

# A blueprint for growth

*Creative Industries Federation response to the government's  
consultation: 'Building our Industrial Strategy'*

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## **EXECUTIVE SUMMARY**

This is the Creative Industries Federation blueprint for growth in the 21st century.

The creative industries have been the fastest growing sector of the UK economy and return four times the GVA of the automotive industry, six times as much as life sciences and nearly 10 times that of aerospace.

Creative industries also drive growth and innovation in other sectors, such as manufacturing. They can unlock new approaches and progress in areas from health to the environment.

The sector has been supported by policies ranging from tax credits to public investment in the arts. But the industrial strategy offers an unprecedented opportunity to increase growth with a coherent strategy for the whole of the UK replacing previous ad hoc support.

Working alongside other innovative sectors such as science and tech, this is the opportunity to create a bold, imaginative vision of 21st century employment.

The completed industrial strategy should be the roadmap against which government policies in all departments must be tested and held accountable.

After consultations with more than 300 creative industry leaders nationwide and working closely with our partners, the Federation blueprint presents policy recommendations and practical ideas for creating growth across the whole country. Sir Peter Bazalgette, who is conducting an independent review of issues around talent, intellectual property and technology for the sector, is also engaged in our work.

The document highlights:

- The crucial role the creative industries play in unlocking innovation and growth in other sectors, such as manufacturing
- The importance of education and arts institutions as anchors for business expansion
- The need for a new immigration system fit for the 21st century

We also set out three recommendations that emerged in member consultation. We will now develop these further with members and stakeholders for the “early sector deal” proposed in the green paper. The recommendations are:

- Creative enterprise zones - modelled on the tax breaks and dedicated government support offered in existing enterprise zones but tailored for the creative industries
- A ‘business booster’ network - to provide access to high-quality advice for startups and small enterprises on exporting, intellectual property (IP) and access to finance

- A creative careers campaign - to diversify recruitment and counteract inadequate and misleading advice on jobs available and the education and training needed for them.

## **INTRODUCTION**

The industrial strategy presents a once-in-a-generation opportunity to create a bold, imaginative vision of 21st century employment and how the UK can prepare itself for, and position itself in, a modern global economy.

A comprehensive picture of how this country works and how it could work better for all its citizens should build on the UK's acknowledged success in the arts, heritage and creative industries, from advertising and architecture to video games.

The creative industries should be at the heart of this new thinking because they are already fast-growing, highly productive, innovative and world-renowned, with enormous potential to deliver more. The sector has social and intrinsic benefits that compound its importance.

There are jobs - and ones at low risk of automation - to be created and money to be made, with huge potential for more exports. This prosperity can be shared as there is already strong growth in the creative industries outside London and the south-east.

Putting the arts and creative industries at the heart of government thinking could kickstart new approaches in areas of policy from healthcare to the environment.

Creative workers can also unlock greater growth and productivity in other sectors, such as manufacturing, through groundbreaking design and by challenging conventional thinking.

Furthermore, the creative industries will be the means by which the country re-defines and re-presents itself on the world stage in years to come as our television programmes, plays, films, books, music and video games operate as incredibly powerful tools of 'soft power'.

We welcome recognition for the creative industries in the government green paper as one of five identified for early sector deals. To achieve the best possible outcome for the sector, on the sector deals and the strategy as a whole, we are working closely with the Creative Industries Council (the joint forum between the creative industries and government, on which we sit) and our members across the UK's arts, creative industries and cultural education, as well as with city leaders, incoming metro mayors, LEPs and local authorities.

Recognition in the industrial strategy contrasts with 2010 when the coalition government did not include creative industries among the nine sectors named as integral to a government industrial policy. The far stronger political heft of the sector has seen the sector identified as a priority now.

Given the enormous opportunity presented by the industrial strategy to effect major change, our submission extends beyond the 10 pillars identified by the government.

