

Creative Industries Policy and Evidence Centre

Led by



with



Northern England's Creative Industries

Background Paper

September, 2023

The Creative PEC is funded by:



Contents

Definitions of the Creative Industries and creative clusters	3
What are the Creative Industries?.....	3
What are creative clusters?	3
Executive summary	4
Why the North of England should invest in the Creative Industries.....	4
Why we need a cross-regional strategy.....	11
Why the stakes are higher than the Creative Industries: positive spillovers from creative businesses..	14
Three necessary conditions for growth	15
a. The skills to grow	15
b. Access to finance.....	17
c. Investment in innovation	17
A Northern Creative Corridor Charter	20
Appendix 1.....	21
Appendix 2	23

Acknowledgements

This briefing paper is based on contributions from Eliza Easton, Hasan Bakhshi, Andy Haldane, Heather Carey, Salvatore di Novo, Giorgio Fazio, Annie Gascoyne, Tom Kenyon, Jonathan Sapsed and Josh Siepel

Contact Us

enquiries@pec.ac.uk

[@CreativePEC](https://twitter.com/CreativePEC)

www.pec.ac.uk

About the Creative Industries Policy and Evidence Centre

The Creative Industries Policy and Evidence Centre (PEC) works to support the inclusive and sustainable growth of the UK's Creative Industries through the production of independent and authoritative evidence and policy advice. Led by Newcastle University with the Royal Society of Arts and funded by the Arts and Humanities Research Council, the Centre comprises a core consortium of; Newcastle University, Work Advance, Sussex University and the University of Sheffield. The PEC works with a diverse range of industry partners. For more details visit <http://www.pec.ac.uk> and [@CreativePEC](https://twitter.com/CreativePEC)

Definitions of the Creative Industries and creative clusters

What are the Creative Industries?

The Creative Industries were first mapped by the Department for Culture, Media and Sport (DCMS) in 1998 and were defined in 2001 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.*”¹ In 2015, the DCMS adopted Nesta’s Dynamic Mapping approach to defining the Creative Industries, which considers whether a sub-sector has a high percentage of their workforce employed in creative occupations.² The following sub-sectors are included:

- Advertising and marketing
- Architecture
- Crafts
- Design and designer fashion
- Film, TV, video, radio and photography
- IT, software and computer services
- Publishing
- Museums, Galleries and Libraries
- Music, performing and visual arts.

What are creative clusters?

This briefing refers to the concept of creative clusters, which have typically been seen as cities and regions that have high concentrations of creative businesses.³ Creative Industries Policy and Evidence (Creative PEC) research has also pointed to the existence of creative micro-clusters, which are identified as streets, neighbourhoods, villages, or towns with at least 50 creative organisations. Cities may have multiple micro-clusters, for example, we found that Greater Manchester has at least 22.⁴ Both clusters and micro-clusters provide benefits for the businesses within them, including access to skilled staff and shared services, as well as the opportunity to capture valuable knowledge spillovers. In this briefing we also refer to the concept of a super-cluster, by which we broadly mean broadly a network of existing clusters and micro-clusters, working together for a common goal across a larger geographic region.

Given the benefits of clusters for the creative businesses within them, they have rightly been recognised as ripe for investment. The AHRC’s Creative Clusters Programme looked to combine the strengths of UK universities, businesses, local and regional policy, and private funders to create and support place-based ecosystems for research, innovation and growth in the Creative Industries.⁵ The cluster investments are all led by universities and aim to develop commercial opportunities within a specific Creative Industries ecosystem. Those clusters funded up to this point have successfully leveraged in co-investment and created jobs, skills, funded R&D and created new products and experiences bringing benefit to the respective regions.

¹ ‘Creative Industries Mapping Documents 2001’ (GOV.UK, 2001) <<https://www.gov.uk/government/publications/creative-industries-mapping-documents-2001>> accessed 14 July 2023

² A Dynamic Mapping of the UK’s Creative Industries) <[A Dynamic Mapping of the UK’s Creative Industries | Nesta](#)

³ Siepel J and others, ‘Creative Radar: Mapping the UK’s Creative Industries’ (Creative Industries Policy and Evidence Centre 2020) <<https://pec.ac.uk/research-reports/creative-radar>> accessed 18 May 2023

⁴ Ibid.

⁵ Creative Industries Clusters Programme’ (AHRC, 2023) <<https://creativeindustriesclusters.com>> accessed 24 May 2023

Executive summary

The Creative Industries are already a driver of growth across the UK economy. Export-intensive and major employers, they also attract significant investment from overseas. Large and small clusters of creative businesses up and down the country are the engines behind this growth, which also provides additional benefits that accrue to other individuals, businesses, and places (otherwise known as spillovers). These benefits are not just economic but also cultural, intellectual, and social in nature.

There is a clear opportunity for the North of England to develop a cross-regional strategy to support the growth of the Creative Industries. Clusters of intense creative activity in the North are more geographically dispersed than those in the super-cluster that is London and the South East of England, which is dominated by the capital. As such, it would benefit from a coordinated plan which builds on existing strengths and maintains local specificities. Such a strategy would not be a zero-sum game: previous research by Nesta suggests that regional 'rivals' are more successful when they work together to grow their Creative Industries.

The opportunity is considerable. As a share of the local economy, the creative industries in the North currently contribute less than 3% to GVA. In London and the South-East, this sector share is closer to 10%. If the North were to grow its sector share even relatively modestly the growth benefits would be considerable. For example, if the sector share rose to around half levels in London and the South-East, this would be equivalent to an annual GVA boost of around £10 billion by 2030.

If realised, this would make a significant contribution to the Government's sector vision target for the UK, which is to grow by £50 billion by 2030. Moreover, this growth would benefit the whole of the UK because a stronger Northern creative economy is good for exports and investment which in turn increases demand for content and services from creative businesses in the rest of the economy.

To unlock this potential, there are several pre-conditions for growth to be considered, some of which are out of the scope of this paper. These include critical areas of national policy (such as immigration policy) and areas of policy set at both national and regional levels that have knock-on effects across the economy (such as transport or digital infrastructure). In this paper we focus on three areas where, by working together, we believe policy and industry leaders in the North could supercharge growth in the creative industries sector.

These are:

- The skills to grow,
- Access to finance and,
- Investment in innovation.

By drawing on the evidence provided in this paper, it should be possible to build a coherent plan which will allow the Northern Creative Industries to thrive over the coming decade and develop into a creative super-cluster to complement the London and South-East creative supercluster.

Why the North of England should invest in the Creative Industries

The Creative Industries will be a key driver of UK economic growth in the future. This is why the Creative Industries are the subject of a new 'Sector Vision', published by the UK Government in June 2023.⁶ This is focussed on three themes: growth, workforce and impact.

The sector grew by almost a third between 2010 and 2019, before being affected by shutdowns during the

⁶ 'Creative Industries Sector Vision' (Department for Culture, Media and Sport 2023)
<<https://www.gov.uk/government/publications/creative-industries-sector-vision>> accessed 15 June 2023

pandemic.⁷ That was over 1.5 times faster than the growth of the UK economy as a whole. The GVA of the Creative Industries has now recovered to above pre-pandemic levels, at more than £100 billion each year. The Sector Vision sets a target for the Creative Industries growth to be worth an extra £50 billion per year by 2030. But some suggest more is possible, suggesting a doubling of GVA and the size of the workforce is possible by 2030.^{8,9}

The sector is also a key employer, accounting for 2.3 million filled jobs as of 2021, an increase of 11.1% since 2019 and representing around 7% of the UK's total jobs. It also contributes indirectly to an additional 1.3 million creative jobs in other sectors. These are significant employment numbers. To put them in context, the recent life sciences growth package highlighted that the life sciences sector employs just over 280,000 people. Creative Industries jobs also have the additional benefit of providing higher job satisfaction than jobs in other sectors.¹⁰

These growth projections are realistic as most people expect the demand for creative goods and particularly services to continue to grow globally, as they have over the last decade (Figure 1).¹¹ Figure 2 explores the destinations for these creative goods (services data is less consistently available).

The UK is already a recognised global leader in the sector, especially when it comes to service exports. According to the latest UNCTAD statistics, the UK ranks fifth in the world (fourth among developed economies) for Creative Industries service exports, accounting for around 5% of the world total (Figure 3).¹² The UK also enjoys a substantial trade surplus in creative services, despite running a significant trade deficit overall.¹³

⁷ DCMS Economic Estimates: GVA for DCMS Sectors and the Digital Sector, 2020 (GOV.UK, 17 May 2023)

⁸ 'Creative Industries Foresight 2030 Sustainability & Industry 4.0' (University for the Creative Arts 2021) <<https://cfsd.org.uk/wp-content/uploads/2021/04/Creative-Industries-Foresight-2030-UpdateFINAL.pdf>>

⁹ 'The Future of the Creative Economy A Report by Deloitte' (Deloitte 2021) <<https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/technology-media-telecommunications/deloitte-uk-future-creative-economy-report-final.pdf>>

¹⁰ 'The Good Work Review' (Creative Industries Policy and Evidence Centre 2023) <<https://pec.ac.uk/research-reports/good-work-review>> accessed 17 May 2023.

