



Foreword — *Sir John Sorrell CBE, Chair*

The Creative Industries Federation is one of the most ambitious projects the sector has seen. The organisation has burst into life in the past year, doing fabulous work on behalf of our commercial creative companies, large and small, our arts organisations and cultural institutions the length and breadth of the land.

The idea was born out of years of frustration that this fantastic sector in which I have spent my career was failing to pack a punch commensurate with its enormous value. I believed we would do better if we spoke with a single voice, independent of government. It has been exciting to see the Federation take on that role – and to do so in a very short period of time.

The challenge is immense. The UK is a global leader. Our creative industries define who we are; they are our calling card around the world. In 2016, as we develop our already impressive work, we will analyse global trends to help maintain Britain's cultural and competitive edge. It is salutary to observe what our international rivals are doing as they attempt to emulate our success. They are investing in talent and in infrastructure just as we appear to be cutting back and marginalising creative subjects in schools. Jobs and wealth creation will suffer as a result.

My ambition is for the Federation to put the arts and creative industries at the heart of political thinking, economic priorities and civic life in a way that has not happened before. That work has only just begun. My thanks to the many organisations and companies who have become members, embracing our vision and throwing their enthusiasm and weight behind our work.

Thanks also to John Kampfner and our fantastic team, to our members, our original Founder Supporters, our Board and Advisory Council members.

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Introduction — *John Kampfner, Chief Executive*

It was 6.30pm on a cold night in November 2014. The event to launch the Creative Industries Federation hadn't even begun and the queue was 100 people long. Five times that number eventually turned up to mark the start of the great coming together – commercial and not-for-profit, established and start-ups – all sharing a common cause: to give the UK's most dynamic and exciting sector the heft it had long deserved but failed to achieve.

At that moment, the Federation was only an idea, the brainwave of a group of creative leaders who had met for the first time some months before to discuss how to tackle the problem of underrepresentation. How come the UK's film companies, amazing museums, galleries and theatres, burgeoning games industry, world-famous fashion, design and music and other creative sectors, produced work that many in politics and the media still considered soft and frivolous?

There was nothing frivolous in the packed venue for the Federation launch. The audience heard from Josh Berger, the head of Warner Bros, alongside Martha Lane Fox and a young video games developer, Mitu Khandaker-Kokoris. Paul Greengrass and Anish Kapoor gave impassioned critiques. The unlikely star of the show was the Chancellor of the Exchequer. George Osborne began his keynote speech by highlighting the economic contribution made by the creative industries – almost £77bn and growing. Then he paused, theatrically, before embarking on a remarkable eulogy to the beauty of art and its value to society and the soul. The assembled – not a group that could be accused of being credulous – were delighted. But some feared that when push came to shove, when the number-crunchers in the Treasury took to the sector with their usual scalpel, this warm talk would come to nothing.

So that was the challenge: to ensure the idea became a reality, to turn the rhetoric into action.

We began our work in earnest in January 2015 and believe that in just a year we have made an impact beyond the most optimistic expectations. On the policy front, we have published research on why public investment in the arts benefits the wider creative industries, on the link between creative and technical education, and on the economic case for diversity. Most recently we published a finance guide with the Institute of Chartered Accountants in England and Wales. This was a handy 'how to' guide on all forms of revenue-raising. We have worked closely with other partners, too – from the Institution of Civil Engineers to MOBO and Arts Council England.

And we have engaged vigorously across government.

We established strong links with Downing Street, the Treasury, with the Department for Education, Foreign Office, BIS, UKTI and the GREAT campaign. Of course, our relationship with the Department for Culture, Media and Sport is key. We have developed good links with the Scottish Government; we are keen to do the same with Wales and Northern Ireland, and also with local authorities across the country. We are heavily active politically, but we are rigorously non-partisan. During the general election campaign, we played host to the political parties and held a hustings event on arts and culture. We plan to do the same for the London mayoral election.

At the heart of the Federation's work has been a clear set of working principles. Our commercial companies, our arts and our education system are, we believe, interconnected. They can optimise potential if they work more closely together. Ideas and talent flow between them and there are issues common to them all in terms of infrastructure and talent development and retention, issues that are the foundation of Federation work – education, diversity, public spending, clustering, IP and more.

Although so many of the arts and creative industries are concentrated in London, we have worked hard to incorporate the successes and problems of people living and working across the country into our thinking and policy work, holding what we called 'roadshows' in Manchester, Leeds, Birmingham, Norwich, Liverpool, Glasgow, NewcastleGateshead and Bristol (which took place after we went to print). We wanted to send a message that everyone, from everywhere, would find a voice under our umbrella. At all our events we see people making new contacts. It is great to watch potential creative and commercial deals being made.

In 2016, we aim to give our work an international dimension. We are setting up an International Advisory Council to complement the work of our UK Advisory Council. We will publish research on global trends. We plan to work more with creative tech, particularly start-ups. The debate about whether app designers are creatives is long done. They are every bit a part of the creative industries as the other parts of our sector – which includes advertising, architecture, video games, crafts, design, fashion, film, creative tech, museums, galleries and libraries, music, performing arts, publishing, radio and television, video and photography and visual arts. But with a creative economy that stretches way beyond official categorisation.

Our biggest focus in the year ahead is likely to be in education, as it was in 2015. A call-out to members to join a working group on higher and further education received a huge response and works kicks off very shortly.



Our programme will crack on, as ever. Our unique network of members is just that: unique, helping to foster commercial and creative collaborations. I love seeing at our events an individual cellist talking to a digital entrepreneur, a museum director being introduced to a fashion designer, a CEO out talent spotting, a film producer in heated discussion with an investor. The Unique Breakfast, in which surprising people will come together to discuss surprising ideas, is the first in a series of events inspired by this notion. We will do more policy-based meetings around the country.



PAGE 4: The audience at the General Election Culture Hustings

PAGE 7: **John Kampfner**, Federation Chief Executive, at Glasgow roadshow

ABOVE: (Left to right) **Paul Greengrass**, director and screenwriter; **Cat Lewis**, Chief Executive and Executive Producer, Nine Lives Media; **Mitu Khandaker-Kokoris**, Founder, The Tiniest Shark; **Sir Anish Kapoor**, sculptor; **Josh Berger**, President and Managing Director, Warner Bros. Entertainment UK

We are a not-for-profit start-up, fiercely independent and beholden to nobody. We have no need to hold back for fear of losing state funding. We are not a government forum. We are not a public funding body. We don't do the work of single sector bodies; instead, we introduce their members to those in other disciplines.

Our research so far suggests that nothing like this been tried before in Britain – or anywhere in the world. The model is simple. If you believe in the importance of what we are doing, you will want to invest in us and become a member. Then you will be part of what we're doing, and the more you involve yourselves, the more influence you will have. What gives the Federation our unique spirit is the input of our hundreds of members so far. We are different, disruptive, collaborative, surprising.

This report shows what we have done to date on key policy areas of importance across the arts, creative industries and cultural education – work that will continue in years to come. It all comes from a tiny but amazing team of just 10 people. We are brilliantly supported not only by our Advisory Council but by our Board, a group of the UK's top names who give us their time and inspirational ideas. They and all our members can rightly be proud of their role as pioneers.

A year on from that incredible launch party, the same George Osborne told MPs in his Spending Review speech that one of the best investments the nation could make was in our creative industries and arts. This ringing endorsement was backed by a settlement that no one had predicted. Huge challenges lie ahead, both for government and for the sector. There is so much more that needs to be done. But we feel a little more confident that the long-sought heft has arrived. Here's to 2016. Thanks for your support.



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Our year in politics

In its first year, the Federation has become an important voice in the key political issues affecting the arts and creative industries. From the moment the **Chancellor of the Exchequer, George Osborne MP**, announced the tax relief for orchestras and children's television at our launch event, it was clear that we were going to be at the heart of the political debate and we have been passionately working for the sector in and out of Westminster since.

We opened our first national membership policy consultation as soon as we started accepting members, which allowed us to gauge the importance of issues concerning the creative community, and what our primary focus should be. This was followed by a series of **policy seminars**, which gave members insights into the topics of philanthropy, the BBC World Service and access to careers. In the run-up to the election, we hosted a **Creative Industries Hustings** at the Royal Opera House that saw representatives from five parties set out their views. We hosted a speech by **Ed Miliband**, then Leader of the Opposition, at Battersea Arts Centre in London, whilst other events across the party spectrum looked at the role of the creative industries more broadly. To aid our members, we summarised each of the party's manifestos.

Post-election, we have held events on education with **Secretary of State Nicky Morgan MP** and **Minister of State for Schools Nick Gibb MP**, questioning them on the future of the creative curriculum. **Ed Vaizey MP, Minister of State for Culture and the Digital Economy**, has launched all of our research papers – on creative education, public arts funding, diversity in the creative industries and access to finance, demonstrating his fierce advocacy for the sector.

Scotland's **Cabinet Secretary for Culture, Europe and External Affairs, Fiona Hyslop MSP**, delivered the keynote speech at our Glasgow roadshow on November 10, where she highlighted that the creative industries in Scotland employ more people than the oil and gas industries and touched upon the important and evolving role of the BBC in the nation.

We submitted a discussion paper to **HM Treasury** ahead of the Spending Review. We asked our membership about the potential impact of any cuts to public funding and proposed that the Government launches a new corporate sponsorship initiative which would promote and communicate the clear benefits of stable, long-term corporate partnerships – for business, for the arts and for communities.

In addition, we worked with the **Greater London Authority** and the **Migration Advisory Committee** – an arm’s length body advising government on immigration – to encourage members to attend the first creative industries roundtable organised by the MAC. We made representations on proposed changes to Tier 2 visa regulation (general employee admission to the UK) which may make it more difficult for creative companies to hire those from outside the EU. We pointed out, amongst other things, that creative industries are, by definition, skilled, and that the push for higher exports needs to be complemented by recognition that creative companies need to access people who understand the diverse desires of global markets.

Ahead of the **BBC Green Paper**, the Federation took on the role of honest broker and travelled to Manchester, Birmingham and London to ask members for their input. Results can be found later in this report.

