

Creative Industries

Policy & Evidence Centre

Led by **nesta**

Insights for policymakers

Creative places: growing the creative industries across the UK

The UK's creative industries - from film to fashion, and from video games to the arts - are integral to local communities throughout the country. This is in part because of the economic importance of the sector: one in eight UK businesses are part of the creative industries, and together they [contributed almost £116 billion in GVA in 2019](#), growing four times faster than the rate of the UK economy as a whole (DCMS, 2021). Prior to the COVID-19 pandemic, they also accounted for [more than two million jobs](#) (DCMS, 2020).

Research published by the PEC has shown how crucial 'place' is to creative businesses and, in return, how important these organisations and their workforces can be to the neighbourhoods they are part of. This policy briefing uses this evidence to develop recommendations for policies focussed on '[levelling up](#)' or growing and supporting the creative industries across the United Kingdom's nations and regions.

This research also recognises that the stakes are not just economic. The creative sector also makes major contributions to public wellbeing, and welcome steps are now being initiated within government to place public investment appraisal in culture and heritage on the same footing as the natural environment ([here](#) and [here](#)). This initiative is timely: [HMT's review of its Green Book guidance on public investment appraisal](#) signifies changes to "both the Green Book and the way it is used in appraisal to enable ministers and other decision makers to fully understand what investments they need to make to most effectively drive the delivery of the levelling up agenda and other policy priorities". [PEC research with Ulster University](#) points to strategies that are already proving successful in reaping social and cultural as well as economic dividends including in contexts like Northern Ireland.

What our research suggests is that there is an important place for the creative sector in 'levelling up' and other local growth agendas. Not only do the creative industries have large, positive multiplier impacts (over a twenty year sample period, [each creative job added at least a further 2 non-tradeable jobs in the local economy](#)), we find that even [small creative clusters outside the UK's major cities contain within them dynamic and resilient creative businesses](#). We also begin to find a group of interventions, which, if included in policymakers' approach to local growth, could help to support the creative sector to flourish.

Where are creative businesses in the UK?

As we saw earlier, the UK's creative industries are major employers. Table 1 (below) shows that this is the case across the UK, with well known hotspots in London and the South-East of England.

By now what is a significant body of [research](#) on the location of creative industries businesses and workers has shown they have a particularly strong tendency to concentrate in a smaller number of areas and form [clusters](#). [In the UK](#), these include cities like London and Manchester, with more large businesses and high-growth businesses; 'challenger' clusters like Birmingham, Cardiff and Edinburgh, which prior to the COVID-19 pandemic have experienced rapid creative growth in recent years; and 'creative conurbations' like Cambridge and Guildford that specialise in fewer, but dynamic, creative sub-sectors. Recent PEC research has also identified [micro-clusters](#) of creative businesses at the hyper-local level, where a group of more than fifty creative businesses are in close proximity. Significantly, these are found [right up and down the length of the UK](#), from the Shetland Islands to Cornwall - not just in the big cities.

Co-locating in either clusters or micro-clusters appears to have a number of advantages for creative organisations [including shared access to creative talent, clients, collaborators and researchers](#).

Policy recommendation: *As policymakers look to support growth in UK towns and smaller cities, they should consider the contribution made by the clusters and micro-clusters of creative businesses found across the country. For example, [PEC research](#) shows that many smaller urban clusters, despite variation in growth patterns, may be ripe to scale and as such could be targeted by additional support, particularly those that were growing rapidly prior to the COVID-19 pandemic.*

Table 1: Employment (number of filled jobs, thousands) in the Creative Industries sub-sectors by region in the period from Oct 2019 to Sept 2020. [DCMS, June 2021](#)

Region	North East England	North West England	Yorkshire and the Humber	East Midlands	West Midlands	East England
Employment in the Creative Industries	32,000	116,000	94,000	70,000	84,000	103,000

Region	London	South East England	South West England	Wales	Scotland	Northern Ireland
Employment in the Creative Industries	509,000	228,000	91,000	36,000	87,000	26,000

The impact of COVID-19 on clusters and micro-clusters

COVID-19 has been disastrous not only for health outcomes but also for economies across the UK, with [estimates of the regional collapse in GDP](#) from the ONS's Economic Statistics Centre of Excellence ranging from 8.9% in the East Midlands to 12.9% in London. Early in the pandemic, drawing from the experience of the global financial crisis in 2008, [the PEC warned that without government intervention growth in creative clusters outside London might be at particular risk in the post-pandemic recovery](#): whether this will be the case remains to be seen.