¹¹ 'Creative Economy Outlook 2022' (United Nations Conference on Trade and Development 2022) <https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf>

¹² Please note that international statistics do not exactly map into the UK Creative Industries (see Maioli et al, 2021).

¹³ Di Novo S, Fazio G and Vermeulen W, '12 Facts about the UK's International Trade in Creative Goods and Services' (Creative Industries Policy and Evidence Centre 2020) <<https://pec.ac.uk/research-reports/12-facts-about-the-uks-international-trade-in-creative-goods-and-services>>

Figure 1¹⁴

Global exports of creative goods and services, 2010–2020

(US\$ billion)

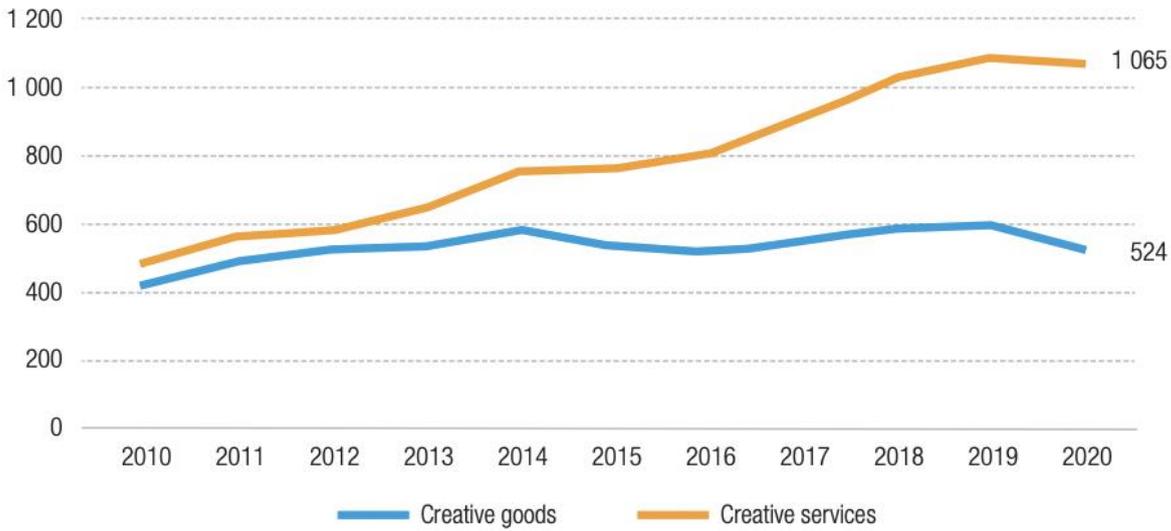
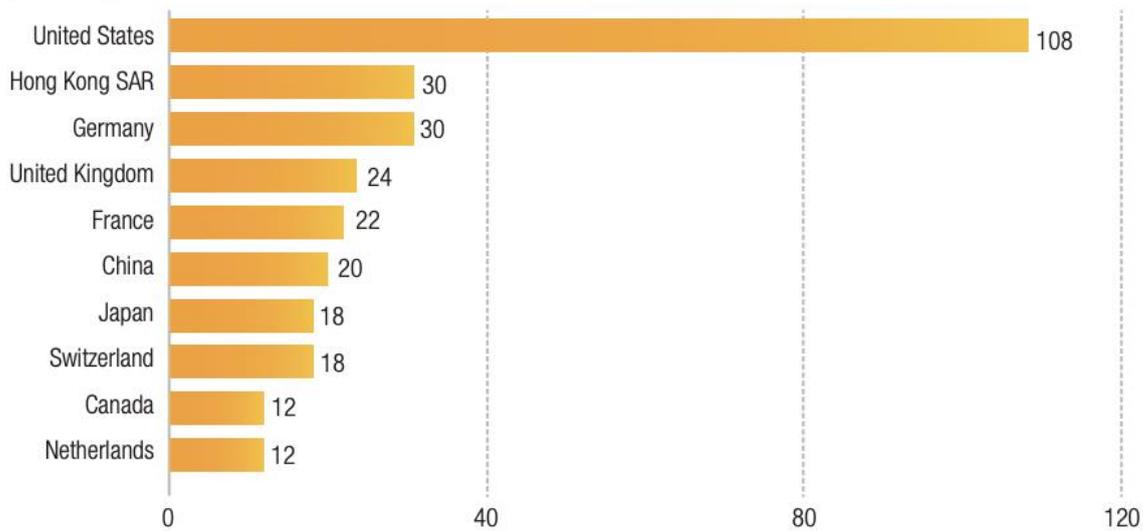


Figure 2¹⁵

Top ten importers of creative goods worldwide, 2020

(US\$ billion)



¹⁴ 'Creative Economy Outlook 2022' (United Nations Conference on Trade and Development 2022) <https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf>

¹⁵ Ibid.

The UK enjoys a comparative advantage in the Creative Industries, as captured in Appendix 1 by an indicator of “Revealed Comparative Advantage” (RCA), i.e., a country's Creative Industries' exports as a share of their total exports relative to the same share for another country. When this ratio is greater than 1, a country enjoys a comparative advantage in a specific sector over its competitors. In terms of creative services, only the USA, the Republic of Ireland and the EU as a bloc have a comparative advantage above that of the UK. In terms of creative goods, the UK also enjoys a higher comparative advantage (a ratio of around 1.5) than many other economies, with only the EU as a bloc, and Italy and China having a consistently higher advantage.

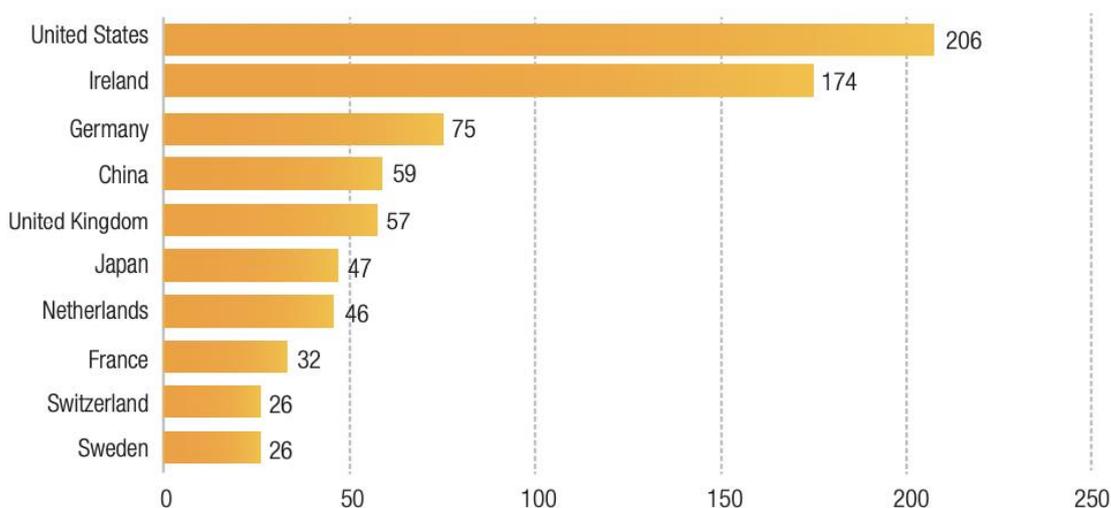
The UK's Creative Industries are also attractive to international investors, having seen a significant increase in inward Foreign Direct Investment (FDI) projects from 2013 to 2019 accounting for as much as 10% of total FDI projects into the UK.¹⁶ Figure 4 shows that the Creative Industries receive a higher percentage of international investment projects from North America than the economy as a whole does.

This FDI is, however, unevenly distributed. FDI projects into the UK are mostly directed towards London and the South East. This is shown in Figure 5, where inward FDI into Yorkshire and Humber, the North East and the North West combined makes up just 10% of the UK total. More generally, Figure 5 maps the regional shares of FDI in the Creative Industries and location quotients that normalise these shares relative to the size of the local Creative Industries as measured by local Gross Value Added. The two maps portray how, while London and the South East are the more frequent investment destinations, once the size of the local Creative Industries is taken into account regions like Northern Ireland, Scotland and the North East show the largest location quotients, punching well above their weight.