### **The value of 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".

The sector includes: advertising, architecture, broadcasting, crafts, design, creative tech, fashion, film, heritage, museums and galleries, music, performing arts, photography, publishing, video games and visual arts. The creative economy includes the contribution of those who are in creative occupations outside the creative industries as well as all those employed directly in the sector.

It delivers £87.4bn GVA and has been the fastest growing part of the UK economy since 2010.<sup>1</sup> With GVA growing by more than a third since 2010, it outpaces the 12 largest industries of the UK economy. [See growth figures and methodology below.]

The latest figures showed a 10% year on year increase in the value of exported services to £19.8bn, accounting for 9% of total exports of services from the UK. The United Kingdom was the third-largest exporter of cultural goods and services in the world, according to the last global comparisons - just behind China and the US.<sup>2</sup>

Creative employment continues to grow faster than the workforce as a whole, with 2.9 million jobs in the creative economy, a rise of 5.1% between 2014 and 2015. Employment in the creative industries rose by 3.2% in the same period to account for 1.9 million jobs. The increase is 19.5% since 2011 against 6.3% in the UK workforce as a whole.<sup>3</sup>

London retains the largest share of creative employment and the number of jobs in the creative industries rose by 15.6% between 2011 and 2015. The sector accounts for one in six of the London workforce.<sup>4</sup>

There is strong growth in areas outside London. Between 2011 and 2015, regions including the West Midlands, Yorkshire and the Humber and the South West saw the

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<sup>1</sup> "DCMS Sectors Economic Estimates." DCMS, August 2016. - see comparison with other sectors

<sup>2</sup> Lydia Deloumeaux. "The Globalisation of Cultural Trade: A Shift in Consumption." UNESCO Institute for Statistics, 2016. [http://uis.unesco.org/sites/default/files/documents/the-globalisation-of-cultural-trade-a-shift-in-consumption-international-flows-of-cultural-goods-services-2004-2013-en\\_0.pdf](http://uis.unesco.org/sites/default/files/documents/the-globalisation-of-cultural-trade-a-shift-in-consumption-international-flows-of-cultural-goods-services-2004-2013-en_0.pdf).

<sup>3</sup> "DCMS Sectors Economic Estimates." DCMS, August 2016.

<sup>4</sup> "DCMS Sectors Economic Estimates: Employment Update." DCMS, August 2016.

number of jobs in the creative industries increase by more than 25%.<sup>5</sup> The growth is 52.5% in the East Midlands.<sup>6</sup>

By comparison, the UK automotive industry employs 169,000 directly in manufacturing and 814,000 people across the industry as a whole.<sup>7</sup>

The creative industries are bigger than many sectors which have been traditionally viewed as important to the economy or which are expected to be important in future. An analysis by PwC showed in 2015 the automotive sector was worth £19.6bn GVA, life sciences £14.5bn, oil and gas £13.7bn and aerospace £8.8bn.

The comparative figures for other large-scale sectors can be seen below, including growth from 2010-2015. There is some overlap between the creative industries and other sectors due to the way the creative industries are defined.

Unlike other major sectors and despite some major household names, the creative industries are not comprised of big companies. Creative businesses have an average of 3.3 workers and a large network of freelancers is an important feature of the creative workforce. This is important to understanding how the sector works and what it needs.