The year finished with the Autumn Statement which saw a strong endorsement from the Chancellor of the value of the arts and creative industries, and recognition that the contribution they make to the economy more than repays investment in them. However, while funding for Arts Council England and the national museums and galleries was broadly protected, local government support will be imperative for continued growth of creative hubs. Furthermore, the announcements on education policy suggested a further prioritisation of EBacc and STEM subjects, which is also potentially damaging to the creative ecosystem.

We continue to work behind the scenes with all government departments and arm’s length bodies, including but not limited to: the **Prime Minister’s Office (No 10)**, the **Department for Business, Innovation and Skills**, the **Department for Communities and Local Government**, the **Foreign and Commonwealth Office**, the **Home Office** and **UK Trade and Investment**.



PAGE 10: **George Osborne**,
Chancellor of the Exchequer

ABOVE: **Ed Vaizey**, Culture Minister
and **Harriet Harman**, Shadow Culture
Secretary at the launch of the Creative
Industries Federation

Education

Education

Education is undoubtedly the biggest issue raised by our members in the policy consultation all are invited to complete on joining. This finding prompted the decision to make education the focus of our first major policy paper, the Creative Education Agenda, which uniquely brought together the creative industries and the engineering sector to demonstrate the need for a skillset spanning STEM (science, technology, engineering and mathematics) and creative subjects in our workforce.

Despite this, the most recent figures from the Cultural Learning Alliance show that over the last five years there has been a drop of 14% in the number of arts GCSE entries from 720,438 in 2010, to 618,440 in 2015, and research by Ipsos MORI, published by the Department for Education (September 2012), found that 27% of schools say that some courses have been withdrawn or have failed to recruit enough pupils for the 2012-13 academic year due to the EBacc. The most commonly withdrawn subjects are drama and performing arts (23% of those schools withdrawing courses), art (17%) and design technology (14%).

Schools Minister Nick Gibb MP has proposed that the Government set a 90% goal for the number of students taking the five core EBacc subjects, which equates to seven or eight GCSE modules as it includes English (x2), maths (x1), science (x2-3), a language (x1), and history or geography (x1). Although these subjects are important – in different combinations they are essential for the prosperity of our sector – we believe this focus is contributing to the sidelining of creative and arts subjects.

In November at Prime Minister's questions, Fiona Mactaggart MP asked if the Government would seek to preserve the UK's leading performance in creative industries by protecting school funding. In reply, Prime Minister David Cameron said: *"It is essential that we get more children learning the basic subjects and getting the basic qualifications. It is then more possible to put in place the arts, the dance and the drama that I want my*

children to enjoy when they go to their schools.” The Federation responded with a letter to The Times, reprinted below. Speeches by the Education Secretary and Minister have expressed their support for creative subjects in schools, but it is clear that many in Government do not yet accept the Federation’s belief in the essential need to promote creative subjects as core to children’s learning experiences, as well as crucial in helping fill skills shortages.

The Chancellor’s Autumn Statement, despite its welcome endorsement of the arts and creative industries, further deepened concerns about the perceived importance of creative subjects at school level. The £1.3bn investment to train new teachers was aimed particularly at STEM and EBacc subjects and we believe may accelerate the decline in the number of arts teachers in schools. STEM subjects are crucial to the success of the creative industries, but not in isolation, and we will redouble our efforts to convince ministers of the importance of arts subjects.

The Migration Tier 2 Skills Shortage list shows that our country is crying out for a combination of creative and technical skills. The list includes several creative industries occupations reliant on both – graphic designers (working in visual effects and 2D/3D animation), programmers and software development professionals (in visual effects and 2D/3D animation), artists (in visual effects and 2D/3D animation) alongside arts officers, producers and directors working in the same area, covering 17 job titles in total.¹ In addition the list contains seven types of engineer, a career which our Creative Education Agenda report demonstrates benefits from this combination of skills. The Migration Advisory Committee has also recommended that a selection of other jobs which rely on this combination of skills are added to the list. The Creative Education Agenda report, reprinted below, argues that in order to fill these skills shortages we need to be offering young people a combination of technical and creative subjects.

Question in the House of Commons

Fiona Mactaggart (Slough) (Lab):

“I went to Cheltenham Ladies’ College and the Prime Minister went to Eton. Both schools invest heavily in excellent teaching and facilities for music, dance, arts and drama, and yet while he has been Prime Minister, the schools that educate 93% of our pupils have cut the number of teachers in those subjects. Will his legacy be that Britain stops being a world leader in creative and cultural industries and becomes an also-ran?”

The Prime Minister:

“I do not accept that. If Members look at what has happened with school funding, they will find that it has been protected under this Government, and we want to continue protecting school funding. What I make no apology for is the very clear focus that we have on getting the basics right in our schools. It is essential that we get more children learning the basic subjects and getting the basic qualifications. It is then more possible to put in place the arts, the dance and the drama that I want my children to enjoy when they go to their schools.”

Letter to *The Times* — November 10, 2015

Sir,

The creative industries contribute £77bn a year to the UK economy, yet the emphasis on so-called “basic subjects” has already led to a sizeable drop in the number of students taking GCSEs in creative subjects.

It is economically self-defeating to be focusing exclusively on the limited STEM (science, technology, engineering and maths) and EBacc agendas when the creative and cultural industries are the fastest-growing sector of the UK economy and our calling card to the world.

To argue, as David Cameron did at prime minister’s questions, for the arts to be put in place after the “basic qualifications” have been acquired, risks perpetuating existing problems with skills shortages and jeopardising Britain’s position as a global cultural powerhouse.

We seem to be marginalising creativity in schools just as other countries have identified the arts and creative industries as the route to economic – as well as cultural and social – success.

Sir John Sorrell *Founder and Chair, Creative Industries Federation*

John Kampfner *Chief Executive, Creative Industries Federation*

Baroness (Martha) Lane-Fox

Tessa Ross

Anna Jones *Chief Executive, Hearst Magazines UK*

Tom Weldon *Chief Executive, Penguin Random House UK*

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Jude Kelly *Artistic Director, Southbank Centre*

Caroline Rush *Chief Executive, British Fashion Council*

Marcus Davey *Chief Executive and Artistic Director, Roundhouse*

Deborah Bull *Assistant Principal, King’s College London*

Rob da Bank *Founder, Association of Independent Festivals*

Andy Heath *Chairman, Beggars Group, and Chairman, UK Music*

Kenneth Tharp *Chief Executive, The Place*

David Jubb *Artistic Director, Battersea Arts Centre*

Carol Main *Director, Live Music Now Scotland*

Sally Bacon *Executive Director, Clore Duffield Foundation*

Deborah Dawton *Chief Executive, Design Business Association*

Denise Proctor *Chief Executive, NoiseFestival.com*

David Amadasun *Goldsmiths and Founder Project U.N.C.L.E*

Amahra Spence *Founder and Director, MAIA Creatives*

Creative Education Agenda (Edited)

This report was launched in partnership with the Institution of Civil Engineers on May 13, 2015

One of the UK's unique selling points is the creativity and diversity of its population. We have produced creative designers, engineers, scientists and technologists who have shaped the world we live in and contributed to our prosperity and quality of life. We are internationally recognised for our arts and culture. Creativity drives our enterprise and ambition as well as our economy. Our success in the future will depend on our willingness to act now in order to ensure that creativity and enterprise are the foundation of our education system. We join organisations like the Cultural Learning Alliance and Nesta in encouraging the next generation to combine the creative skills offered in the arts, science and technology in order to remain world leaders in innovation and invention. Alongside this, we argue that there is an urgent need to provide careers advice and vocational pathways for technical careers in the creative industries and creative careers in the STEM sector.

- The UK already has a high percentage of creative employment,² constituting around 24% of the workforce, with 87% of highly creative occupations at low risk of being replaced by robots in the future.³
- The creative economy⁴ accounts for over 2.5 million jobs. Predicted growth in the creative economy will rise from 10% in 2014 to 20% in 2020.⁵
- The creative industries contribute over £77bn a year to the UK's economy and

£15.5bn of exports.⁶ Taking a sample of 200 civil engineering (QUEST) scholarship applicants in 2014, 36.5% studied a creative or design subject to AS/A-Level, with 67% combining arts and STEM at GCSE.⁷ This suggests that our most gifted engineering students have successfully combined STEM with the arts.

- Almost 25% of those employed in the visual effects industry have a degree in a STEM subject (including maths, physics, engineering and computer science).⁸
- AND YET in the year 2012–13 only 8.4% of students combined arts and science disciplines at AS-Level.⁹
- Only 5% of those accepted for maths and computer science courses have studied A-Level art and design.¹⁰
- There was a 50% drop in the number of students taking GCSE design and technology between 2003 and 2013.¹¹
- There has been a 25% drop in other craft-related GCSEs from 2007 to 2013.¹²
- Failure to meet engineering skills demand will cost the UK £27bn a year.¹³
- And for 89% of the Federation's members, education and ensuring a pipeline of talent for the creative industries is the greatest policy concern.

Our current education system, particularly in England, has created a gulf between STEM and arts subjects with the assumption that the arts are creative but not useful in an economic sense. The STEM subjects, on the other hand, are seen as non-creative



drivers of the economy. These are dangerous misconceptions. We need creative scientists and engineers as well as artists and designers who understand the affordances of materials and the uses of technology. From the age of 13, students are encouraged to follow the sciences or arts rather than a combination of both. None of our international competitors impose these stark choices on their young. By the time students reach AS-Levels, or go on to apprenticeships, this binary may allow the right choices for some, but not for all.

Research by Nesta has shown that while some creative jobs are susceptible to automation, people with creative skills are the beneficiaries of the digital age, as digital technologies are making creative skills even more productive.¹⁴ We need to continue to build this workforce by providing all of those in our education system with ample

opportunity to express and explore their creativity in a variety of different ways, both in and out of the curriculum. We also must ensure that these students have the best advice when it comes to choosing subjects that will help them to not only move on to higher education or into apprenticeships, but to build their careers as well. The Federation's commitment to STEAM also recognises the urgent need to infuse the whole curriculum with creativity, enterprise and technology. The UK's leading edge in the creative industries and STEM will depend on a supply of graduates and apprentices who are imaginative, ambitious and make innovative use of new technologies.

Worryingly, research shows that the arts are increasingly becoming a privilege rather than an entitlement in our schools, only available to those who can afford them.