Figure 3¹⁷

Top ten exporters of creative services worldwide, 2020

(US\$ billion)



¹⁶ Based on Bureau van Dijk Orbis Cross Border Investment Database for the years from 2013 to 2020. See Fazio G and Jones J, 'The Nature of Foreign Direct Investment in the Creative Industries' (Creative Industries Policy and Evidence Centre 2022)

¹⁷ Creative Economy Outlook 2022' (United Nations Conference on Trade and Development 2022)

https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf

Figure 4¹⁸: FDI by Global Origin and UK Regional Location

Location	All FDI	Creative Industries' FDI
<u>(a) Origin</u>		
North America	37%	53%
Europe	47%	33%
Far East and South Asia	8%	7%
Rest of the World	8%	7%
Total	100%	100%
<u>(b) UK Region</u>		
London	40%	54%
South East	13%	12%
East	5%	4%
South West	5%	4%
West Midlands	6%	4%
East Midlands	4%	2%
Yorkshire and Humber	5%	3%
North West	8%	6%
North East	3%	1%
Scotland	7%	5%
Wales	2%	1%
Northern Ireland	2%	4%
Total	100%	100%

Note: Creative Industries FDI according to main mode of project type: New, M&As (mergers and acquisitions), Expansions and Co-locations. Joint-venture and re-location projects not shown.

¹⁸ The Nature of Foreign Direct Investment in the Creative Industries' (Creative Industries Policy and Evidence Centre 2022) <<https://pec.ac.uk/discussion-papers/the-nature-of-foreign-direct-investment-in-the-creative-industries>>

Figure 5: Geographic Distribution of FDI (2013-2019)¹⁹

a) Project Shares

b) Location Quotients



This mirrors the more general pattern seen, especially over recent decades, of growth in the Creative Industries being unevenly spread across the UK. In London and the South East, the sector's GVA grew by 38% in real terms between 2010 and 2019. The Creative Industries in the North of England grew by 23% over the same period.²⁰ Since its launch in 2019, the AHRC Creative Industries Clusters programme has sought to boost growth in clusters around the country and will continue to do so with £50m of additional investment announced in the Sector Vision.²¹

Despite the relatively strong growth performance of the North of England from 2010-2019, it is important to put this in context. The relative sizes of the Creative Industries in the regional economy are very unequal. In London, the Creative Industries represented 12% of total regional GVA in 2019 and in London and the South-East combined just less than 10%. By contrast, in the North of England the creative industries comprised only

¹⁹ The Nature of Foreign Direct Investment in the Creative Industries' (Creative Industries Policy and Evidence Centre 2022) <<https://pec.ac.uk/discussion-papers/the-nature-of-foreign-direct-investment-in-the-creative-industries>>

²⁰ Comprising the Regions of North East England, North West England and Yorkshire and the Humber. 'DCMS Sectors Economic Estimates: Regional GVA 2020' (GOV.UK), published 19 July 2023 (updated 1 September 2023), <<https://www.gov.uk/government/statistics/dcms-and-the-digital-sector-economic-estimates-regional-gva>>

²¹ 'Creative Industries Sector Vision' (Department for Culture, Media and Sport 2023) <<https://www.gov.uk/government/publications/creative-industries-sector-vision>> accessed 15 June 2023

around 3% of the total economy.²²

This speaks to the potential of the Creative Industries in the Northern economy for living standards.²³ There is evidence the Creative Industries have higher productivity (GVA per hour worked) than other sectors when comparing firms of similar sizes.²⁴ Creative Industries firms are also more likely to engage in a range of innovation activities compared with services businesses in general.²⁵

As a result, they pay on average higher wages. As of 2021, the Creative Industries had an estimated median hourly pay of £19.24, over 42% greater than the UK average – although the picture varies greatly within the Creative Industries, with some sub-sectors being associated with much lower earnings.²⁶ Latest data for 2022 suggests median hourly pay has now increased to £21.63.²⁷ The average wage premium continues to hold even when taking into account demographic and skills differences between workers – creative workers can earn a wage premium equivalent to £2,600 per year above the salary of the average earner.²⁸

In the decade running up to the Covid-19 pandemic in 2020, the North of England's creative industries grew at 2.3% p.a. on average, just under 2/3 of the 3.8% p.a. growth rate achieved by London and the South-East. If going forward, the North was to reverse the past trends and grow, say, 2 to 3 times faster than what London and the South-East have achieved, a back-of-the-envelope calculation suggests it would contribute between £6.4 bn and £9.6 bn in GVA in real terms to the local and national economy by 2030, which represents up to roughly 1/5 of the government's £50 billion target for the whole of the UK.²⁹ This would move the share of the creative industries in the local economy from 3% towards 5%.³⁰

Growth on that scale would also help create many more jobs, tens if not hundreds of thousands of them. This is particularly important when considering the demographics of some of the North's key clusters. For example, 26.3% of the population in Bradford are under 18 years-old compared with 21.4% nationally, making it the UK's youngest city.³¹ Rates of unemployment and labour market inactivity also tend to be higher in the North of England.

The development of a Northern Creative Corridor would strengthen the UK's wider network of creative hubs, complementing (not substituting) the UK's South East creative super-cluster. For example, a stronger

²² Refer to footnote 22.

²³ 'Contribution of the Arts and Culture Industry to the UK Economy' (CEBR 2020) <https://www.artscouncil.org.uk/sites/default/files/download-file/CEBR%20Main%20Report%20Contribution%20of%20the%20Arts%20and%20Culture%20Industry%20to%20the%20UK%20economy_0.pdf>; Bakhshi H, Lee N and Mateos Garcia J, 'Capital of Culture? An Econometric Analysis of the Relationship between Arts and Cultural Clusters, Wages and the Creative Economy in English Cities' (Nesta 2013) <https://media.nesta.org.uk/documents/1406_capital_of_culture_-_final.pdf>

²⁴ 'Absorptive Capacity: Boosting Productivity in the Creative Industries' (Frontier Economics 2016) <https://www.frontier-economics.com/media/1056/20160707_absorptive-capacity_frontier.pdf>

²⁵ Gkypali A and Roper S, 'What Can We Learn about the Innovation Performance of the Creative Industries from the UK Innovation Survey?' (2018) <https://media.nesta.org.uk/documents/Creative_industries_innovation_analysis.pdf>

²⁶ 'DCMS Sectors Economic Estimates: Workforce, January to December 2021' (GOV.UK) <<https://www.gov.uk/government/statistics/dcms-sector-economic-estimates-workforce-2021/dcms-sectors-economic-estimates-workforce-january-to-december-2021>> accessed 17 May 2023

²⁷ 'Economic Estimates: DCMS Sector Earnings, Annual Population Survey, January 2022 to December 2022' (GOV.UK), published 13 July 2023 (updated 28 July 2023), <<https://www.gov.uk/government/statistics/economic-estimates-earnings-in-dcms-sectors-and-digital-sector-january-2022-to-december-2022#full-publication-update-history>>

²⁸ 'The Role of the BBC in Creative Clusters: Analysing the BBC's Wider Impact on the UK Economy' <<https://downloads.bbc.co.uk/aboutthebbc/reports/reports/creative-clusters.pdf>>

²⁹ These calculations are based on the likely conservative assumption that the 2022 levels are the same as the 2019 levels and using the 2010-2019 period growth as reference.

³⁰ Under the assumption that the rest of the economy keeps growing at its past rate.

³¹ Council BMD, 'About Bradford's Economy' (Bradford Metropolitan District Council)

<<https://www.bradford.gov.uk/business/bradford-economy/about-bradford-economy/>> accessed 15 June 2023

Northern creative economy is good for exports and investment which in turn increases demand for content and services from creative businesses in the rest of the economy.

Why we need a cross-regional strategy

Creative Industries research has historically pointed to the importance of large urban 'clusters'. These are made up of significant groups of co-located creative businesses which benefit from access to skilled staff and shared services, as well as the opportunity to capture valuable knowledge spillovers from each other. Creative PEC research with Sussex University has also [identified hundreds of 'micro-clusters' of creative businesses](#), which are found inside but also outside the larger urban clusters. These micro-clusters are groups of over fifty businesses working in close proximity to one another that enjoy many of the benefits enjoyed by firms in larger clusters, but more localised. They can be found throughout the UK, from rural Northumberland to urban Shoreditch in London.