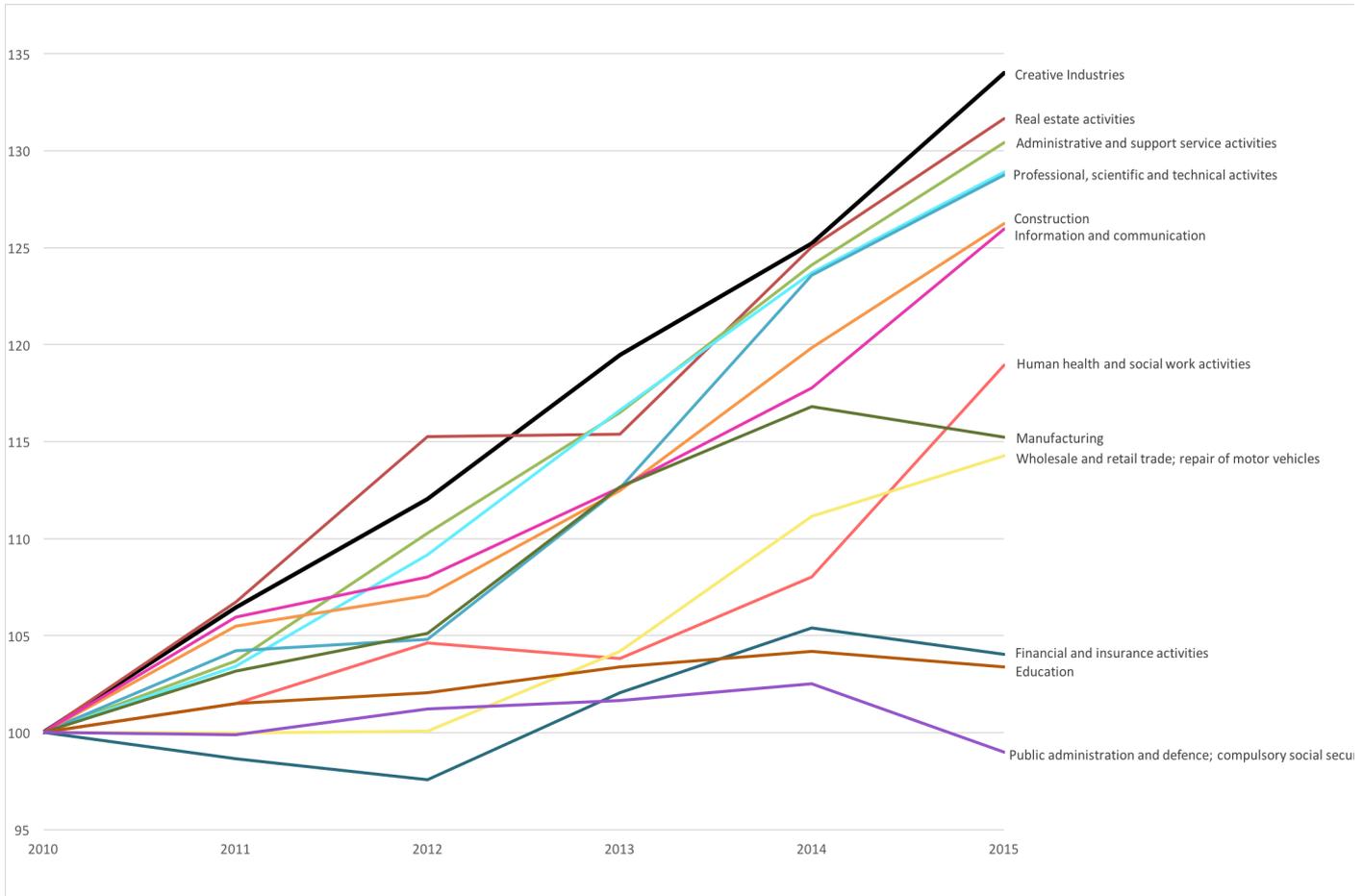
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<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Source: Society of Motor Manufacturers and Traders

## Growth in GVA (Indexed with base year = 2010) of UK industrial sectors 2010 -



2015<sup>8</sup>

<sup>8</sup> Method: We chose industries on the basis of those with SIC07 codes with a GVA of over £50bn in 2008. There is overlap between the GVA of the creative industries and other sectors. Note: there is some difference between the total industry GVA used by DCMS and by ONS (ABML) in the 2015 figures, due to amendments from provisional calculations used by DCMS. The 2015 GVA used by DCMS is based on the output measure of GVA, due to data availability in July 2016. These figures are therefore different from ABML (GVA at basic prices) as available now. If you compare the UK total with the 2015 ABML GVA figure, there is a 0.5% difference, with the latest data showing a 18% increase between 2010-2015, compared to 17.4% using the 2015 data we published last year. We expect the trends to be similar when re-evaluated by DCMS later this year. ABML data accessed from - <https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgrossvalueaddedincomeapproach-table6>. DCMS data accessed from - <https://www.gov.uk/government/statistics/dcms-sectors-economic-estimates-2016>.