And although the arts are not the only vehicle for 'creativity', they offer particular ways of encouraging creative thinking in children and young people which are relevant to every profession, in particular those in STEM industries and the creative industries.

Just like the study of mathematics, these are skills that are essential for every young person to have, part of a toolbox that should be given to all.

In the UK, not only is GCSE and A-Level take-up dropping, but the number of primary school children taking part in after-school arts classes has fallen by a third since 2010.¹⁵ In addition, figures show that only one in three primary school children now takes part in music activities – compared to just over half in 2010.

Similarly, the proportion of children doing drama and dance classes has fallen from 49% and 45% respectively to just 33% for both.¹⁶

With the introduction of the EBacc, schools with a high proportion of children on free school meals have been more than twice as likely to withdraw arts subjects than schools with a low proportion (21% versus 8%).¹⁷

22% of parents in the higher social groups pay £500-plus a year on extracurricular arts activities compared to 10% of parents in middle and lower groups.¹⁸

Research by IPSOS Mori shows that 70% of children whose parents have no graduate qualifications spend less than three hours a week on cultural activity compared to 80% of children with graduate parents who spend more than three hours a week.¹⁹

In this paper we have argued for a STEAM education to ensure the continuing growth of our economy and creative workforce.

But a STEAM education would also guarantee that all our children, regardless of who they might become, have access to a rich and culturally expressive life.

Educators, employers, the Government and the media have a responsibility to inspire students to combine arts, design, music and craft with sciences, technology, engineering and maths. The future success of the UK depends on a workforce with creative and STEM skills. We need to provide all young people with the skills for a sustainable and diverse career, and for many students this will mean a combination of STEM with arts, design, music, creative writing or craft.

The Evidence

Art and design have been shown to encourage geometrical understanding and general observational skills.²⁰ Drawing or painting develops the craft skills which are relevant to those experimenting in anything from molecular biophysics or software development to architecture or blog writing. At school level, visual arts provides an unparalleled opportunity to create and experiment.

Music has been shown to boost academic performance and phonological skills²¹, and data from the civil engineering (QUEST) scholarship applicants shows that 35% studied a musical instrument in their spare time upon application. This is yet another indication that the study of music encourages and develops skills that are of interest to STEM employers in and of themselves. At GCSE and A-Level, composition can offer students the opportunity to use technology to be creative – a combination of precision, technological ability and creativity that should be invaluable to future employers.

Drama not only strengthens verbal skills useful in schools, but theatre education has been shown to improve writing, oral understanding, understanding of writing, reading and language. Being able to communicate is not only the preserve of those who will go on to stand on a stage, but an essential skill for those in any career. In particular, these oral skills benefit the socioeconomically disadvantaged, which is why it is concerning that from 2003 to 2013 there was a 23% drop in students taking drama GCSE.²²

Design and technology. The work of the Design and Technology Association has demonstrated that “until 2013 D&T was always the most popular optional GCSE subject, but over the last 10 years there has been a decrease in the entry from just under 450,000 a year to just under 250,000. This is now less than a third of the annual cohort. In addition, DfE figures released in 2014 show that since 2010 the number of hours the arts and technical subjects are taught and the number of associated teachers in schools have fallen. Design and technology is experiencing the greatest decline with 11% fewer teachers and hours of teaching”.²³ According to Sir James Dyson, it is “the only subject that puts science and maths into a practical format, giving young people an opportunity to understand how a product works and invent in a better way”.²⁴



Education Secretary
Nicky Morgan speaks
to Federation members

An extensive body of correlational data in the United States has shown that students who participate in multiple arts courses have higher educational attainment levels (as measured by grades in school and scores on verbal and mathematical standardised tests) than those who take fewer or no arts courses. One study showed that this relationship exists for students at both the high and low ends of the socioeconomic spectrum.²⁵ In the UK, the Cultural Learning Alliance has used large scale cohort studies²⁶ to demonstrate that:

- Learning through arts and culture improves attainment in all subjects.
- Participation in structured arts activities increases cognitive abilities.
- Students from low income families who take part in arts activities at school are three times more likely to get a degree.
- Employability of students who study arts subjects is higher and they are more likely to stay in employment.
- Students who engage in the arts at school are twice as likely to volunteer and 20% more likely to vote as adults.

By encouraging a STEAM curriculum, not only do we widen the talent field for creative industries and STEM through the socioeconomic groups, but we may also begin to address some of the gender disparities. Research done by the Institution of Mechanical Engineers looked at ‘tribes’ of school students who might be interested in becoming engineers. The second largest group, predominantly female (55%), were what the Institution dubbed Social Artists – a creative section of the population who seemingly have little affinity with STEM, and were unlikely to pursue STEM professions. They were, however, confident in STEM subjects, and the researchers concluded that the group comprises many potential engineers who “would be more inclined to contemplate what is on offer if the engineering community were better able to promote its creative side”. In particular it was noted that these students “displayed little connection with technologies presented, with the exception of engineering related to art and design”.²⁷

We need to recruit 2 million new scientists, engineers, technicians and mathematicians in the UK by 2022.²⁸ Nesta are campaigning for 1 million new creative jobs by 2030.²⁹ The number of 18-year-olds will also decrease by 8.9% between 2012 and 2022.³⁰ If we are looking to encourage students into STEM careers why would we dissuade them from taking subjects that provide a clear route in? Similarly, encouraging a more diverse range of skills will benefit a creative sector, crying out for technical ability. IT, software and computer services expanded to be responsible for 46% of the GVA attributed to the creative industries by 2013 (up from 32% in 1997).³¹ A STEAM education is the only education which will truly prepare students for our inevitably creative future, whether that be in the creative industries, or in a STEM career.

Public funding

Public funding

As with any other sector in the economy, the creative industries require public investment in order to maximise growth. This investment can take many forms. For example, many of our members believe that the investments in arts organisations (both directly and through the arts councils) and in broadcasters are essential to continued growth. The following two sections investigate the importance of this public investment to our members and to the wider economy.

The first is a report which drew on testimonials from leading figures in business (from advertising to fashion to publishing) to reinforce the case that public investment in the arts is crucial, not only for the arts themselves, but for the creative industries more widely. It later became part of our submission to the Treasury on the spending review.

The second is a submission to the Government's Green Paper consultation on BBC Charter renewal based on the views expressed at a series of policy seminars held by the Federation on the BBC's role in the arts and creative industries. Presented in partnership with the BBC Trust, these took place in Manchester, Birmingham and London, involving senior figures from the BBC and the Trust and experts from across the creative industries and the arts, with Lord Hall addressing the final meeting in London on September 23.

Sarah Lamb as Perdita
in Act II of *The Winter's Tale*.
Credit: Royal Opera House,
Johan Persson, 2014



How public investment in arts contributes to growth in the creative industries (edited)³²

This report was released in partnership with Arts Council England on July 13, 2015 at an event hosted by Warwick Business School

Executive Summary

In this report we focus on the importance of public investment as part of the UK's unique mixed economy in the creative industries.

The creative industries in the UK are booming and an increasingly important part of the economy, with growth outgunning that in finance and insurance, and employment up by 5% between 2013 and 2014 against a 2.1% UK average. But the captains of industry who oversee the million-pound art sales, the publishing companies and the advertising conglomerates that returned £77bn of direct GVA in 2012-2013 know that it is not just their business acumen that makes them a success story.

For the first time, top British entrepreneurs and business leaders, from Melanie Clore, chairman of Sotheby's Europe, to Tom Weldon, CEO Penguin Random House, internet businesswoman Baroness Lane-Fox to Caroline Rush, CEO British Fashion Council, explain in this report why they see public investment in culture as crucial to what they do.

They say that Arts Council funding for writers is a seedbed for publishers, that the Tate is a vital part of what has made London a global arts centre market, that great coding needs as much creativity as a poet and that fashion has always worked with artists for inspiration and the film business for red carpet profile.

In some ways, business is running ahead of the politicians where, despite the creative economy boom, the Department for Business, Innovations and Skills does not include the creative industries in its data on industrial growth and despite the excellent work of the BIS-sponsored Creative Industries Council, policy responsibility for investment and growth in the creative industries is spread across several government departments and would benefit from strong and unified leadership.

Government has given major support with a string of new tax incentives to promote everything from video games to orchestras, on top of the longer-established breaks for film, in a move that promotes both commercial and subsidised enterprises. Tax incentives are a vital and welcome part of a mixed economy of revenue streams. They do not necessarily help to build and maintain infrastructure or vital education and outreach in the way that public investment does. Neither do tax breaks mitigate the risk for private investors in the way public investment can at the high-risk stage of idea development.

Businesses from Cameron Mackintosh Ltd to film financiers Ingenious Media acknowledge recipients of public investment – or subsidy – are providing vital training, R&D and ideas which underpin the broader growth in the arts and creative industries.

Without two years of development by the Royal Shakespeare Company, there would have been no *Les Misérables* as a West End staple. The Arts Council gave small grants to organisations on a street in Hull that will now be at the heart of its year as UK City of Culture; private investment followed. Choreographer Matthew Bourne's company received £3m in project grants in the last decade but returned £12m to the Treasury.

The arts and culture sector has welcomed the Government's decision to increase their share of lottery good causes since 2010 although grant-in-aid support, focused on rewarding a track record of quality and success, whether through the Arts Council, DCMS grants to the national museums and galleries, or local authority support for libraries and regional theatres, has fallen in recent spending rounds.

ACE grant-in-aid is down 29.4% in the last five years and accounts for only 0.1% of public expenditure. The UK invests a smaller percentage of its total GDP on arts and culture than European competitors like France and Germany and the EU average. The arts have become more entrepreneurial to increase revenues from earned income and private and philanthropic investment but its leaders are clear that a bottom line of public investment is crucial to the mixed economy that has made British arts the envy of the world. Sustained investment will benefit not only the arts themselves but the broader creative industries who acknowledge the interdependence of the sectors and are thriving in consequence. It is a success built on the tiniest of public investments. Imagine the economic potential if investment were increased.