Clusters of creative activity in the North of England are more geographically dispersed than those in the super-cluster that is London and the South East (see Figures 6a and 6b). This makes the North a particularly good candidate for a cross-regional creative strategy. Such a strategy would not be a zero-sum game. Nesta research suggests that regional 'rivals' are more successful when they work together to grow their Creative Industries: for example, locations that have seen their neighbours become more specialised in IT, software and computer services are almost 80 per cent more likely to be more specialised in that sub-sector too.³²

A case in point is the relationship between the Bristol and Cardiff creative clusters. Cardiff's Creative Industries have enjoyed rapid growth in recent years, with employment in the sector growing by 27% between 2015 and 2020.³³ This partly reflects major investments such as the BBC's investment in Cardiff Central Square, which opened in 2022 and is designed to be a hub for the wider creative sector. But importantly, the corridor between Bristol and Cardiff is enabling further and faster growth.

The BBC can invest more in Cardiff by leveraging the knowledge and skills in nature and wildlife filmmaking it has established in Bristol. Cardiff will now become the UK's base for the BBC's science and climate hub. Cardiff is also a useful example of how one investment can lead to another, as the screen hub's development as part of the AHRC Creative Clusters programme (which invested almost £6 million) helped the cluster to subsequently secure an investment of approximately £30 million from the Strength in Places Fund, a cross-economy UKRI fund which helps areas of the UK build on existing strengths in research and innovation to deliver benefits for their local economy.

While a cross-regional Creative Industries strategy in the North of England would be the first of its kind, inspiration could be taken from the success of initiatives like the Thames Estuary Production Corridor in London and the South East. Other examples to draw inspiration from include the AHRC-funded Creative Fuse projects in Brighton and Newcastle and the clusters supported by the Creative Industries Clusters Programme. The latter has helped to identify the types of partnerships that are critical for developing clusters - namely, local authorities, cultural organisations, creative businesses including SMEs and higher and further education institutions. Typically, successful creative clusters will specialise in one or more creative sub-sectors - for example, music, publishing, the screen sectors, games or fashion.

³² Klinger J, Stathoulopoulos K and Mateos Garcia J, 'Creative Nation' (Nesta 2018) <<https://www.nesta.org.uk/report/creative-nation/>>

³³ The role of the BBC in Creative Clusters (page 16), PwC, November 2022, <https://downloads.bbc.co.uk/aboutthebbc/reports/reports/creative-clusters.pdf>

On a larger scale, inspiration can also be taken internationally, including from the mediatech investments made over decades in places such as Silicon Valley in the US and investments in film, music, and television across South Korea as part of the 'Korean Wave'.

Forming a super-cluster would not mean the North's approach to the sector has to be uniform. With any strategy of this type, it would be critical to ensure that places maintain their unique local identity while enjoying the benefits of being part of a super-cluster. It is therefore important to balance locally tailored investments with cross-Northern strategies which can leverage different strengths, including benefitting from the strong global brand the North of England already enjoys.

This means looking for opportunities to showcase unique success stories, whether one-off events like the success of Eurovision in Liverpool, annual events like Manchester Day or long-term investments like the move of Channel 4 to Leeds. It also means identifying and celebrating the strong industry-specific communities that have been built over decades across the North, including in rural areas. Data commissioned by the DCMS from the ONS suggests that most creative sub-sectors are represented in specific clusters across the North of England.³⁴ These include:

Advertising and Marketing: Harrogate, Leeds, Manchester

Architecture: Skipton, Harrogate, Hexham, Manchester, Huddersfield, Sheffield

Crafts: Blyth and Ashington, Kendal, Huddersfield

Design: Skipton, Harrogate, Penrith, Halifax

Film/TV: Manchester

IT/software: Leeds

Museums/galleries: York, Kendal, Malton, Durham, Newcastle, Crewe

Music/performing arts: Hexham, Buxton, Scarborough.³⁵

³⁴ 'Creative, Cultural and Digital Industries - Office for National Statistics' (ONS, 7 September 2022)

<<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/adhocs/15046creativeculturalanddigitalindustries>> accessed 22 June 2023

³⁵ The locations listed here are those that have a location quotient (that is, a sub-sector's share of employment in an area divided by the sub-sector's share of employment for the UK as a whole) greater than 1. There will be specialisations which are not highlighted here, as a place may specialise in one part of a sub-sector, but not have many businesses in other parts of the same sub-sector. For example, Bradford has specialisms in some kinds of publishing (e.g. it is the home of Hallmark cards) but there are other kinds of publishing less likely to be based in Bradford. This means that when we use this dataset Bradford does not appear as having a specialism in the sub-sector as a whole. Deeper dives in clusters across the North of England could therefore be a useful exercise to unearth hidden regional strengths.

Figure 6a³⁶: Map of large and micro-clusters in the North of England overlaid on larger clusters as identified by Nesta

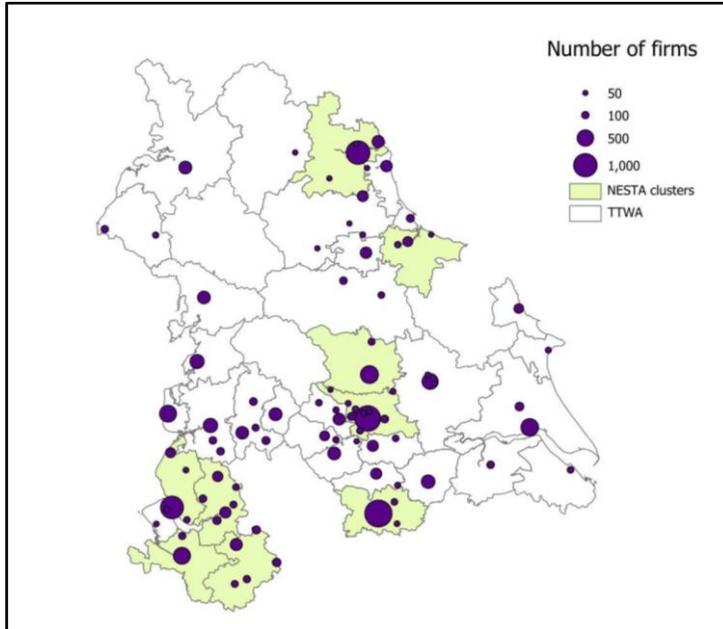
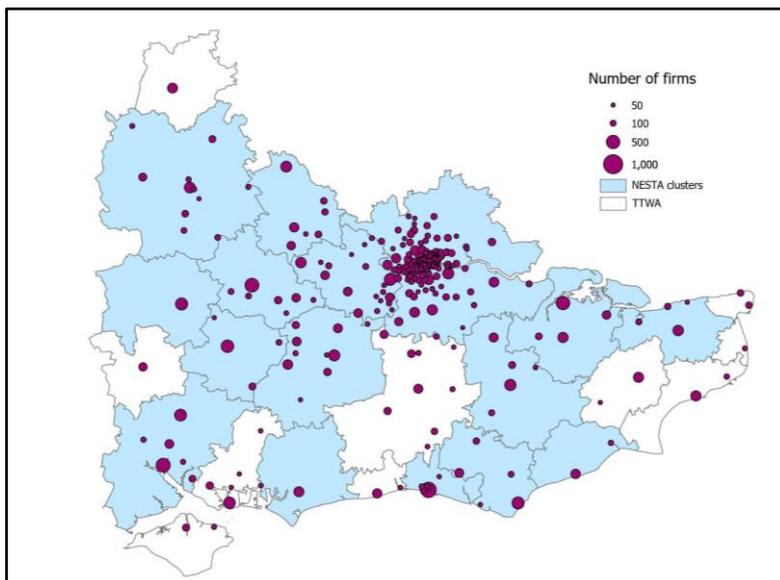


Figure 6b³⁷: Map of micro-clusters in the South of England overlaid on larger clusters as identified by Nesta



³⁶ Siepel J and others, 'Creative Radar: Mapping the UK's Creative Industries' (Creative Industries Policy and Evidence Centre 2020) <<https://pec.ac.uk/research-reports/creative-radar>> accessed 18 May 2023

³⁷ Ibid.

Why the stakes are higher than the Creative Industries: positive spillovers from creative businesses

The benefits of investing in Creative Industries are not only confined to economic growth. Creative businesses also generate spillover effects, which can be broadly defined as additional benefits that accrue not to creative businesses themselves but to other individuals, businesses and places.³⁸ A report commissioned from the Design Council by DCMS and UKRI looks at the spillover value of the Creative Industries. It identifies four types of Creative Industries spillovers:

- Industry spillovers: where supply chain spending is triggered by Creative Industries activity.
- Knowledge spillovers: new ideas spread to other sectors, catalysing innovation, and improving other sectors' ability to absorb innovation.
- Supply-side effects: where a facility or place attracts skilled workers and visitors - creating a virtuous circle through these workers and visitors increasing the value of that facility or place.
- Innovation effects: the creation of new knowledge in product and service innovation.