### GVA in £ billion of UK industrial sectors 2010 - 2015<sup>9</sup>

Industry	2010	2011	2012	2013	2014	2015
<b>Creative Industries</b>	<b>65.2</b>	<b>69.4</b>	<b>73.0</b>	<b>77.9</b>	<b>81.6</b>	<b>85.1</b>
Real estate activities	164.1	175.2	189.2	189.4	205.2	211.1
Administrative and support service activities	61.6	63.9	68.0	71.8	76.5	80.1
Professional, scientific and technical activities	96.8	100.0	105.6	112.8	119.7	124.1
Transportation and storage	59.9	62.4	62.8	67.4	74.0	77.1
Construction	80.7	85.2	86.4	90.8	96.8	100.1
Information and communication	86.1	91.2	93.0	97.0	101.4	104.1
Human health and social work activities	109.9	111.6	115.0	114.1	118.7	131.1
Manufacturing	141.3	145.8	148.5	159.2	165.1	168.1
Wholesale and retail trade; repair of motor vehicles	159.7	159.7	159.9	166.4	177.5	181.1
Financial and insurance activities	115.7	114.1	112.9	118.0	121.9	121.1
Education	94.8	96.2	96.8	98.0	98.8	99.1
Public administration and defence; compulsory social security	79.3	79.2	80.3	80.7	81.3	77.1

### Growth in GVA (Indexed with base year = 2010) of UK industrial sectors 2010 - 2015<sup>10</sup>

Industry	2010	2011	2012	2013	2014	2015
<b>Creative Industries</b>	<b>100</b>	<b>106.46</b>	<b>112.03</b>	<b>119.48</b>	<b>125.21</b>	<b>134.1</b>
Real estate activities	100	106.73	115.25	115.39	125.05	131.1
Administrative and support service activities	100	103.70	110.29	116.49	124.12	130.1
Professional, scientific and technical activities	100	103.42	109.17	116.62	123.71	128.1
Transportation and storage	100	104.21	104.82	112.61	123.58	128.1
Construction	100	105.49	107.05	112.47	119.83	126.1
Information and communication	100	105.94	108.03	112.64	117.78	125.1
Human health and social work activities	100	101.51	104.61	103.82	108.03	118.1
Manufacturing	100	103.16	105.12	112.67	116.81	115.1
Wholesale and retail trade; repair of motor vehicles	100	99.99	100.09	104.19	111.14	114.1
Financial and insurance activities	100	98.66	97.58	102.05	105.39	104.1
Education	100	101.51	102.06	103.37	104.19	103.1
Public administration and defence; compulsory social security	100	99.89	101.23	101.66	102.51	99.1

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

## **The potential for growth from an industrial strategy for the creative industries**

The industrial strategy aims to improve living standards and economic growth by increasing productivity and driving growth across the whole country. It intends to build on the country's strengths and extend excellence.

The creative industries are clearly in pole position to deliver these aims on their own terms.

In addition, the sector unlocks innovation, stimulating new thinking and prompting growth in other sectors, such as manufacturing.

Recent government announcements have focused on the importance of innovation in science and tech. But innovation is not the sole preserve of science and tech; the creative industries are the key to many such innovations. An industrial strategy which takes account of the shared policy agendas of science, tech and the creative industries could be transformational.

The industrial strategy should recognise that the UK's success is not based on preternatural talent in the British population but is the result of policy interventions over many decades, including tax credits and public investment in the arts.