“Cutting-edge creative industries are hungry for talent and ideas. Britain has both and it is in no small part due to our investment in the arts over the last half-century – in schools, in universities and through public funding for our visual and performing arts. We are the envy of the world for the dynamism of our creative industries. This report makes clear the contribution made to their success by the people and institutions in the arts. Let’s make sure we continue to underpin our global position by maintaining our investment in culture – and working together with individuals and businesses in the commercial sector to continue to find smart new ways of leveraging that investment even further.”

Damon Buffini, RSC Board Member and Founding Partner, Permira

“The nation’s investment into the publicly-funded arts is without a doubt a key driver of the next generation of talent for the creative industries. There is no question that it enriches advertising. This is partly in a linear sense – we try to hire creative people from various backgrounds. But I also believe that creativity is such a difficult concept to pin down that no creative idea in any field is given birth to in isolation. All build on thinking and inspiration that comes from a person’s cultural life. In the UK, we stand on the shoulders of giants.”

Chris Hirst, European CEO Havas global communications and advertising

Introduction:

We stand on the shoulders of giants

The United Nations define the UK's creative industries sector as being at the crossroads between the arts, business and technology.³³ It is therefore clear to those who work and interact with the sector that their growth depends on continued public investment in the arts to support the development of ideas and talent on which the creative industries and wider creative economy depend.³⁴

There is a 60-year history of successful public investment in the arts that has established the bedrock for growth in the wider creative industries. We want to see continued public investment in the arts to build on these foundations for future growth and success.

- The GVA of the creative industries, including the public arts experienced growth between 2012-2013 of 9.9%, which is higher than any other industrial sector, including financial services.³⁵
 - The UK now invests a smaller percentage of its GDP in arts and culture than the EU average and less than European competitors like France and Germany.³⁶
 - Recent estimates suggest that our publicly-invested arts still return 0.4% of the UK's GVA and contribute indirectly to GVA through tourism, overseas trade and regional growth.³⁷
 - The public arts are significant employers and indirectly a source of support for jobs in the commercial creative industries.³⁸
 - The public arts provide essential R&D (research and development) for creative ideas before business is able to invest. Public investment at the R&D stage often leverages private investment
 - Public investment fosters creative places and spaces, which promote our creative industries internationally and provide inspiring environments to work, live and thrive.
- Sustained public investment ensures that:
- Our impressive heritage of world-class museums, galleries and other key cultural institutions maintain their infrastructure, generate income and, through free access, inspire the ideas and imagination that characterise the creative industries.
 - Over 660 National Portfolio Organisations (NPOs) are supported by Arts Council England (ACE); Creative Scotland supports 119 Regularly Funded Organisations (RFOs); Arts Council Wales supports 72; Arts Council Northern Ireland supports 114. These organisations receive public investment for a three-year period in order to develop and deliver artistic excellence and contribute to other strategic objectives that support growth, diversity and training in the wider creative industries^{39, 40}.
 - Public investment in the arts and film supports high-impact diversity and access programmes that advance the economic success of the creative industries, as well as benefitting society more generally.
 - Public investment in the arts supports the regional growth that is essential to the future of the creative economy as the examples of Liverpool, Manchester, London, Bristol, Hull, Newcastle and other cities demonstrate and also supports growth in grassroots local arts and culture across the UK.

“As we continue to produce more films, TV series, video games and stage shows here in the UK, Warner Bros. hires the very best talent the country has to offer. To support this diverse pool of exceptional talent, and to ensure the UK maintains its position as a global leader of creative industries, we welcome and encourage both public and private investment in UK artists across the board.”

Josh Berger, *President and Managing Director, Warner Bros. Entertainment UK*

The raw materials of the creative industries, including the publicly-supported arts, are talent and ideas. Therefore, investment in innovation and R&D across the creative industries is essential for economic and employment growth. Even IT, software development and digital games, which account for nearly 50% of the creative industries contributions to domestic GVA and exports, rely to some extent on public investment for growth.⁴¹ 37% of video games businesses surveyed in a TIGA study depend on public grants and government financial schemes.⁴² Software developers can claim reductions from their corporation tax of up to 225% of the money invested into R&D and even loss-making businesses can claim up to 33% of expenditure.⁴³

The speed of the growth of the creative industries and the imperative for maximizing the UK’s creative potential depends upon an environment that encourages innovation and rewards enterprise. As new private/public synergies are emerging, there is a vital need to ensure a pipeline of creative talent and original ideas for economic as well as cultural growth, and there is potential for even greater growth by diversifying the creative workforce and investing in regional regeneration.

The landscape will continue to evolve. For these reasons it’s important for there to be sources of public investment to identify, seed and nurture new and unforeseen initiatives designed to meet present and future needs as well as to support existing public arts organisations and initiatives in particular.

With public investment in the arts, we will have more businesses in the creative industries, more and more diverse artists and creatives, and further unique ideas with the potential to become commercial success stories.

It is worth noting that some of the data we use in this report is necessarily specific to England, rather than representative of the UK as a whole. It has not always been possible to source comparative data for the other nations of the UK. Where this is the case it is indicated in the endnotes. The arguments that we make, however, are appropriate to apply across the United Kingdom. The latest data on GVA is from 2012-2013,⁴⁴ whereas the latest data on employment is for 2013-2014.⁴⁵ We have indicated which year data is from and treated GVA and employment findings accordingly.

“Artists, designers and the fashion industry have always worked together – in the 1970s, Andy Warhol famously worked with Yves Saint Laurent, and more recently architect Zaha Hadid designed the mobile Chanel Pavilion gallery. Theatre and film work directly with the industry through requests for costumes, and red carpet events that often showcase the best of British. More generally, fashion designers (whether world famous or up-and-coming) need to be inspired by access to theatre, film, galleries and museums. Our great retail stores also benefit from existing in cultural spaces, which benefit designers attempting to produce artistic work. Conversely, our museums can benefit from fashion recognised as art – as was seen in the Alexander McQueen showcase ‘Savage Beauty’ at the V&A. Put simply, the British fashion industry depends on a great public arts scene to continue to thrive.”

Caroline Rush, CEO British Fashion Council

The UK thrives on human ingenuity and skill

Creativity in terms of the impact of creative occupations, intellectual property and creative talent is a key UK resource for future growth in GVA and employment.⁴⁶

The UK's creative economy includes the contributions of creative occupations outside the creative industries, including marketing and sales directors embedded in manufacturing firms, graphic designers in engineering organisations and website and software designers working within our financial services.⁴⁷ The creative economy now accounts for 5.8% of all UK jobs. Employment has increased by 5.0% between 2013 and 2014 compared to a 2.1% UK average and by 13.7% since 2011.⁴⁸

The UK's creative industries sector, as a sub-sector of the creative economy, has now grown from 4% of the UK's GVA in 1997 to 5% in 2013. The GVA of the creative industries experienced growth between 2008 and 2013 of 26%,⁴⁹ which is higher than the figure for financial and insurance activities (13.1%)⁵⁰ and returned £77bn of direct GVA in 2012-2013⁵¹ and 8.8% of total UK exports in 2012.⁵² Exports by the UK creative industries have increased by 34.2% between 2009 and 2013 and account for 8.7% of total exports of services for the UK in 2013.⁵³

More than one in 12 jobs in the UK are in the creative economy and employment has increased by 5.0% between 2013 and 2014 compared to the increase in jobs in the wider UK economy of 2.1%.⁵⁴ The number of jobs in the creative industries increased by 5.5% between 2013 and 2014.⁵⁵

Showing similar patterns of growth, the publicly-supported arts, a sub-sector of

the creative industries, contributed 0.4% of the UK's GVA in 2012-2013, an increase of 19% compared to a 3.3% UK average⁵⁶ and a 9.2% increase in employment compared to the 1.6% UK average.⁵⁷

In addition, the arts are linked to 42% of inbound tourism-related expenditure.⁵⁸ British films, often supported by direct public investment, generated £1.4bn of exports, with a trade surplus of £916m in 2013.⁵⁹

Public arts produce ideas, talent, R&D and technical brilliance that feed into creative businesses from advertising and architecture to design and IT software. The UK is a world leader in the creative industries because it has a unique blend of public and private investment, which enriches us culturally and economically.

This must also be the model for growth in the UK's creative industries. We need sustained, effective and strategic public investment in the arts working in partnership with the global commercial success of our creative industries. With estimates that 35% of all occupations will become automated in the next two decades, the future will belong to the highly skilled creative workforce that make up the creative economy and its sub-sectors whose human ingenuity and skill cannot be replaced by robotics.⁶⁰ It is this workforce that we need to grow.

We argue that the remarkable growth in employment in the creative economy, and in the GVA of the creative industries and the public arts, are connected. They feed each other in an ecology of growth in the UK's economy which is itself increasingly dependent on creativity as a key resource.

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

Melanie Clore, *Chairman of Sotheby’s Europe*

“People don’t always recognise the link between the technology sector and the UK’s public arts. But to be a great coder you need to be as creative as a poet or a designer. It is precisely this parallel which has encouraged me to not only advocate for the technology sector, including coding in schools, but to work with the Design Council and the Women’s Prize for Fiction, advocating for creativity across the board. When we inspire each other we end up with a stronger society as well as a stronger economy, and having public arts organisations is an important part of the puzzle.”