These spillovers can have a direct impact on employment in other industries. For example, Creative PEC research into the multiplier effect of creative businesses over the last 20 years suggests that each creative job in a locality on average generates 1.9 new jobs in sectors like leisure and retail through the local spending of employees of creative businesses.³⁹ That means that for every one new job created in the local creative sector, almost two additional jobs are created in the wider economy.

There is also evidence that some organisations - particularly those focussed on arts and culture - can play a part in supporting growth in other creative sub-sectors within the same regional cluster, acting as anchor institutions that help to create a brand, and facilitate knowledge exchange, collaboration, and networking.⁴⁰

Creative jobs are of course not confined to the Creative Industries. In fact, in many cases there are more creative occupations outside of the sector than inside of it.⁴¹ This means there are important opportunities to boost other areas of the economy by investing in creative skills.

Alongside spillovers to the local economy, the Creative Industries can also have spillovers into wider civil society, which can strengthen communities and improve individual wellbeing. Culture can play a big part in high street regeneration, with research commissioned by Arts Council England from BOP Consulting suggesting that 69% of people think culture on their high street makes their area a better place to live.⁴²

³⁸ 'Quantifying Knowledge Spillovers from the UK Creative Industries' (Frontier Economics 2022)

<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1093810/DCMS_scoping_study_-_final_-_24July2022.pdf>

³⁹ Gutierrez Posada D and others, 'Do Creative Industries Generate Multiplier Effects? Evidence from UK Cities 1997-2018' (2021)

<<https://pec.ac.uk/discussion-papers/do-creative-industries-generate-multiplier-effects>>

⁴⁰ Bakhshi H, Lee N and Mateos Garcia J, 'Capital of Culture? An Econometric Analysis of the Relationship between Arts and Cultural Clusters, Wages and the Creative Economy in English Cities' (Nesta 2014) <<https://www.nesta.org.uk/report/capital-of-culture/>>; Vartapetova N, Fisher-Jones H and Lam C, 'The Relationships between Cultural Organisations and Local Creative...' (Creative Industries Policy and Evidence Centre and AEA Consulting 2022) <<https://pec.ac.uk/discussion-papers/cultural-districts>> accessed 1 July 2023

⁴¹ Hearn G and D. Bennett RB, *Creative Work Beyond the Creative Industries: Innovation, Employment and Education* (Edward Elgar 2014) <<https://www.elgaronline.com/display/edcoll/9781782545699/9781782545699.xml>> accessed 29 June 2023; Higgs P, Cunningham S and Bakhshi H, 'Beyond the Creative Industries: Mapping the Creative Economy in the United Kingdom' (Nesta 2008) <https://www.researchgate.net/publication/27471984_Beyond_the_creative_industries_Mapping_the_creative_economy_in_the_United_Kingdom/link/54a5eae0cf267bdb9082b35/download>

⁴² 'A High Street Renaissance' (BOP Consulting for Arts Council England 2021) <<https://www.artscouncil.org.uk/high-street-renaissance>> accessed 15 June 2023

And whether on or off the high street, cultural organisations and heritage sites bring enjoyment to visitors and locals, attract public investment and are sources of community pride, as acknowledged in the Sector Vision.⁴³ However, these benefits are not always captured in market prices and so are harder to measure and value. For instance, the benefits of regional and local museums, which in the UK are typically free to enter.

At the start of 2021, DCMS published the UK's first Cultural and Heritage Capital Framework, which sets out a path for the government to measure in a more holistic way the value of culture and heritage to society, and has been designed to work using the same principles for investment appraisal as the Treasury's Green Book. The ambition is for public investment in culture and heritage to be evaluated on the same rigorous footing as natural capital, which will provide essential quantitative evidence to policymakers making difficult funding decisions. This framework could be used, for example, to help provide a clear rationale for continued funding for a regional theatre or a local heritage site. Later this year, the Creative PEC and British Film Institute (BFI) will publish research which shows how important cinema venues are to localities, again using a Green Book-consistent methodology.

More generally, as part of DCMS's Cultural and Heritage Capital Framework, the Creative PEC has worked with Arts Council England to publish guidance on how to measure the benefits to the public of local museums, regional museums and galleries and theatres. There is an opportunity for this approach to be used across the North of England as a renewed evidence-backed case for additional investment.

This investment is particularly important as public funding for the arts and culture through Local Authorities in capital and revenue expenditure in England has fallen by more than 30% in real terms between 2009/10 and 2019/20 in response to an overall decline in local government budgets over this period. This drop has driven the overall decline in investment in arts and culture in England, as Local Authorities remain the largest public investor in the sector (change in levels across different public funding sources shown in Appendix 2).

Three necessary conditions for growth

There are many conditions for growth in the Creative Industries, some of which are out of scope of this paper. These include critical areas of national policy (such as immigration policy and international trade agreements) and areas of policy set at both national and regional levels that have knock-on effects across the economy (such as transport and digital infrastructure). Here we choose to focus on three areas where we believe a regional Creative Industries strategy could help to support growth in the sector, whilst acknowledging the importance of these other levers.

a. The skills to grow

The Creative Industries encapsulate the vision of a high-wage, high-skilled, high-productivity modern economy. More than [eight in ten \(83%\) of those working in the Creative Industries work in professional or managerial roles](#), compared with 46% across the UK workforce.⁴⁴ Nearly three-quarters (73%) of those employed in Creative Occupations are qualified to degree-level or above (44% of those working across all industries are as well-qualified).⁴⁵ In some parts of the Creative Sector, productivity is 1.5 times the UK average. Creative roles are amongst the best paid in the economy.

But these headline statistics belie a more complex picture. There are for example significant skills gaps and

⁴³'Creative Industries Sector Vision' (Department for Culture, Media and Sport 2023)

<<https://www.gov.uk/government/publications/creative-industries-sector-vision>> accessed 15 June 2023

⁴⁴'The Good Work Review' (Creative Industries Policy and Evidence Centre 2023) <<https://pec.ac.uk/research-reports/good-work-review>> accessed 17 May 2023.

⁴⁵Ibid.

shortages at a national level: 42% of employers in the Creative Industries report problems finding the skills they need.⁴⁶ The recently published [review of 'Good Work' by the PEC and Work Advance](#) also shows that while jobs in the Creative Industries tend more often to offer autonomy, purpose and job satisfaction, some roles can also be typified by low pay, long hours and job insecurity.

There are also a number of specific issues which relate to the high levels of freelance employment which typify the Creative Industries.⁴⁷ The Review further found that employer investment in skills and engagement with the skills system is more limited, partly because Creative Industries' employers were more likely than those in other sectors to suggest that not all learning options available at Further Education (FE) colleges and Higher Education (HE) Institutions are well-aligned to their needs.⁴⁸ This is one reason that supporting the growth of a highly-skilled, productive and inclusive workforce (with high quality jobs, skills pathways, and improved foundational education) is one of three priorities in the Sector Vision for the Creative Industries.⁴⁹

There are already exceptional training opportunities for those who want to have a career in the creative sector, particularly in the North of England. In terms of specialist training, for example, Lancaster University ranks in the QS top 100 universities globally for Art and Design, whilst the University of Huddersfield, the Royal Northern College of Music, the University of Manchester, the University of Leeds and the University of York all feature in the QS rankings for the top 100 universities for the Performing Arts.⁵⁰ Excellent research supports teaching programmes with the Universities of York, Manchester, Newcastle and Lancaster all ranked in the top 20 for Art and Design in the 2021 Research Excellence Framework.⁵¹

However, research and evidence produced by the Creative PEC clearly indicates a need for policy and industry action to change education and skills programmes at a national level. For example, there are national policies in England which disincentivise the studying of subjects relevant to the Creative Industries at school, FE and HE levels. Alongside that, there is an ongoing need for regional and local interventions which target specific skills gaps.

The priorities for a skill and education policy are to:

- Develop a dedicated regional post-16 strategy with skills priorities.
- Develop a regional overarching investment and skills delivery plan.
- Review regional skills governance infrastructure to support delivery.
- Integrate research and intelligence systems.
- Invest in local skills partnerships and collaboration.
- Prioritise employer engagement to ensure action is industry owned.