However, for those working on regional growth policy there is some good news. [New longitudinal research from the PEC](#) suggests that the impact to date of the pandemic on businesses in the UK's

micro-clusters may have been no different to those located in larger clusters, like London. The main exceptions to this rule include the finding that businesses in London are more likely to have downsized their office space as a result of the pandemic. Particularly striking is that businesses in micro-clusters are more likely to have recruited new employees, invested in R&D spending and increased their UK-wide turnover over this period.

Whilst the jury is still out on the full regional impacts of the pandemic on the UK's creative industries, the PEC research indicates that [sub-sector](#) and business type (e.g. being [self-employed](#)) may have been a more significant indicator of whether an organisation was likely to have survived during this period.

Importantly, [PEC research](#) confirms that the UK Government's COVID-19 support schemes such as the Coronavirus Job Retention Scheme, Self-Employment Income Support Scheme and Cultural Recovery Fund have played a vital role in supporting the resilience of creative businesses and the workforce during the pandemic - just as they have in other industries. In fact, the failure rate of surveyed businesses over the past year was around 4%, broadly within what might be expected in a typical year when we look at insolvency statistics. However, [echoing concerns in the economy more widely](#), it is also the case that many of these businesses will still be benefiting from government COVID-support schemes at the time of writing, and may be at a high risk of failure over the next year as the schemes are withdrawn, particularly in badly affected [sub-sectors and localities where consumer confidence](#) remains low.

Policy recommendation: *As policymakers deliberate on the impact on UK industry as temporary COVID-19 support schemes are withdrawn, they must carefully consider the differential impacts on places. To take one example, the Cultural Recovery Fund has been a vital lifeline for Performing Arts and Museums - venue-based sub-sectors which PEC research shows have been especially hard hit by COVID-19 restrictions. Creative clusters like Newcastle and Edinburgh in which these sub-sectors are prominent are therefore particularly vulnerable and policymakers should consider targeting existing schemes like Round 3 of the Cultural Recovery Fund to these areas to avoid cliff-edge withdrawals in support.*

How can 'levelling up' and local growth funds support the creative industries?

Making sure the needs of the creative industries are represented in the national 'levelling up' agenda

Place-based investments such as the [Levelling Up Fund](#) aim to support "infrastructure that improves everyday life across the UK", and this Fund in particular acknowledges the important role that cultural and heritage infrastructure can play. PEC and Nesta research applying HMT Green Book-endorsed economic valuation techniques shows just how much value the UK public attaches to its cultural and heritage institutions ([here](#), [here](#) and [here](#)), while other [research commissioned by the PEC](#) demonstrates the role they play as 'anchor' institutions in local creative economies. However, the economic development needs of the creative industries are not solely bricks and mortar. A lack of access to high quality digital infrastructure, leading to internet connectivity issues, looms large [in the list of barriers to growth identified by creative businesses in clusters](#). As do access to finance, business support and wider skills needs as key areas of focus. In [PEC research in partnership with the Creative Industries Council](#) we identified technical (including ICT skills) and management skills as areas where the sector has significant skills issues across the UK.

In the PEC's [longitudinal study](#), companies report particularly great difficulties in access to finance for investment in areas such as R&D, technology, training and marketing. For example, as many as 18% of firms say they want to further invest in R&D but are constrained by their access to resources. Interestingly, these companies are also more likely to be exporters - this is important as it indicates that there is a pool of innovative, exporting UK creative businesses that are financially constrained and have a substantial demand for capital.