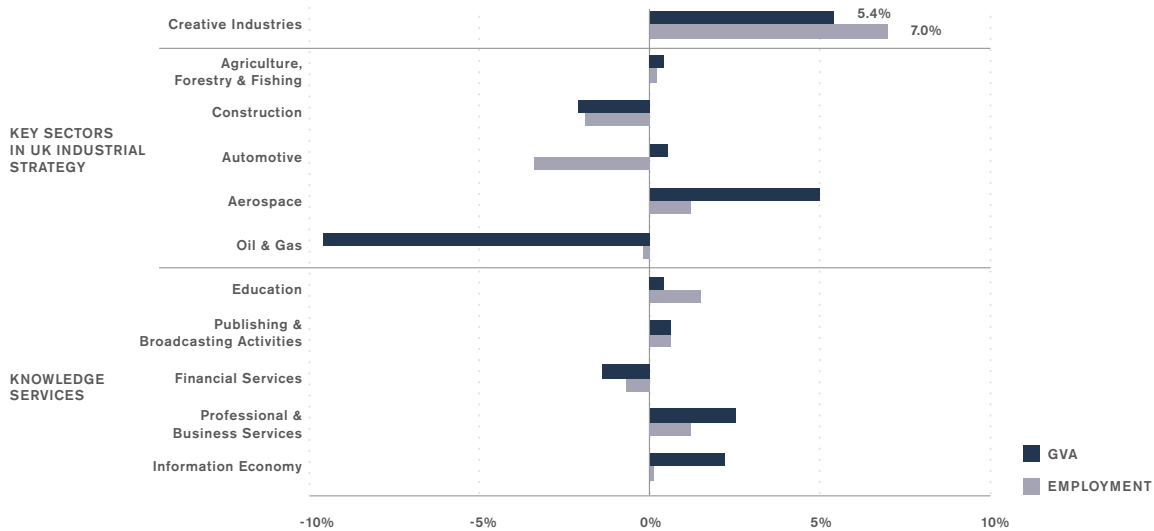
Baroness Lane-Fox, *Philanthropist and public servant*

Investment leads growth

The creative industries have not always been seen as central to the Government's growth agenda. This is perhaps why data on industrial growth provided by BIS (the Department for Business, Innovation and Skills) does not recognise the creative industries as a sector or acknowledge its phenomenal rates of growth when compared to other sectors.⁶¹

FIGURE 1

Average Annual Employment and GVA Growth (2007–2013)



This Government is now recognising the success story of the creative industries and BIS can further recognise the need to drive an industrial strategy that supports growth across the creative and cultural sectors.

The challenges and obstacles as well as the plan for growth identified in the Creative Industries Council's *Create UK Strategy⁶² require a joined-up policy response from government. Under the leadership of the Secretary of State for Culture, Media and Sport, priorities and resources must be brought together from other lead departments who contribute to the growth of the creative industries ecosystem, including HM Treasury, the Department for Business, Innovation and Skills, the Department for Communities and Local Government, the Department for Education and others.

“In 1991 there were perhaps seven international, contemporary commercial art galleries in the UK. The number now is in the hundreds. London is without doubt one of the major art centres in the world; 25 years ago it was considered a backwater. This success, I believe, is due to the UK’s investment in the art schools of the 70s and 80s, and the excellence of the generation of artists educated there, and the growth in investment and popularity of our public institutions, now envied across the world. Without this investment, the quality and interest in British art will reduce, as will the jobs and tourist pounds it delivers.”

Matthew Slotover, Co-founder, Frieze

“London theatres are doing record business, generating nearly £100m of VAT receipts for the Treasury in 2013. Yet commercial theatre does not operate in a vacuum. We rely on public investment in the arts for many things – funding the education and training of actors and technicians, supporting artists and writers in taking creative risks to develop their talent and enabling innovative productions to be brought to the stage. We created the original British adaptation of *Les Misérables* with the help of the RSC in 1985 after two years of development backed by public investment. It was a huge risk at the time, but *Les Misérables* has since gone on to become London’s longest running musical, seen by more than 70 million people in 42 different countries.”

Robert Noble, DMD Cameron Mackintosh

*Total spend by central and local government in England in the publicly-supported arts and culture (inclusive of museums and libraries) represents 0.7% of the total public spend in England. Spend on ACE represents 0.1% of total public spend in England.*⁶³

Recent estimates suggest that the UK's public arts return 0.4% of the total UK GVA.⁶⁴ Even when judged purely by economic returns this demonstrates how a relatively small amount of public investment in the arts can generate growth in GVA as well as significant levels of employment across the UK.

There are other less visible ways in which public investment in the arts makes a significant contribution to the growth of the UK's economy – via 'brand' and international standing. According to the GfK-Anholt Nation Brands Index, Britain was the third best nation in terms of having an exciting contemporary culture and has been a consistently high performer in that index.⁶⁵ Data from the International Passenger Survey from 2011⁶⁶ shows that, of those travelling to the UK, 27% of people visited museums or art galleries while here, and 9% engaged with the performing arts. The numbers were even higher for people here on holiday at 43% and 14% respectively. UK film is a significant source of export earnings generating £1.4bn in 2013 with a trade surplus of £916m. In addition, the British Council has demonstrated that interest in opportunities to do business with people and organisations from the UK is significantly higher among participants in cultural activities with the UK.⁶⁷

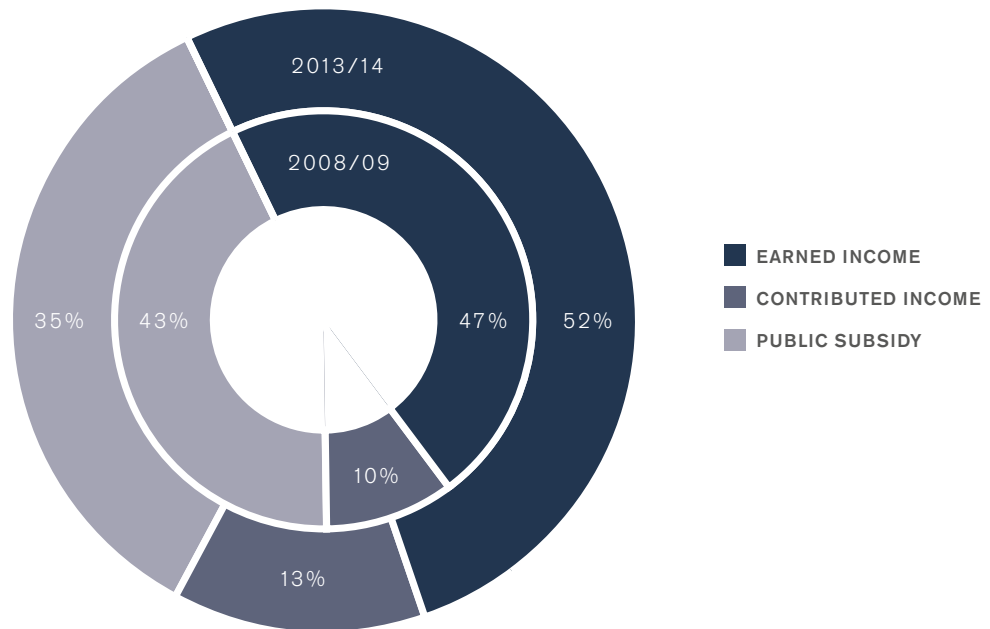
The arts mean business

Historically, public investment in the arts has been seen as investment in a public good rather than an economic intervention. NPOs are charities with strict limits on their income generation potential. There is a tradition of public investment both directly in the arts and into the pipeline of education and training that has provided the foundations for today's creative industries. More recently, lottery funding and tax incentives have diversified the sources of public investment in the arts, although in the context of reduced levels of direct public funding through grant-in-aid. Grant-in-aid funding for ACE, for instance, has fallen by 29.4% in real terms between 2010–2011 and 2014–2015.⁶⁸

Over the last 20 years organisations in receipt of public investment have been encouraged to access additional sources of finance from income generation, private and philanthropic investments, requiring an entrepreneurial spirit that is unique to the UK. It represents a third way between the US model where the arts are almost entirely dependent on private and philanthropic investments and EU countries like Germany where public funding is enshrined in their constitution.

FIGURE 2

NPO Income



Data in **Figure 2** shows that NPOs have successfully exploited additional sources of revenue to decrease their dependency on public investment.⁶⁹

Figure 3 shows that at 0.3% the UK invests a smaller percentage of its total GDP on arts and culture than the aggregate equivalent of 0.5% for the EU,⁷⁰ and less than European competitors like France at 0.8% and Germany at 0.4%. But no other EU country benefits from the level of GVA that the UK's public arts return, nor uses public spend on the arts as a catalyst to grow the creative and digital resources that super-charge growth in the wider creative economy.

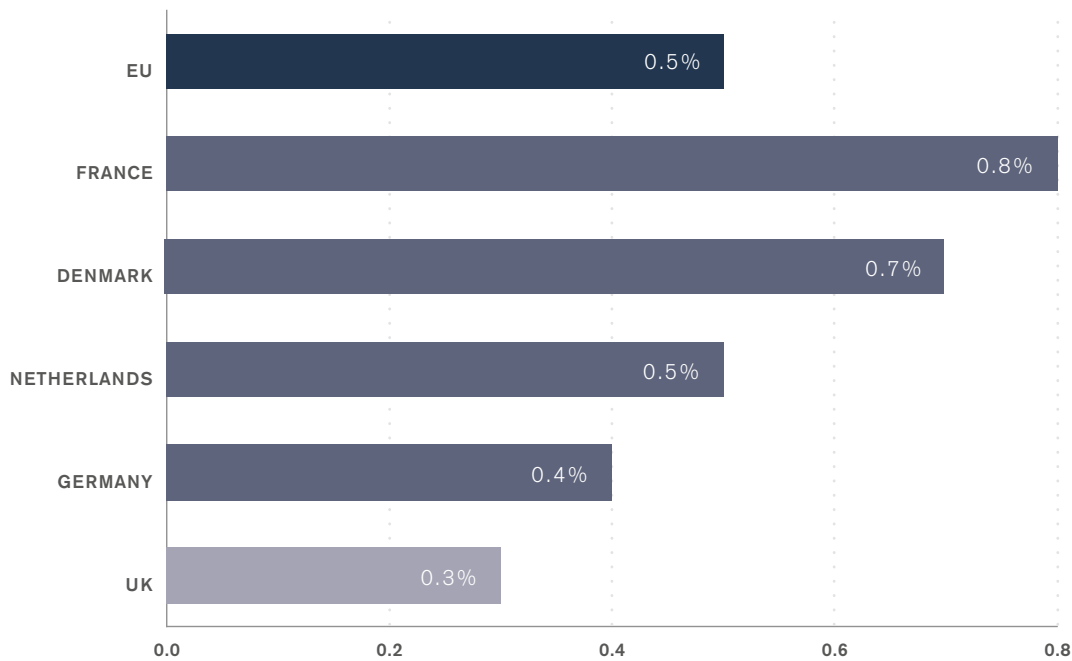
There are limits to the extent to which NPOs and other cultural organisations will be able to make up for reductions in grant-in-aid by increasing revenues from earned income and private and philanthropic investment without fundamentally damaging the unique cultural and artistic strengths and gifts that infuse the creative industries ecosystem and the wider creative economy. A shift towards earned income will inevitably impact on the capacity of arts organisations to offer a high standard of products and services at a reasonable cost, to provide the vital R&D and talent development that inspires the creative industries and to extend the reach of the arts into the lives of underrepresented communities and people.