⁴⁶Bakhshi H and Spilsbury M, 'The Migrant and Skills Needs of Creative Businesses in the UK' (Creative Industries Policy and Evidence Centre 2019) <<https://pec.ac.uk/research-reports/the-migrant-and-skills-needs-of-creative-businesses-in-the-united-kingdom>>

⁴⁷ Easton E and Beckett B, 'Freelancers in the Creative Industries' (Creative Industries Policy and Evidence Centre 2021) <<https://pec.ac.uk/policy-briefings/freelancers-in-the-creative-industries>> accessed 26 June 2023

⁴⁸'The Good Work Review' (Creative Industries Policy and Evidence Centre 2023) <<https://pec.ac.uk/research-reports/good-work-review>> accessed 17 May 2023. The complex subject of value for money for creative courses is explored in this blog by Anna Vignoles: Vignoles A, 'What Value Higher Education?' (*Creative Industries Policy & Evidence Centre blog series*, December 2021) <<https://pec.ac.uk/blog/what-value-higher-education>> accessed 17 May 2023

⁴⁹'Creative Industries Sector Vision' (Department for Culture, Media and Sport 2023) <<https://www.gov.uk/government/publications/creative-industries-sector-vision>> accessed 15 June 2023

⁵⁰ QS World University Rankings for Art & Design 2023' (Top Universities) <<https://www.topuniversities.com/university-rankings/university-subject-rankings/2023/art-design>> accessed 15 June 2023; 'QS World University Rankings for Performing Arts 2023' (Top Universities) <<https://www.topuniversities.com/university-rankings/university-subject-rankings/2023/performing-arts>> accessed 15 June 2023'

⁵¹REF 2021: Art and Design: History, Practice and Theory | Times Higher Education (THE)' <<https://www.timeshighereducation.com/news/ref-2021-art-and-design-history-practice-and-theory>> accessed 27 June 2023

As the responsibilities for skills development become more devolved, there may be further opportunities for local partners, particularly Mayoral Combined Authorities, to address the skills needs of the creative sector. For example, this could be done by aligning regional skills strategies for the Creative Industries with the developing Local Skills Improvement Plans, by ensuring that Creative Industries employers are represented on Employer Representative Bodies, and by monitoring whether improvements to the governance of Further and Higher Education Institutions might free up capacity in delivery partners to work more closely together. Local leadership and cross-regional collaboration will be needed to pursue these priorities, as will ensuring that any new initiatives on skills amplify or work alongside existing initiatives in regional combined authorities.

b. Access to finance

The Creative Industries share several features which mean they stand out from most other sectors. According to a nationally representative [2018 survey from the Creative Industries Council](#) that benchmarked interviews with 575 Creative Industries businesses against 18,300 other SMEs, firms in the Creative Industries tend to be smaller, younger, and more likely to be growing rapidly.⁵² The study found 65% of creative businesses in the sample had 2-5 employees, and 65% had been set up in the previous 5 years. Only 14% of creative businesses had been trading for more than 15 years, compared with 46% of small- and medium-sized enterprises (SMEs) in the rest of the economy. And compared with companies in other sectors, creative businesses were more likely to be growing and ambitious. 56% had reported growth in 2017, compared with only 45% of SMEs in the wider economy.

Despite faster growth and the ambition to grow further, creative businesses struggle to access finance. Many are significantly undercapitalised, with 69% of creative businesses surveyed flagging a need for more finance, substantially higher than the 10% of the general population of firms anticipating such a need. Moreover, two-thirds of creative businesses in the study cited lack of finance as a barrier to their growth in the past. Data from Creative PEC's Creative Radar survey shows that, as with elsewhere in the UK, companies in Northern creative micro-clusters are also on average more likely than other UK Creative Industries businesses to view finance as a barrier to growth.⁵³

Further evidence that creative businesses are undervalued and underserved by investors is provided by Creative PEC's econometric analysis of the Creative Industries Council survey data cited above. It finds that more innovative creative firms are [more likely to apply for venture capital than their less innovative counterparts, but in the event are less likely to secure it](#).⁵⁴ Survey data collected by the PEC (as yet unpublished) further suggests this may reflect a perceived lack of understanding on the part of investors about the Creative Industries and their income generation models.

There are some policy initiatives that are being developed to address this problem. For example, the [DCMS's Create Growth Programme](#) has awarded six local area partnerships in England, including the North East and Greater Manchester, with approximately £1.275 million in grant funding for business support targeted at Creative Industries firms.⁵⁵ The North of Tyne Combined Authority has provided a £2.6 million Culture and

⁵² 'Access to Finance' (Creative Industries Council 2018) <<https://cic-media.s3.eu-west-2.amazonaws.com/media/471225/cic-access-to-finance-research-report-june-2018.pdf>>

⁵³ Siepel J et. al., 'Creative Radar: Mapping the UK's Creative Industries' (Creative Industries Policy and Evidence Centre 2020) <<https://pec.ac.uk/research-reports/creative-radar>> accessed 18 May 2023

⁵⁴ Di Novo S et. al., 'Starving the Golden Goose? Access to Finance for Innovators in The...' (Creative Industries Policy and Evidence Centre 2022) <<https://pec.ac.uk/discussion-papers/starving-the-golden-oose>>

⁵⁵ The recently published UK Government Creative Industries Sector Vision announced that there will be an increase in the Create Growth Programme's (CGP) budget by £10.9 million to a total of £28.4 million to support businesses in another six English regions. 'Creative Industries Sector Vision' (Department for Culture, Media and Sport 2023) <<https://www.gov.uk/government/publications/creative-industries-sector-vision>> accessed 15 June 2023

Creative Investment programme managed and delivered by Creative UK and supported by partners including Creative Fuse North East, which aims to expand creative businesses' horizons to loan and equity funding.

Creative UK runs several other relevant schemes (including Creative Growth Finance) which offer investment in the Creative Industries with a full understanding of the sector's specificities. Over the past 3 years Creative UK has invested £6m in loans, equity and grants to over 200 creative Sector businesses across the North.⁵⁶ University spin-outs also offer huge opportunities, while applied research grants can offer an additional opportunity for SMEs to find funding for new endeavours. The British Business Bank also has a [number of regional programmes that local authorities can apply for](#). The government has committed to putting a further £1.6 billion behind schemes that are designed to make finance markets work better for smaller businesses more generally across the UK.⁵⁷

There are several other private investors who have proved particularly friendly to the Creative Industries in the North. These include large banks, as well as insurance companies such as L&G and Aviva, who have made investments in Leeds, as well as local investors like the Community Foundation, NEL and North Star Venture Capitalists. Rural areas may require a bespoke strategy, but there are approaches which such endeavours could build on. For example, Creative Fuse North East led the Rural Challenge, a dedicated fund within the North of Tyne Culture & Creative Investment Programme which provided wrap-around support for rural-based creative businesses, guided by Creative PEC data on the locations of successful rural micro-clusters.⁵⁸

c. Investment in innovation

The Creative Industries are a sector powered by research & development (R&D), design and innovation. That is why the Government has made one of the 2030 Objectives in the Sector Vision an ambition to increase public and private investment in Creative Industries' innovation, contributing to the UK increasing its R&D expenditure to drive R&D-led innovation.⁵⁹ That is also why the Government, through the Arts and Humanities Research Council (AHRC), has committed to deliver the next £50 million wave of the Creative Industries Clusters Programme to support R&D in at least six new clusters, and has also committed to provide £75.6 million to set up four new R&D labs and an Insight Foresight Unit across the UK as part of the Convergent Screen Technologies and Performance in Realtime (CoSTAR) programme. These investments not only show the growing interest in bespoke investments in the creative sector at the national level, but also the development of methodologies to support creative R&D within clusters.⁶⁰

We can see how important innovation is to the sector when we look at how much it invests in R&D. [In 2018, Creative Industries R&D represented 11.5% of all business R&D, up from under 8% in 2009](#).⁶¹ Even once IT, Software and Computer services' R&D (which makes up a disproportionately large amount of total Creative Industries R&D expenditure) is excluded from the totals, [Creative Industries R&D still accounts for 4.3% of whole economy Business Expenditure on Research and Development \(BERD\)](#).⁶² This impressive record is

⁵⁶ Data provided by Creative UK - 26 June 2023

⁵⁷ 'Regions and Nations Funding Guide for Smaller Businesses' (British Business Bank) accessed 25 May 2023

⁵⁸ 'Rural Creative Challenge' (Creative Fuse) <<https://www.creativefusene.org.uk/workshop/rural-challenge/>> accessed 18 June 2023

⁵⁹ 'Creative Industries Sector Vision' (Department for Culture, Media and Sport 2023)

<<https://www.gov.uk/government/publications/creative-industries-sector-vision>> accessed 15 June 2023

⁶⁰ Ibid.

