativity vs. Robots: The Creativity Economy and The Future of Employment." NESTA, April 2015.

⁷ <http://www.artspromotional.co.uk/news/exclusive-arts-schools-plummets-new-figures-show>



Government judges school performance, which notably includes no arts subjects. Academies do not now have to offer any arts subjects, from the age of 11, to still qualify as 'outstanding' schools.

1.6 This limits both those who want to go onto apprenticeships or technical education and those who want to go into higher education. Our observation, having worked with all relevant government departments, is that an industrial strategy would go some way to addressing the mismatch between policies. For example, a high percentage of the new technical and professional pathways being introduced by the Department for Education need practical design and technical skills. But the EBacc (school age 14-16) is inhibiting the development of these skills by assessing schools on the uptake of seven to eight traditionally academic GCSEs at the expense of subjects like design and technology, where provision is, as a consequence, becoming increasingly scarce. These same policy priorities are having an impact right through the primary and secondary school system.

1.7 An industrial strategy providing an understanding of the makeup and skills pipeline of the creative industries might also have prevented some of the problems with the apprenticeship levy. For example, 'STEM' occupations benefit from a higher level of funding, but the narrow definition used excludes highly-trained apprenticeships in technical jobs within the creative industries, such as lighting designers and games developers. This failure to understand the sector also has implications for careers guidance which at the moment fails to present students with a real understanding of the opportunities within the sector, and the routes to those careers.

1.8 Policy makers need to recognise the fact that careers in the creative industries don't necessarily resemble the structure of those in other sectors. This means that these exciting, innovative and automation proof jobs are sometimes not recognised as 'successful' by Government. For example, it is often preferable for creative industries graduates in jobs such as video games or graphic design to build up a portfolio of work from different short-term contracts in the early years of their careers. Yet universities are often judged by how many of their students are in permanent employment six months after graduation. Likewise, the creative industries include large numbers of freelancers and micro-businesses, but these are also little understood. (The Federation is producing a paper to examine this issue in the next year.)

1.9 There is also a very real risk that skills shortages in the UK will be exacerbated - at least in the short to medium term - by any restriction on freedom of movement that comes as a result of tightening immigration laws and the UK leaving the European Union. European talent has supplemented our own in terms of supplying high skilled talent to our creative companies. But there are other benefits to having employees from Europe living and working here: half of our creative industries exports go to Europe and so freedom of movement within the EU has allowed us to build workforces that help us better understand this market.

1.10 In the future our immigration system will need to better take into account what employment in our sector looks like. Given the skills shortages, we need talent to be able to live and work in the UK, regardless of whether they work freelance or for a creative company. Talented creative graduates trained in our 'world-beating' institutions should be encouraged to stay in the UK. The Home Office will further need to understand that in the creative industries skill and talent is not always commensurate with high pay.

1.11 Some of the most innovative parts of the creative industries, such as creative tech and design, will need special consideration by the Home Office. These will, by nature, always have a global skills shortage - exceptional tech or design talent is a combination of immense natural ability with supportive national infrastructure. The best and the brightest in our sector have traditionally wanted to work in the UK, and we are keen to make sure routes are there to allow these global innovators to continue to do so. In short, we need to be encouraging the great designers and technologists of the future to live here and work here, to ensure that Britain's creativity remains its calling card.



2. Finance and funding

2.1 In the creative industries, a small investment can go a long way. This and the last government have introduced a suite of supportive policies to ensure that our fast growing creative sector does not just survive but thrives in an internationally competitive area.

2.2 Tax credits for example, in video games, children's television, and high-end television have helped to bring big business opportunities and helped safeguard production in the UK. The international competitiveness of the sector has been boosted by this system, inspiring large-scale overseas investment, and increasing demand for the national workforce. By subsidising production cost in innovative industries including animation, these tax incentives also mean that some of the most exciting developments are happening in the UK.

2.3 Investment in the publicly supported arts is also a crucial part of underpinning the wider creative economy, amongst countless other benefits. Publicly supported organisations train employees and nurture young talent. This investment is a seedbed for our creatives - whether that is the arts council funding that allowed J K Rowling to write Harry Potter, or the funding which keeps free entry to all the national museums that inspire our up-and-coming artists⁸.

2.4 There are also more immediate financial returns - investment in public arts organisations like the Tate have made the UK a global arts centre and an attractive place to visit, live and work.