The publicly-supported arts and culture sector more than pays its way in returns to the Treasury. Every pound of public funding going to Arts Council England's national portfolio organisations pays back £5 in tax contributions from the sector as a whole. The most recent figures show an annual return of £2.35bn to the Treasury.<sup>11</sup>

A less ad hoc, more joined-up approach to encouraging the arts and creative industries would deliver even greater benefits in a sector where we are already world leaders.

## **The challenge from our international competitors**

The potential of the arts and creative industries has been recognised by other countries, many of whom are seeking to emulate our success or have already developed their own strategies for growth and are catching up fast.

Countries from the Netherlands to South Korea already have industrial strategies for the creative industries. Demand from overseas students wanting to study creative, arts and design subjects at UK universities increased by nearly 50% in just four years with around 90,000 Chinese students a year studying creative subjects at British institutions. The London Design Festival has spawned around 130 imitations worldwide since its launch in 2003.

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<sup>11</sup> "Contribution of the Arts and Culture Industry to the National Economy - An Update of Our Analysis of the Macroeconomic Contribution of the Arts and Culture Industry to the National Economy." Arts Council England; CEBR, April 2015.

The worldwide recognition of the potential of the creative industries as a growth sector makes it ever more important to maintain and develop the infrastructure and funding - both public and private - behind the UK's current success. We should not take our global pre-eminence for granted.

### **What needs to be done**

The new industrial strategy requires a far more joined-up and strategic approach than has been achieved to date.

The strategy will not deliver unless it understands the contributory factors to success and the distinct make-up of the creative workforce and economy.

We have focused on four areas to respond to the challenges presented in the green paper:

- Skills and workforce
- Small businesses and freelancers
- Innovation and R&D
- Local infrastructure and growth

In addition, we have outlined below three practical recommendations for boosting growth across the sector. These ideas respond directly to issues raised repeatedly at our UK-wide industrial strategy meetings and address some of the key barriers to improving productivity.

The recommendations also respond to specific challenges raised in the green paper, including driving growth across the whole country, supporting businesses to start and grow, encouraging trade and inward investment, and creating the right institutions to bring together sectors and places.

We will develop these three ideas, in consultation with members and key stakeholders, in response to the "early sector deal" for the creative industries proposed in the green paper.

The three recommendations for further discussion are:

1. **Creative enterprise zones:** Extending the government's successful roll-out of enterprise zones to cover the creative industries. Cities and regions would be eligible to bid for bespoke culture and creative industry deals including policy proposals that respond to local needs.
2. **Creative industries 'business booster' network:** The Federation is looking to work with partners to form a national centre, based outside London and with a regional network, to provide advice on the main issues restricting the growth of SMEs - who make up a significant proportion of the creative industries - including financial support, intellectual property and export support.
3. **Creative careers campaign:** A creative careers campaign to increase diversity in recruitment and correct inadequate and misleading information about potential careers in the creative industries. It would also advise on the right mix of creative, technical and design skills needed.

The strategy also needs to examine the mix of devolved, reserved and other powers across the UK and work out how to make sure that organisations can work across boundaries where that is needed and would be beneficial.

### **Who we are and how we reached these conclusions**

The Creative Industries Federation is the national body for the UK's arts, creative industries and cultural education. We are self-financed and independent. We comprise more than 1,000 organisations, businesses, universities, trade bodies and individuals from across the entirety of the sector and draw our knowledge and strength from them.

For this submission, we consulted more than 300 members at 10 dedicated industrial strategy meetings across the country, in Birmingham, Bristol, Cardiff, Edinburgh, Leeds, Liverpool, London, Manchester, Newcastle and Gateshead and Plymouth, to augment our ongoing policy engagement with them.

This policy engagement has also included discussions with city leaders, local authorities, local enterprise partnerships (LEPs) and the offices of the incoming metro mayors.

**NB: The Federation's full submission on industrial strategy has been sent to government as well as to our members**

If you are a member and have not yet received this, please contact  
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