Crucially, it will mean that many small regional organisations and experimental companies may struggle with long-term implications for both the economy and society.

FIGURE 3

Total General Government Expenditure on Cultural Services

(% of GDP 2013)



Tax incentives are an important part of the mixed economy

The increase in earned income shown by our publicly-supported arts and film recipients has begun to erode the traditional distinctions between the public arts and commercial businesses, and between not-for-profit and for-profit business models. Recently introduced tax incentives for theatre and orchestras represent additional support and a shift from direct investment to incentivising growth. For commercial and public theatre organisations, these are worth up to 25% of touring costs and 20% for all other productions. Orchestras now benefit from up to 25% relief on qualifying expenditure.

Tax incentives are also available to film, high-end TV, animation, video games and children's TV as a mechanism by which to incentivise production in these sectors and create jobs. They are a major and welcome contributor to growth in the arts and creative sectors, and they complement current levels of public investment through grant-in-aid.

In 2013-14, the film tax relief provided support to over 320 films being made in the UK. Since relief was introduced in 2007, over 1,200 film productions have made claims for a total of £1.3bn.⁷¹

Tax incentives sit alongside grant-in-aid incentivising production but they are not a strategic tool to build and maintain infrastructure, business resilience or education and outreach. This is something that only targeted investment such as grant-in-aid can do, through place-making, training, experimentation and longer term support for business and artistic planning.

“Design is a British success story. The UK has the largest design sector in Europe and the second largest in the world, after the USA. It’s also the fastest-growing sector within the creative industries, increasing 24% in 2012-13 (compared to 4% in the economy as a whole). Britain has the world’s oldest Design Council and we lead the world in exploiting the value of design for growth, thanks to smart investment from government in supporting a skilled workforce and through working with the Design Council to empower and inspire businesses to unlock the huge potential of design.”

John Mathers, CEO Design Council

“I was drawn to the communications design industry because it uses a fusion of creative and business skills. magneticNorth was established in 2000 and I still love working with the wide range of companies who engage us from the BBC to M&S. Digital technologies help us to be constantly innovative and evolving, always carrying forward new learnings from every project we deliver.

Inspiring projects call for inspiring people, and those we employ have a range of design and technical skills, an insatiable appetite for the new and a strong creative ambition as well as the ability to work in a highly collaborative way. Manchester, with its world class creative heritage, vibrant culture and economy, civic pride and incredible array of educational organisations is the perfect environment to enable creative companies like magneticNorth to thrive, now more than ever.”

Lou Cordwell, Founder and CEO of magneticNorth

“We are all only as good as our last creative idea. If we want to be a country of innovators we need to be constantly creative. To become creative, innovative and imaginative, we need to expose ourselves to new ideas. A vibrant arts and culture community is the easiest way to make this happen. The games industry has benefited enormously from increasingly sophisticated classical music soundtracks played brilliantly by orchestras like the Philharmonia. Many games developers now pay large sums to classical composers to write scores for their games, exposing a new generation of young people to classical music while enhancing the creative experience of playing these games. We have to stop thinking about arts and culture as simply nice to have. They are just as important as well-maintained roads and bridges. By giving us the chance to stimulate our minds with new ideas and experiences, they give us the opportunity to become more creative. Arts and culture are infrastructure for the mind.”

Ian Livingstone, Co-founder Games Workshop and former Chairman of Eidos

“No one would ever want to live in a city without culture. Culture is the fuel that drives the urban metropolis. Artists, literary thinkers, designers and directors feed our souls and our imaginations, offering both a mirror and a chance to escape.”

Boris Johnson MP, Mayor of London⁷²

Public investment leverages private investment and earned income

Public investment can also be used as a means of attracting commercial interest – with successful results. In 2015, three of the six BAFTA nominees for outstanding British film were supported by the BFI Film Fund, and *Pride*, which was supported by both the BFI and BBC Films, won a best debut BAFTA. *Philomena*, which was also supported by BBC Films and the BFI, was nominated for best picture at the Academy Awards.⁷³

In some cases non-profit arts organisations have produced their own massive commercial hits – such as *Matilda The Musical*, *War Horse* and *The Curious Incident of the Dog in the Night-Time* – as part of their portfolio of products, which has helped them to offset reduced levels of public funding and build reserves for the future. The UK's orchestras make a substantial contribution to the commercially successful film and video games industries, which in turn enables them to leverage an additional £2 of private investment for each £1 of public investment, the equivalent to the average leverage from all NPOs. Great British orchestras, including the London Symphony Orchestra, the Philharmonia, the LPO and the RPO, are responsible for the soundtracks of some of our most successful cultural exports, including the Harry Potter films, television shows like *Downton Abbey* and video games including *Halo 4* and *Killzone*. Orchestras in the UK are given an international edge by their funding structure – with public funds allowing them to diversify their audience, tour outside London and continue to educate themselves and others.⁷⁴

The public arts are key to regional growth

The Government recognises that regional growth is key to the future success of the economy, particularly if the creative economy is to grow in GVA and employment. A quarter of Local Enterprise Partnerships (LEPs) have stated that the creative industries are a priority sector.

Although there are success stories of thriving creative industries and cultural participation across England, it is not an entirely positive story. There is still a significant imbalance between London and the regions. 47.6% of creative industries jobs are in London and the South East of England alone which, aside from agriculture and finance and insurance, makes the creative economy the most unevenly distributed part of the UK's economy.⁷⁶

There are strong links between cultural growth and activity and the growth of regional economies and creative industry employment. Liverpool attracted 9.7 million additional visits during its time as EU Capital of Culture, generating an economic impact of £753.8m.⁷⁷

“Under-25s make up 40% of Birmingham’s population – we are young, diverse and digital. Birmingham is home to 6,000 tech firms employing nearly 40,000 people. 25% of the UK’s gaming workforce is based locally, and digital tech firms boost the region’s economy by in excess of £1.6bn every year.

Talent is brought together in initiatives and areas such as the Innovation Birmingham Campus, The Custard Factory, Fazeley Studios, Entrepreneurs for the Future (e4f) and Oxygen Accelerator with geographical concentrations in Digbeth and the Jewellery Quarter. The city’s multicultural character and access to universities and other educational establishments provide creative employers with a steady flow of talent and our diverse and vibrant cultural scene helps us to attract and retain this talent.”

Anita Bhalla, Chair of Creative City Partnership, Board member LEP and Chair of Performances Birmingham

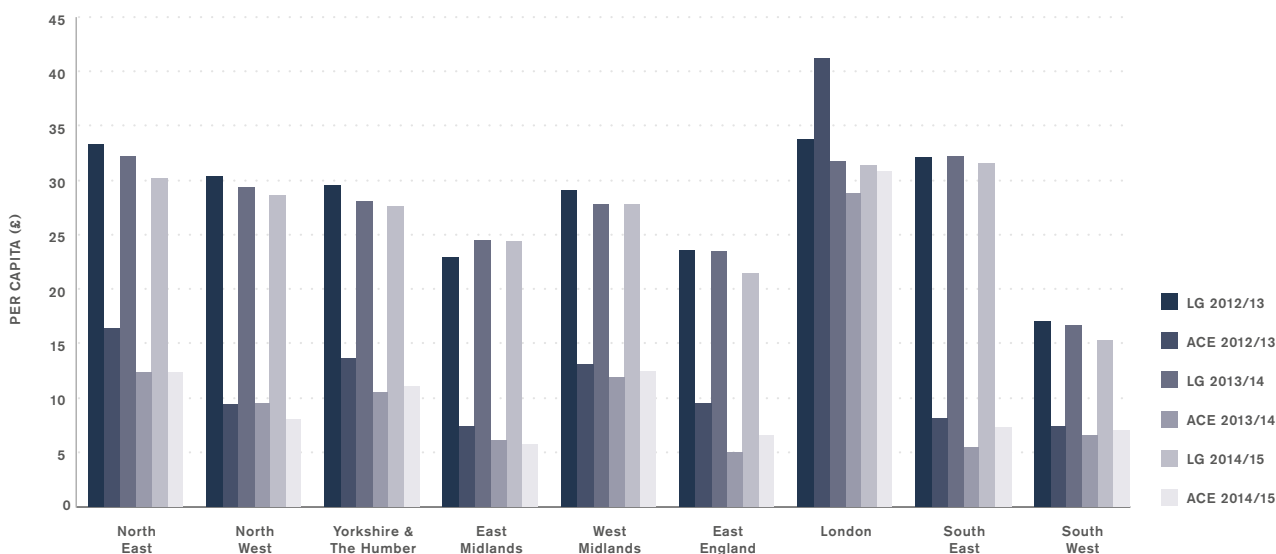
The devolved nations in particular have potential for growth in the creative industries and economy. Currently Scotland has 6.9% of the creative economy jobs in the UK, Northern Ireland has 1.6% (the lowest of all regions) and Wales has 2.9%. With investment, we believe that recent growth can be accelerated.

It is now recognised that public investment in the arts is essential to ensure that they are experienced by all, wherever they live, and for providing access to experiences and education that both benefit our least advantaged citizens and inspire individuals and communities to be creative, and in so doing contribute to local creative and cultural growth. An Arts Development: UK and Arts Council Wales study found that 90% of local authorities surveyed had

FIGURE 4

Local Government Spending and ACE Investment

(2012/2013 - 2014/2015)



partnerships with external arts and cultural organisations in 2014 compared to 82% in 2012, which indicates an increasing trend towards cultural commissioning by local authorities to deliver a wide range of services including health and wellbeing as well as business and regional development.

In 2013-14, local government invested £1.5bn in cultural services to their communities of which £805m was spent on libraries, which are vital cultural assets. ACE distributes £611m to the regions for arts services only, but which also includes some support for libraries.