2.5 Although arts funding through DCMS was protected in the 2015 Autumn Statement, the cuts to local authorities are of arguably greater significance as they remain the biggest investors in culture. Spending is under increasing pressure: between 2010 and 2015, Department for Communities and Local Government (DCLG) figures show a decline of £1.42bn to £1.2bn, a reduction of 16.6%, in spending on arts and culture development and support, theatres and public entertainment, museums and galleries, and the library service⁹.

2.6 Ensuring that local authorities understand the case for investment in our sector as well as the importance of other infrastructural support (e.g. availability of affordable studio space) would be an essential part of an industrial strategy. Examples like Margate demonstrate that local authorities can encourage small and medium sized business growth through investing in culture. Cultural investment is also frequently the driver of increased tourism.

2.7 EU funding has also offered investment and international partnerships to the UK's creative industries, particularly at a regional level. The Creative Europe fund has supported high-profile successes from the distribution of Slumdog Millionaire to the Opera Platform (a large-scale digital project live-streaming opera across Europe). The European Regional Development Fund has helped to rebalance the discrepancy between capital and regional funding - investing in cultural projects including Sage Gateshead (£5.6m grant to complete building), Manchester's HOME and Falmouth University. We have conducted 11 meetings looking at the impact of Brexit around the country, which made clear the way in which EU money is embedded in our sector. The Government needs to understand this deep and complex network of European support, and how it has combined with domestic investment, to prevent inadvertent damage to the sector.

⁸ Easton, Eliza, Jonathan Neelands, and Te-Anne Robles. "How Public Investment in Arts Contribute to Growth in the Creative Industries." Creative Industries Federation, July 2015. Available at:

http://www.creativeindustriesfederation.com/assets/userfiles/files/CIF_Arts%20and%20Growth%5B3%5D.pdf

⁹ Harvey, Adrian. "Funding Arts and Culture in a Time of Austerity." Arts Council England; New Local Government Network, April 2016.



“The success of the UK’s commercial art scene is intrinsically linked to the strength of its public institutions. Three of the five most visited art museums in the world are in London - the Tate, the British Museum and the National Gallery - and we are able to thrive, attracting buyers from across the globe, precisely because we form part of one of the world’s great cultural hubs. Public investment has been crucial in providing the training and institutional support necessary to propel artists from the UK to the forefront of the global art market, with over a third of our record-breaking July 2015 contemporary art sales comprised of work by British artists. Investment in world-class public programmes is a vital component in helping the UK to punch well above its weight as leaders in a hugely competitive global art market.”

Melanie Clore - then Chairman of Sotheby’s Europe

Quoted in ‘How public investment in arts contributes to growth in the creative industries’, Creative Industries Federation, July 2015



3. Infrastructure

3.1 The Federation advocates a full industrial strategy for the creative industries, both at national and local/regional level, and this means also thinking about the many different kinds of infrastructural support that affect the creative industries.

3.2 The creative industries can only prosper if creative ideas can be monetised and protected for the creators, as well as those who get the ideas to market. The UK has taken a leadership role in designing the current legal framework which offers strong protection to creators and rightsholders in the creative industries. The Government will need to understand the options we have as we exit the EU, and negotiation required, to ensure our legal rights are protected.

3.3 It is vital that businesses, individual creators and rightsholders are afforded the best possible protection for their intellectual property. Government understanding and support for a strong legislative IP/copyright framework and enforcement measures are critical - particularly as we exit the EU.

3.4 For example, the loss of the unregistered Community design right will leave a gap in protection for our design and fashion businesses. Unlike UK law, it protects novel surface design (for example, the look of a shirt rather than how that shirt is built). Its most common usage is in 'cease and desist' letters, stopping production before an infringement is taken to court, so its value to the sector is far greater than the number of court cases might make it appear.

3.5 Unless appropriate action is taken, the loss of the unregistered Community design right could also affect UK trade shows such as London Fashion Week because companies would enjoy less protection by first showing their work in the UK than in the EU. Such trade shows currently not only generate revenues but have an important role in making our country look attractive and innovative.

3.6 In parallel to prioritising protection for creative products, the education system also has an important place in promoting the importance of IP and copyright, in accordance with recommendations from the Intellectual Property Office and Alliance for Intellectual Property.

3.7 As well as a consideration of intellectual property protection, the creative industries must be given proper consideration in all future trade negotiations, both pertaining to exiting the EU and in new deals with other markets. The creative industries sector should be a priority because of its size, success and future potential. It is worth more than £87.4bn in GVA to the UK and has been the fastest growing part of the economy since 2008, and in 2014 (last available figures) grew at almost twice the rate of the economy as a whole. The creative economy now employs one in every 11 working people¹⁰.