⁶¹ Bakshi H, 'The Art of R&D' (Creative Industries Policy and Evidence Centre 2022) <<https://pec.ac.uk/research-reports/the-art-of-r-and-d>> accessed 18 May 2023

⁶² Ibid.

against the backdrop of national R&D policies which disadvantage investment in some forms of R&D that are prevalent in the Creative Industries, which the Creative PEC explores in a [policy briefing](#).⁶³

Creative Industries innovation can take many forms and may be directed towards achieving social as well as economic impacts. Areas where we have seen growth in recent years include:

In the use of advanced technologies

The Creative Industries have a long-standing symbiotic relationship with technology, whether that is the tech that allows us to play our favourite video games, that is used to create visual effects in Oscar-winning films, or the design software used to develop a new pair of trainers. Today, the Creative Industries are exploring opportunities that lie within advanced technologies such as artificial intelligence (AI), immersive technologies and virtual production. Creative PEC research shows that CreaTech firms - those businesses where the development of new technologies or the adaptation of existing technologies in new ways is a significant part of their business - are much more likely than other tech firms to use user-centred design methods, including interactive, interface and service design.⁶⁴ Investment in research and development, design and innovation more generally can allow businesses and the academic community to explore these new technologies and find applications in their field of work, helping to grow individual businesses and the sector as a whole.

In addressing societal challenges

The Creative Industries are also innovating to help society address major challenges in areas like health and wellbeing, the preservation of cultural heritage and memory, and climate change. [Design](#) - for example product design, service design, human centred design, design engineering and design futures - provides useful tools in finding social, political, behavioural, and technological solutions to these challenges. [Creative PEC research on the Creative Industries and the climate emergency](#) highlights how innovation in the sector will be essential to help the UK to meet its net zero ambitions.⁶⁵

In working in partnership to form hybrid sectors

The Creative Industries are also increasingly working in collaboration with other sectors giving rise to new, hybrid sectors. This is important because research suggests it is easier for regions to develop new specialisations in industries in which they have pre-existing concentrations of related industries and the Creative Industries are no different in this regard.⁶⁶ A report commissioned from the Design Council by DCMS in partnership with UKRI identifies four emerging hybrid models⁶⁷:

- **Creative and tech** (or CreaTech). The [UK is a global hub for CreaTech activity](#) and there is a growing recognition of CreaTech's importance for driving economic growth and innovation, both inside and outside of the sector.
- **Creative and health**. This is where creative and health-care sectors work together. This includes the

⁶³ Bakhshi H, 'Policy Briefing: R&D in the Creative Industries' (Creative Industries Policy and Evidence Centre 2022) <<https://pec.ac.uk/policy-briefings/r-d-in-the-creative-industries>>

⁶⁴ Siepel J and others, 'Understanding CreaTech R&D' (Creative Industries Policy and Evidence Centre 2022) <<https://pec.ac.uk/research-reports/understanding-createch-r-d>>

⁶⁵ 'Creative Industries and the Climate Emergency' (Creative Industries Policy and Evidence Centre 2022) <<https://pec.ac.uk/research-reports/creative-industries-and-the-climate-emergency>>

⁶⁶ Lee N, 'Relatedness between the Creative Industries and the Wider Economy: A Primer' (Creative Industries Policy and Evidence Centre 2020) <<https://pec.ac.uk/discussion-papers/relatedness-between-creative-industries-and-wider-economy>>

⁶⁷ 'A Design Sprint for the Creative Industries Sector Vision Maximising the Spillover Value of the Creative Industries to the Wider Economy' <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1094190/Creative_Industries_Sector_Vision_Report_FINAL.pdf>

use of [creative assets and advanced technology](#) such as virtual reality for medical training or therapeutics, as well as social prescribing to deploy health benefits from creative activity. [Work from King's College](#) has pointed to the rapid growth in the field of arts in health specifically over the last twenty years due to advances in research and increased interest from politicians and both the cultural and health sectors in the potential of arts-based interventions. These developments have led to the establishment of the National Centre for Creative Health, based in Oxford.

- **Creative Manufacturing.** This is where creative occupations and assets used alongside advanced technology add value to manufacturing processes and business models - for example, immersive technology for prototyping can be embedded within the production process.
- **Creative and Net Zero.** Innovation in Creative Industries like design, architecture and fashion will play a significant role in reducing the UK's pollution levels and carbon footprint. Research from Creative PEC, Julie's Bicycle and BOP Consulting shows the plethora of sub-sectoral initiatives that aim to reduce the carbon footprint of the creative sector, but investment is needed to support innovation across the sub-sectors.⁶⁸

The Government's policy paper [Plan for Growth](#) identifies the Creative Industries as one of the UK's areas of competitive advantage in research and innovation. That means that there should be increasing numbers of opportunities to invest in R&D in the Creative Industries over the coming years. The [Creative PEC](#) has argued that this public investment should build on the success of recent investments in innovation in the Creative Industries, such as the [Audience of the Future](#) and the [Creative Industries Clusters Programme](#).

A Northern Creative Corridor Charter

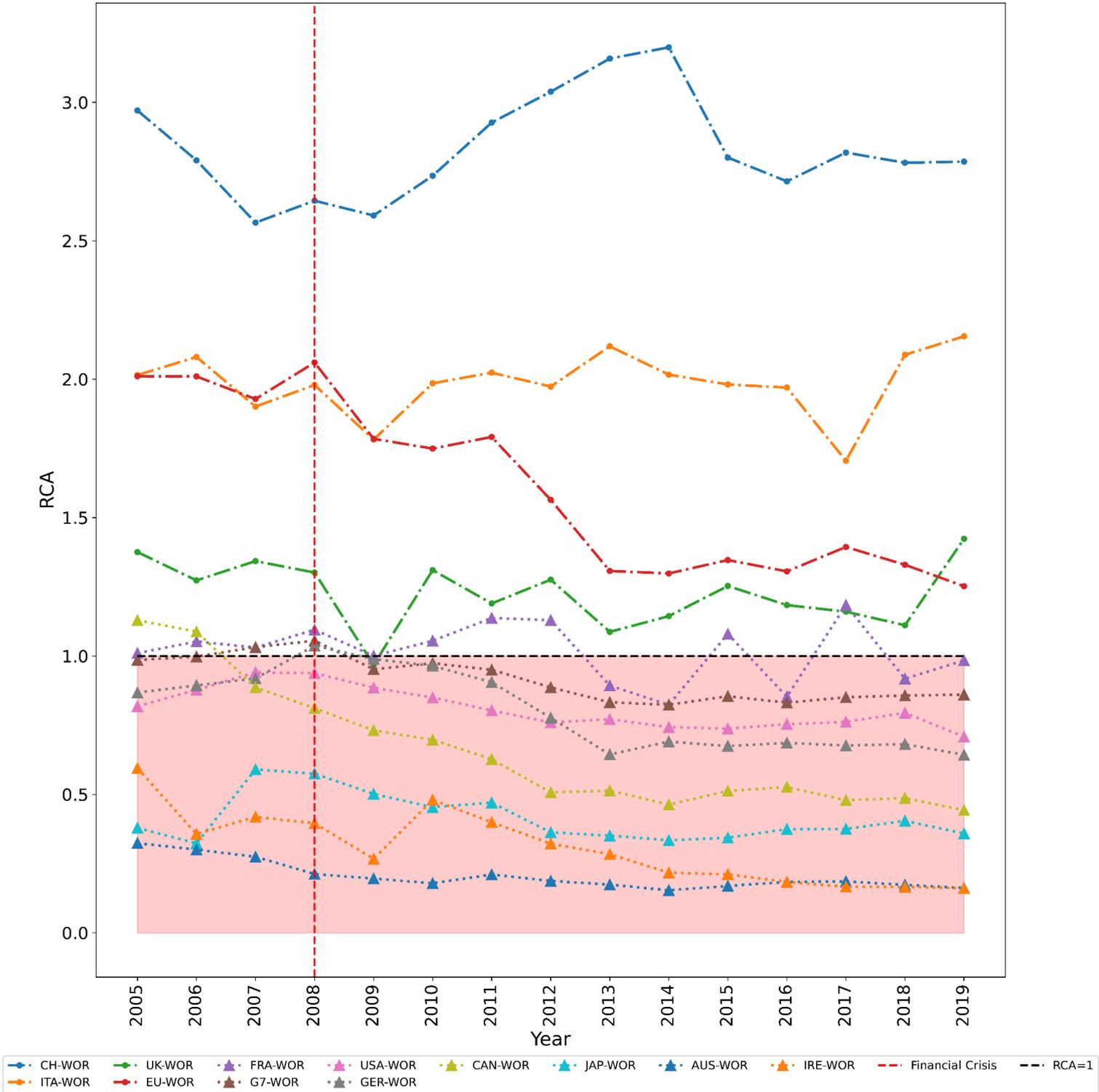
The North of England can develop Britain's first Creative Corridor, connecting groups of neighbouring creative clusters across the region that will benefit from coordinated regional strategies and networks, building on the assets of smaller cities and towns in conjunction with the same assets in high-performing hubs. Through this commitment to cross-sector, cross-regional working, the North of England could lead the way on delivering the recent Creative Industries Sector Vision. It could galvanise the drive to improve skills, finance, innovation, and employment across the region. The scale of the prize could be as high as £10 billion in GVA, doubling the size of the Creative Industries sector in the North. It would also contribute approximately 20% of the Sector Vision's 2030 target.