Figure 4 shows that levels of local government spending, inclusive of spending on libraries, are fairly evenly distributed across England but are on a

downward trajectory. ACE funding is not as evenly distributed and this makes local government support in some regions crucial for enriching the cultural lives of local communities and boosting local creative and cultural growth. But many local authorities are facing real dilemmas in maintaining levels of spending on arts and culture whilst providing core services to their most vulnerable communities and fulfilling civic responsibilities. As a result local government spending on arts and culture has fallen by 25% since 2007-2008.

This overall downward trajectory in local government spending is alarming given that **Figure 4** shows that with the exception of London, the rest of the regions are heavily reliant on local government spending for their arts and libraries.

“On the day that Hull was named UK City of Culture, the local paper carried the headline – ‘The day the city changed forever’. Some felt it was an overstatement but public investment in culture was to trigger a new confidence in private investment. With over 20 local and national companies sponsoring Hull’s bid to show private sector support alongside local authority and Arts Council cash, there was clear evidence that business saw benefits in culture changing the fortunes of a city. Hull launched a £25m public realm strategy, now being implemented by Arups, and local developer Wykeland was announced as lead partner for cultural-led regeneration on the Fruit Market, investing £15m in a new digital centre @TheDock. The near derelict wasteland of Humber Street had seen small Arts Council grants support a jewellery gallery, a museum of club culture, music and festival activity. It is now a street full of scaffolding as private investment follows public to see the arts as the permanent solution rather than a ‘meanwhile use’. £20m of positive media coverage has already seen a 15% increase in hotel income and a turnaround in retail. The University of Hull saw an 8% increase in students for its cultural programmes.”

Andrew Dixon, Director of Culture Creativity Place and Visiting Professor of Cultural Policy University of Hull

“To have inspired, creative companies, Britain needs to produce an inspired, creative workforce. This is not just about school education, but involves developing communities which are able to interact with the arts at all levels. On a practical note, Hearst employees often work with the publicly-funded arts – these institutions perform an important role in offering a new perspective and inspiration to all of our most successful creative industries.”

Anna Jones, Chief Executive, Hearst Magazines UK

The public arts are a source and resource for creative talent

Hull will be the second UK City of Culture in 2017 and already has demonstrated that growth in employment, GVA and cultural confidence can flow from a city rallying around their creative and artistic heritage and future. Public investment has made it possible for the city to 'come out of the shadows'.⁸³ The public arts are a source of and resource for creative talent. Public investment supports the identification, diversification and training of creative talent. 60.5% of creative industry workers are graduates compared to a UK average of 31.8%. But 92.1% of workers were from advantaged social and economic backgrounds compared to a UK average of 66.0%.⁸⁴ In the creative media sector alone, 14% of workers were educated in independent schools which represent only 7% of the population.⁸⁵

Despite an encouraging 34.3% increase in the number of BAME workers in the creative industries between 2011 and 2014, they still only represent 11.0% of the creative industries workforce, compared to 14.1% of the overall population of England and Wales and 40% in London where there is a high concentration of creative industries.⁸⁶ In England, 12% of the creative and cultural workforce is classified as disabled⁸⁷ compared to 18% of the general workforce.⁸⁸ Women held 36.7% of jobs compared with 47.2% in the whole UK economy.⁸⁹

The range of experiences, cultures and forms of expression in the creative industries is enriched by public investment targeted on accelerating social mobility and diversity in the creative workforce.

“The vitality of the commercial sector in the visual arts depends very heavily on public investment in our art schools, galleries and museums. This vitality can be narrowly expressed as the livelihood of artists, the success of the commercial galleries and auction houses. More broadly, it includes the graphic arts, design, film and aspects of television and has a major impact on tourism and the economic success of our cities. These centres of learning and inspiration have trained and brought to public attention successive generations of artists from Moore, Riley and Hockney to Whiteread, Doig and Hirst. The art schools attract students from across the world. They are internationally-recognised centres of research, developing talent that plays leading roles in the creative industries across the world. Our galleries, like Tate Modern, the Whitechapel or Nottingham Contemporary, show the artists and create the public interest that stimulates an art market, in which London has become the principal centre alongside New York.

In recent years substantial investment in institutions and people in Europe and America has attracted talent from the UK and is now quickly eroding our lead. Public investment creates the nursery for our success and future generations will not forgive us if we fail to plant seed for the next crop.”

Sir Nicholas Serota, *Director, Tate*

“To create an equal society we must have arts and culture that are available to everyone. This doesn’t just mean having doors open to all, but actively trying to approach and interact with those who may not feel our artistic institutions are ‘for them’. If we strip away funding, it is diversity and access programmes that suffer with knock-on effects right through society.”

Melanie Eusebe, *Chair and Co-founder of the Black British Business Awards*

The UK has invested in exceptional training routes for the publicly-supported arts that also support graduates who move into advertising, fashion, design, publishing and other creative economy and creative industry settings. Public investment of £60m includes support for specialist creative higher education and training of proven world-class standards in terms of their graduate employment records.⁹⁰ Public investment also supports the cost-intensive training offered in our small independent schools that provide the dancers, musicians and actors needed to maintain the UK's internationally recognised standards of artistic excellence. Budgets to support investment in our world-class HE centres of excellence are under considerable pressure, and must be maintained if we are to stimulate the supply of creative talent on which the creative industries depend.⁹¹

Public money has also been invested more directly into projects that help practitioners to skill up. The Creative Skillset Skills Investment Fund uses matched public/private funding to produce £32m of support for training that provide crucial entry into the workplace and skills support in the creative industries⁹² and the Creative Access organisation plays a vital role in brokering paid internships for talented BAME creatives to work in the film and media industries. The ACE Creative Employment Programme delivered by the National Skills Academy supports up to 6,500 new apprenticeships, pre-apprenticeships and paid internships (graduate and non-graduate) across the arts and cultural sector.⁹³

Social objectives for public investment have merged with economic imperatives. The conditions for granting public money to arts and cultural organisations increasingly stress accountability for meeting targets that are in the national interest. These include excellence and financial sustainability but also reflect the need to ensure that the arts are diverse, inclusive and available nationwide.⁹⁴ All three of these priorities serve important national social objectives that are also economic imperatives for the creative industries and the creative economy.

Creative innovation and growth in any sector depends on a diverse workforce, as McKinsey has recently demonstrated. In *Diversity Matters* they showed that gender diverse companies are 15% more likely to outperform their competitors and ethnically diverse companies are 35% more likely to outperform.⁹⁵ The drive for diversity in the publicly-supported arts, supported by clear links to public investment conditions, is a major initiative and exemplar for increasing the diversity of the creative industries workforce as a whole.

Through public investment in projects designed to attract more socially and ethnically diverse arts audiences we ensure that the commercial potential of a diverse range of ideas and talent are realised. The publicly-supported arts as well as being an important source of diverse talent and experience to the creative industries as a whole also invest in education and community outreach that nurtures tomorrow's creative talent and consumers.

“There would be almost no commercially viable independent filmmaking in the UK without public money through BBC Films, Film4, BFI, film production tax credit, Enterprise Investment Scheme, Creative England and Screen Yorkshire. Although at Ingenious we do not spend public money ourselves, we would not fund, whether through debt and/or equity variants or other financial instruments, films like *Pride*, *Testament of Youth*, *Mr Turner*, *Selma* and *Suffragette* without being able to work with partners who are able to share the risk by drawing upon these vital sources of funding which, together, typically add up to between a third and half of production cost.”

Martin Smith, *Special Adviser, Ingenious Media*

“New Adventures makes a significant contribution to the UK’s economy, over the last decade generating over £12m for the Treasury. Arts Council England investment enables us to take risks in creating brave new productions and touring to all parts of the UK, including to smaller theatres that otherwise would not be financially viable. In return, New Adventures acts as R&D by building skills and expertise across the creative industries, enabling talented individuals to develop their careers.”

Matthew Bourne, *Artistic Director, New Adventures*

“Publishing is a business but we are part of an ecosystem which needs public investment to flourish. Not only does the Arts Council invest in new writing talent, but it also supports the educational infrastructure which nurtures the brilliant new authors, designers, and digital marketers of the future.”

Tom Weldon, *CEO Penguin Random House*

Intellectual property as the raw material of the creative industries.

There is a high degree of risk of market failure in investing in the early stages of idea development; at the point at which it is not certain that an idea is commercially viable and likely to produce a return on investment. It is an inevitable corollary of creative work that there will be ideas that fail to become marketable intellectual property, for every commercially successful one. As many of the case studies in this document suggest, public investment at the high-risk stage of idea development mitigates the risk of market failure for private investors. Public investment encourages risk and experimentation in order to develop ideas to a stage where private investors are willing to accept the risk and invest in moving an idea into the supply chain. For instance, about £50,000 was spent on a series of experimental workshops at the National Theatre (NT) Studio for *War Horse*, and its first production at the NT in 2007 cost around £500,000. It has now been seen by over 5.5 million people worldwide and earned the NT a surplus of £12m.⁹⁶

A sustained level of public investment in the arts has resulted in the creative and artistic edge that distinguishes the West End from Broadway and which has led to the phenomenal world success of some of the best ideas incubated in the publicly-supported arts, such as *Les Misérables*, *Matilda*, *12 Years a Slave* and *The King's Speech*. Less commercially successful and experimental ideas generated in the publicly-supported arts also inspire commercial producers and drive technological innovation and design trends across the creative economy.

In 2011-2012, ACE NPOs commissioned 27,913 new works from 14,758 artists.⁹⁷ Very few of these commissions will become box office hits but they provide the laboratory conditions for developing artistry, technology and spin-offs that benefit the wider creative economy. Public investment in the market failure of the arts is essential to ensuring the supply of original, brave, experimental work that underpins and inspires commercial success stories. If left to private investors, unwilling to take unacceptable levels of risk on uncertain returns on investment, the UK's creative output would be damaged economically and in terms of international prestige.

The visual and performing arts consist of 30,800 enterprises, according to 2011 estimates, and this is the second-largest number of enterprises in the creative industries after software and e-publishing.⁹⁸ Many of these enterprises depend on public investment in order to survive and thrive in the creative industries supply chain, particularly in order to transform their raw materials into distinctive and successful products and services. This is often done through using public investment to buy in or supply services to the wider creative industries supply chain.