3.8 An industrial strategy would need to understand the importance of service as well as goods exports to this sector - too often the conversation about service exports focuses solely on the demands of the City. Government also needs a greater understanding of the importance of plans for a digital single market (DSM), and how this will impact the creative sector. The UK should remain at the negotiating table as long as it is able on this crucial issue - particularly because, as Europe is our greatest market, the impact of these negotiations will continue to affect us well after we have left the EU.

3.9 Equally, in order to ensure that the sector is able to grow and compete internationally, any industrial strategy must identify other necessary infrastructure. Digital infrastructure, especially access to broadband, is an essential part of creative industries strategy. A sector that includes creative tech, games and design businesses is even more reliant on this infrastructure than many traditional sectors.

3.10 Public broadcasting sits at the heart of the creative industries ecosystem - with the BBC a larger investor in the creative economy than either DCMS or Arts Council England. To understand this relationship in more detail, the Creative Industries Federation's papers for the BBC White Paper and for the Lords Communications Committee Inquiry into Channel 4 are available on request. The way in which broadcasting impacts businesses as diverse as those in advertising, design, fashion and games is another example of the complexities of the sector, and reinforces the need for a clear industrial strategy.

¹⁰ "DCMS Sectors Economic Estimates." DCMS, August 2016.



4. International policy

4.1 The creative sector has always worked internationally. Creativity cannot be contained by borders - demonstrated by the enthusiastic audience Sherlock has developed in China. As the Government negotiates on what terms we will leave the EU and begins to explore new markets, a relevant industrial strategy for this sector becomes more needed than ever.

4.2 New export markets that will work for some traditional sectors might have to be a long-term aim for the creative industries, rather than a quick fix. This is because many emerging markets do not have adequate intellectual property protection to secure appropriate returns for creative goods. So this needs to be considered in future trade deals. We also need to be looking for appropriate new markets and considering how better to sell to existing markets that do have appropriate protection for the sector. Growth is certainly possible: whilst UK exports have grown over the last decade, others have grown faster. The goods export growth rate (where there is comparable data) of China (15%), Germany (7%), France (7%) and Korea (6%) has been outpacing our own (4%)¹¹.

4.3 We have launched an International Advisory Council for the creative industries, which operates like an international business council in identifying best practice and innovation in policy around the world, and scoping risks and opportunities for the sector. However, it is for all the appropriate Government departments and agencies to put the sector as a trade priority if we are to capitalise on the potential of the sector. These include UKTI, the British Council, the Department for International Trade, the Department for Exiting the European Union and the Foreign Office.

For more information about this submission please contact Eliza Easton, Policy and Research Manager.
Email: eliza@creativeindustriesfederation.com
Telephone: 020 3771 0350

¹¹ Latest comparable data from 2003-2012



About the Creative Industries Federation

The Creative Industries Federation is the national membership organisation bringing together all of the UK's arts, creative industries and cultural education to provide an authoritative and united voice in a way never done before.

Our extraordinary sector is the fastest growing part of the UK economy. It feeds and fascinates hearts and minds and is the UK's calling card to the world. But it has never quite punched its weight in government - until now.

The Federation was the brainchild of Sir John Sorrell, the designer and UK business ambassador, and a heavyweight team of creative leaders including Sir Nicholas Serota of Tate, Sir Peter Bazalgette from Arts Council England and Caroline Rush of the British Fashion Council. We have a board of top figures and an equally dynamic UK advisory council of members ranging from multinationals to young entrepreneurs. We have now gone global with an international advisory council too.

We are entirely independent, with our revenues - and our strength - coming from our incredible array of 1,000+ members from architecture to video games, publishing to performance, creative tech to craft and design, as well as universities, colleges and conservatoires, across all the UK's nations and regions.

From the moment we launched as a professional fighting force, we have been embraced by, and engaged with, government and all political parties. We have worked closely with Whitehall departments including No 10, Treasury and DCMS as well as the Scottish Parliament, Welsh Assembly and city administrations, making the case for the infrastructure and investment - public and private - crucial for future growth and success.

We produce reports and submissions to add ballast to the arguments and host agenda-setting events that both inform the policy work and offer opportunities to meet fellow members. We are a unique network also offering the potential for exciting new commercial and cultural collaborations.

Progress in our first 18 months of operation has surpassed all expectations. The new challenges posed by Brexit have made it more important than ever that we articulate the value of our sector, economically and socially. For more on our research and policy work please visit our website: www.creativeindustriesfederation.com.