The RSA and Arts Council England have committed to develop a blueprint for effective creative corridors and to work with the Creative PEC and stakeholders across the North of England to co-design the Northern Creative Corridor as a trailblazing model for regional economies across the UK. We invite policymakers, funders, industry leaders and higher and further education institutions, to join us in this initiative.

⁶⁸ Creative Industries and the Climate Emergency' (Creative Industries Policy and Evidence Centre 2022) <<https://pec.ac.uk/research-reports/creative-industries-and-the-climate-emergency>>

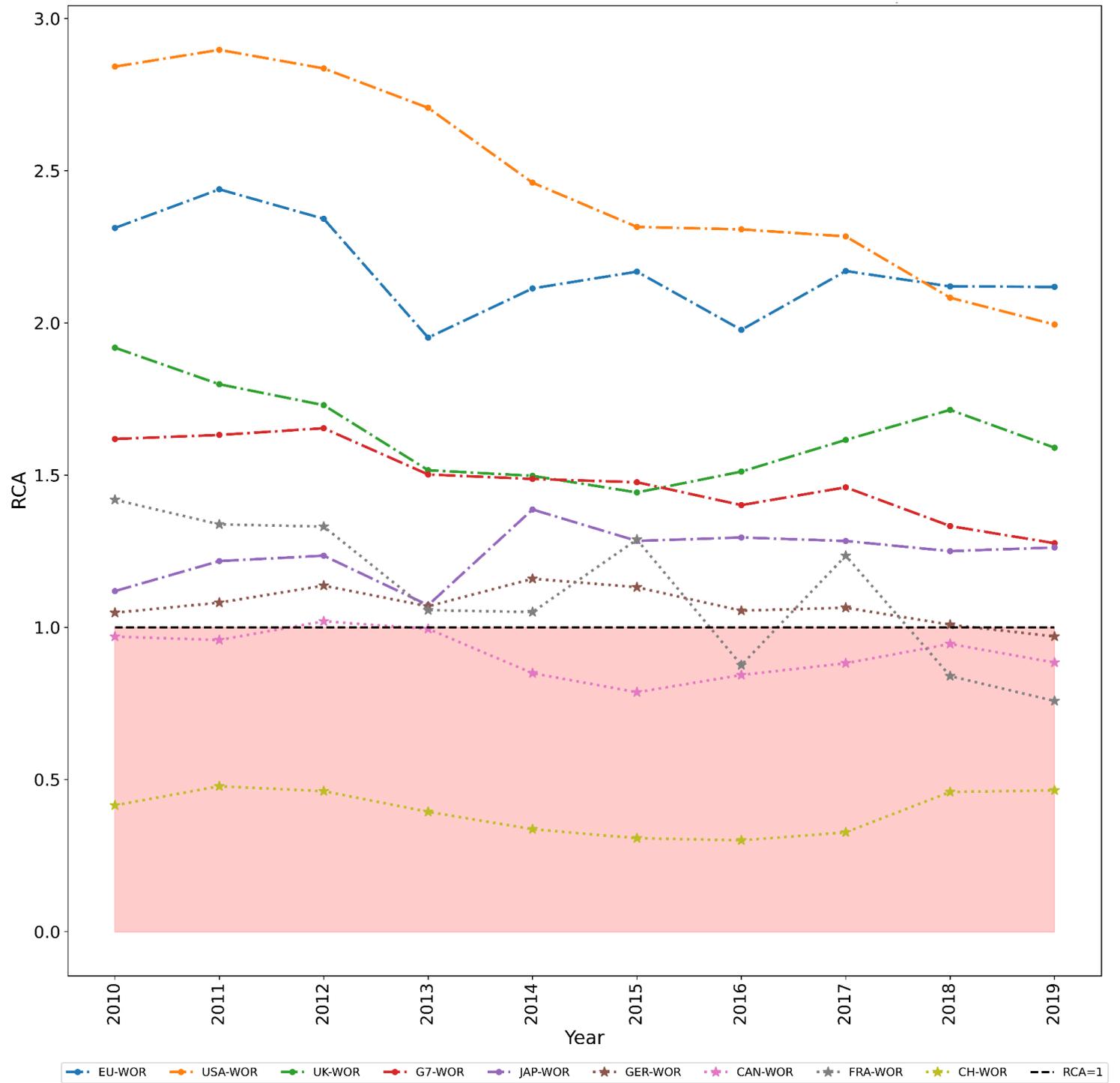
Appendix 1.

a. Relative Comparative Advantage (goods)⁶⁹



⁶⁹ Original analysis by Fazio, G. with assistance by Nirat Rujimora gratefully acknowledged. Source: authors' calculations based on UNCTAD statistics

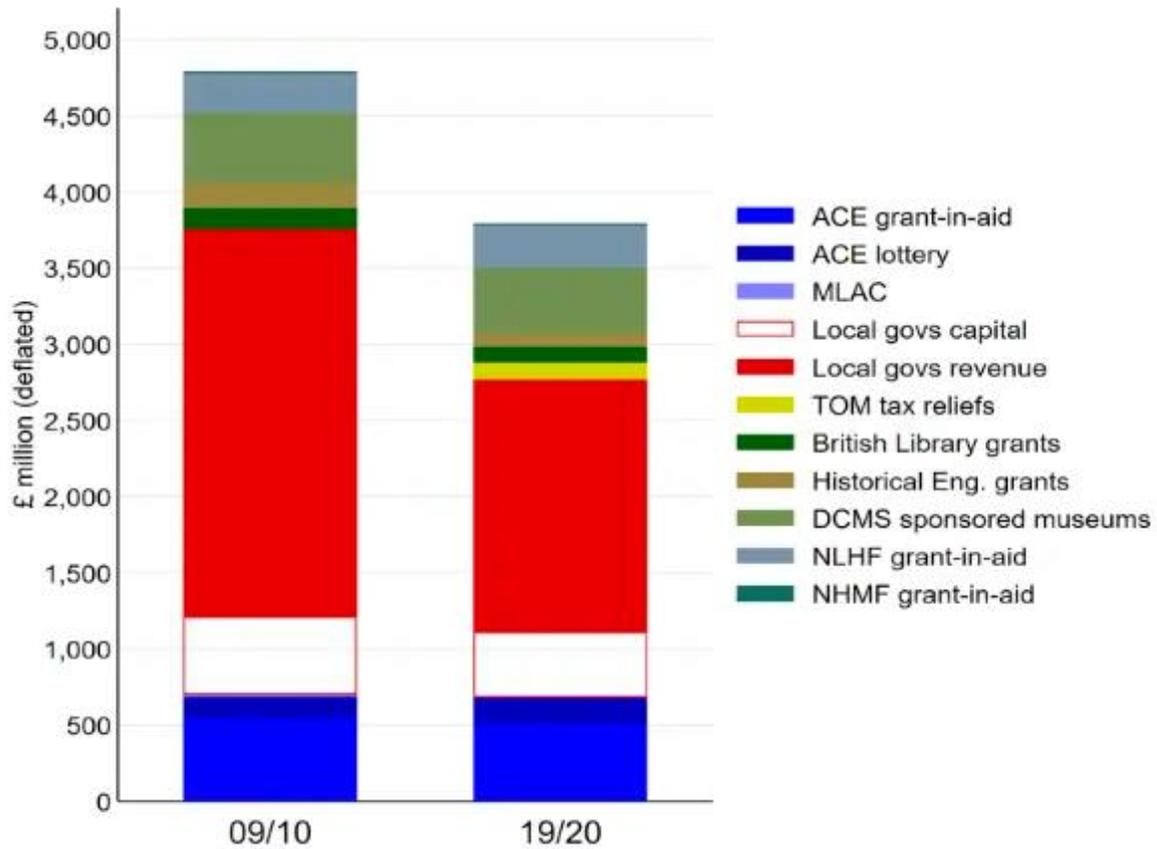
b. Revealed Comparative Advantage (services)*



* Ireland as the country with the largest RCA (around 8) represents an "outlier" and is excluded from the figure.

Appendix 2.

Comparison in real term spend by source of funding⁷⁰



⁷⁰ Easton E and Di Novo S, 'A New Deal for Arts Funding in England?' (*Creative Industries Policy & Evidence Centre Blog Series*, 12 January 2023) <<https://pec.ac.uk/blog/a-new-deal-for-arts-funding-in-england>> accessed 15 June 2023