Access to finance and business support has previously been highlighted as a priority by industry groups including the Creative Industries Council, Creative England and the Creative Industries Federation. A small-scale pilot in the form of the Creative Scale-Up programme was announced in the Creative Industries Sector Deal as part of the Government's previous Industrial Strategy. There is an opportunity for the Government to build on the experience of this pilot in its forthcoming Levelling Up White Paper, and for devolved nations to address this in their own regional investment policies. There is a need for experimentation in programme design, as the business support needs of creative industries differ from traditional industrial sectors which business support schemes typically cater for ([here](#)). PEC research on Northern Ireland's Future Screens Cluster indicates how powerful even small investments in local creative businesses can be in achieving large economic and social returns.

Policy recommendation: *The UK Government's [Levelling Up Fund](#) is primarily focussed on capital investment, but with the [Levelling Up White Paper](#) set for publication this Autumn and the design of the UK Shared Prosperity Fund yet to be finalised there are further opportunities for the UK Government to ensure the needs of the creative sector, including in skills and business support, are fully recognised in its local growth agenda.*

It will also be important that as BEIS makes investments in business support through the [Help to Grow](#) programmes, delivery is adequately tailored to different types of businesses. Interventions like the [Creative Industries Scale-Up Programme](#) and [Business Basics Fund](#) have helped to develop and test new approaches to supporting small and micro businesses, and this work continues to be valuable.

The Cultural Development Fund, funded by DCMS through Arts Council England, is a good example of an intervention that supports culture and creative organisations to unlock local growth and productivity, promote economic and social recovery from the impact of COVID-19 and may be ripe for scaling up across the UK, alongside other national programmes like the [Create: Networks](#) programme run by Creative Scotland.

Activities to inspire local growth in the creative industries

A [strong local economy and networks](#) are important factors in the success of the UK's creative industries. This has been true even during the COVID-19 pandemic which saw the operations of many creative businesses migrate online: for example, the PEC's longitudinal study suggests that during this period, companies were more likely to be reliant on sales in their local area to stay afloat. This indicates that local and regional strategies may have a significant part to play in growing the creative industries - something which local policymakers are keen to do given their great potential. However, what many find challenging is identifying levers they can pull.

Research commissioned by the PEC from University of Central Lancashire researchers points to one such potential lever. It argues that **changing local procurement models** may be able to encourage local business growth in the creative sector and help businesses to develop relationships with anchor institutions. Changes to procurement rules for anchor institutions like museums and hospitals to prioritise local suppliers were made in 2012 in Preston (an intervention which has become known as '[the Preston Model](#)'). Seven years on, the study finds that local anchor institutions account for 9% of turnover for creative businesses in the local area. The research also suggests an increase in demand of £1 million for the Lancashire creative sector had likely produced an overall boost to the local economy of around £1.47 million as a result of multiplier effects.

The Preston Model was not aimed at creative businesses in particular, however (indeed 62% of local creative businesses interviewed as part of the study were unaware of the changes). This indicates that a more bespoke approach might elicit more significant results. In addition, interviewees highlighted that micro businesses (which make up [95% of creative businesses in the UK](#)) struggled to take advantage of procurement contracts - something which could be addressed in future iterations of the model.

Integrating local businesses into growth plans is crucial to sustain the benefits of local investment in the creative sector. UK City of Culture is one example of a programme that has been highlighted by policymakers as a means to stimulate investment in local creative industries, inspired by the success of Liverpool 2008 European Capital of Culture. [PEC research](#) looking at the economic impacts of the European Capital of Culture programme finds that without a clear legacy strategy that includes local business, short-term gains from the programme are not sustained. Those bidding for [UK City of Culture 2025](#) should consider how local creative businesses can play a part in the long-term growth strategy for their areas.

Policy recommendation: *Where local policymakers are considering changing procurement rules for anchor institutions they should consider how they can build on the existing 'Preston Model' to ensure that micro businesses can take advantage of procurement contracts and build relationships with anchor institutions, and that the programme is adequately publicised to local creative businesses.*

Legacy strategies and local plans for programmes such as City of Culture should prioritise integrating local creative organisations into plans in order to sustain investment in the creative sector.

Further reading

Further PEC research on the Geography of the Creative Industries is available [here](#).

Further PEC research on creative freelancers is available [here](#).

A summary of PEC research in response to the COVID-19 pandemic is available [here](#).

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