The raw materials of intellectual property in the creative industries are brought to market through a complex interaction of creative, technical, marketing, management and other processes. The transformative stage of the creative industries supply chain is immensely complex and often involves multiple sources of expertise. A theatre production may employ external freelancers and SMEs for a wide range of needs including technical, digital creative, marketing, administration, sourcing, design and craft making etc. The production of a film may be even more complex in the outsourcing of its production processes.

The publicly-supported arts and film are significant employers of a wide range of creative occupations in the commercial sector and contribute directly to their GVA. Many creative organisations are small business-to-business operations feeding the needs of other organisations, including the arts and film, within the creative industries and are dependent on the success of the creative supply chain as an integrated whole to survive and flourish.⁹⁹

90% of businesses in the creative industries are self-employed individuals and estimates of the number of freelancers range from an average of 23% to 45%.¹⁰⁰ A quarter of the arts and culture industry's supply chain is accounted for by the creative industries, representing almost £2.2bn 2010. The arts and culture industry in the UK is indirectly a significant source of support for jobs in the commercial creative industries.¹⁰¹ This is one reason why we so often see artists and creative businesses working in the same locations and doing business with each other.¹⁰²

wbs

growth



Board member **Melanie Eusebe** speaks about the importance of public investment in the arts

Submission by the Creative Industries Federation to the Government's Green Paper on the BBC

Submitted on October 8, 2015

Our role

The Federation held a series of seminars with members and other invited speakers from the sector in London, Manchester and Birmingham, to consult on the role of the BBC in the arts and creative industries. As a body spanning both the public and the private, across all the nations and regions, the Federation acted as an “honest broker” to bring different sides of the debate to the table including some not featured in other public forums. This paper reflects discussion at those events and is built on it.

It examines the BBC's role not only in television (and radio and online) but in music and film as well as the regions and in the provision of training. It also reflects concerns about the BBC's role in the digital age and how to protect British distinctiveness in the face of strong overseas competition and investment.

Context

The BBC, which has a £3.7bn income from the licence fee, invested £2.2bn in the UK creative sector in 2013–2014, with half invested in companies outside of the BBC and £450m spent on small creative businesses. Analysis suggests a GVA impact in excess of £8bn a year.

The BBC is a bigger investor in culture than DCMS or Arts Council England (whose £470m for 2015–2016 includes money for libraries and from Department for Education for music education work). Investment made by the BBC has a crucial impact across the wider creative industries of the UK. The creative industries is currently the fastest-growing sector of the economy, contributing £77bn of direct GVA in 2012 – 2013, and provides high-quality jobs that will not – in the main – be replaced by automation in the future.

Value for money is crucial but Government should be clear that any reduction in spending by the BBC – either direct or through absorption of other duties and responsibilities – will have consequences far beyond the BBC's own radio, television and online production.

We welcome the BBC Trust's intention that, under the new Charter, “the BBC should be a catalyst for further growth of the creative industries”.

Support for British television, music & film:

Television

The licence fee accounts for around 20% of TV revenues but around 40% of the investment in original British programmes.

While the BBC remains the biggest investor in original television and radio content in the UK, spending is falling and the implications of the current settlement are of further reductions, starting with the need to absorb the estimated £725m cost of licence fees for over-75s.

Total investment in new original television content in the UK (outside sport) fell by £400m between 2008 and 2013. Investment by all the public service broadcasters combined fell by around 15%. Increased investment by pay-TV channels made up some of the difference but not all and a majority of their expenditure is on sport. These figures and a useful further analysis of public service broadcasters (PSBs) and multichannel provision can be found in Ofcom's 'Third Review of Public Service Broadcasting – Public Service Broadcasting in the Internet Age'.¹⁰³

The BBC is an important supporter of smaller independent production companies who are, typically, the type of businesses that help drive local economies. Production companies with turnovers of less than £5m receive 11% of the external commissions available from the BBC against 4% of the commissions from Channel 4 and 1% from ITV. [Source: PACT, the Producers Alliance for Cinema and Television]

“The licence fee the orchestras get enables them to explore challenging, innovative repertoire and, crucially, they contribute to the fragile ecology of the classical music sector by providing dates in the calendar for concert halls around the country which are being squeezed by local authority funding cuts. They also play an absolutely crucial role in extending access to classical music. We have to say loud and clear that Radio 3, the Proms, BBC orchestras, are absolutely intrinsic to the ecology. Without them, classical music in this country would wither and die.”

Mark Pemberton, Director, Association of British Orchestras

“What the BBC offers music is unique. It gives emerging talent pre-commercial access to audience and fans. It offers a trusted BBC Introducing platform to new artists, one that now has a solid bridge to commercial success. There are [more than] 25 artists that have come through BBC Introducing and have been signed up to record labels, eight of whom have had number one albums. We need a leaner and simpler BBC but with more music. I do not think the two are mutually exclusive.”

Jo Dipple, Chief Executive, UK Music

Classical Music

The BBC underpins the classical music infrastructure of Britain. Radio 3 broadcasts 600 concerts a year, half live, using both its own five orchestras and one choir, the BBC Singers, and other national and international ensembles, providing work and income for musicians and venues. BBC orchestras and the BBC Singers are also the backbone of the BBC Proms, performing in around half the concerts of the season and making it economically viable.

It is also the biggest commissioner of new contemporary classical music in the country with 35 new pieces last year – although the commissions are becoming shorter in length and critics believe there are fewer opportunities to write the largest-scale works.

Projects such as Ten Pieces, which aims to open up classical music for children and inspire them, illustrate an ambitious educative role that no one else would be able to replicate.

Pop Music

For the commercial recording industry, the BBC plays an equally vital role in developing and showcasing new talent in pop. Talent schemes such as BBC Introducing have discovered and championed artists such as Jake Bugg and George Ezra, including some who have been subsequently signed to major or significant independent record labels.

Major acts, such as Ed Sheeran and Sam Smith, were showcased early by the BBC before their popularity secured them airtime on commercial rivals. The naming of Sam Smith as BBC Sound of 2014 was followed by a spike in album sales, which rose from 1,000th on Amazon to 6th place in the following 24 hours. Three-quarters of tracks played on the BBC radio service are not broadcast on any commercial radio station. Yet its contribution to economic success in UK music exports is significant.

Coverage has brought festivals such as Glastonbury to a mass audience and offered a significant boost to the sales of artists showcased. Commercial promoters do express some concern that the BBC can distort the fees structure by negotiating cheaper deals for its own high-profile events but leaving them to face higher fees as a result of the publicity generated for artists.

Film

BBC Films, with the British Film Institute and Film4, is a building block of the British film industry. It has nearly 100 film projects in development and in the last five years has seen nearly 60 films into production including *Philomena*, *Pride* and *Testament of Youth*. They include 19 written by first-time writers and British stories of lesser interest to international investors.

The investment is around £10m a year, but the return lies not only in equity in the films but in the training, nurturing and continued support of talent including Simon Curtis, Steve Coogan and Stephen Frears whose work is currently a calling card of British creativity worldwide.

Regions

BBC investment outside of London is regarded as having an important wider impact in the regions. BBC expansion in centres such as BBC North is broadly welcomed and, in many cases, considered crucial and even transformational. It is a key element of the Northern Powerhouse. The BBC can have a strong role in place-making and regional identity.

The damage to employment and to regional pride was demonstrated by the closure of Pebble Mill in Birmingham – where, correspondingly, optimism has been revived by the establishment of the new Digital Innovation Unit and the move of the BBC Academy to the city. Relationships, and coverage, are seen to have improved in regions where there are more people on the patch.

The BBC remains a major – and sometimes principal – source of national coverage for the Premier League which values each of its clubs being taken seriously, whatever their size and whatever the news priorities of other national press.

The shift of funding and staff from London comes with the caveat that much commissioning remains based on established relationships and supply chains and much decision-making and talent still resides in the capital.

Regional disparities remain. For example, the expansion of BBC North is not regarded as so clear a benefit to the North East as it is to the North West.

Higher education institutions such as Royal Northern College of Music and Liverpool John Moores University report that there is now a greater expectation from their students of being able to stay and pursue a career in places such as the North West as a consequence of the current levels of BBC investment. RNCM now has a 97% employment rate for graduates. Birmingham City University Media School feels Birmingham could benefit from yet more media jobs.

The first generation of creatives who moved out of London to Manchester for BBC North are leaving the BBC and founding their own businesses but, crucially, not moving back to London. Reduced spending raises the question of critical mass and how far the BBC can disperse its resources before it is spread too thinly.

“The BBC as a whole helps directors learn their craft. There are a number of directors from the UK in great demand all over the world and almost all of them began their careers at the BBC. I know Americans are envious of the experience new directors can get within the BBC television system and the training of emerging directors is just one way the BBC uniquely serves the cultural life of this nation.”

Simon Curtis, Director, *My Week with Marilyn and Woman in Gold*, both made with BBC Films

“It is very clear the BBC was the catalyst of MediaCity. We see evidence on a daily basis of jobs being created, of people moving back up north who had historically gone to London and having a real impact on the jobs market. It is definitely having a huge impact on the education agenda. The catalyst for ITV coming here to my mind was that the BBC was already here. One of the key issues that needs to be addressed in the whole Charter review process is...how do we make sure that as the BBC evolves, the MediaCity agenda is not lost in that?”

Mark Senior, Chief Executive, Dock10 independent production company in Salford

“Having at least one major media outlet that will actually talk about each of our teams on a kind of equal merit basis and not just a constant obsession with Manchester United, Manchester City, Chelsea, Arsenal and so on is, in fact, very important.”

Bill Bush, Director of Policy, Premier League

“The BBC is the single biggest investor when it comes to the creative industries and in TV terms at the moment, it’s by far the best broadcaster at working with smaller independents and with out-of-London companies like mine. The BBC is vital and when the Government reduces the licence fee, that has a direct and very negative impact on businesses like mine, essentially resulting in my employing fewer people. As a job creator, it makes me feel very alienated from central Government because I don’t understand why they’re making my job so difficult.”

Cat Lewis, Chief Executive, Nine Lives Media in Manchester

“It is really important that the separation between the BBC’s public service activities and its commercial activities is properly policed and that there are appropriate terms of engagement in place.”

Nick Toon, Vice President, UK public policy, Time Warner

“I welcome the BBC’s focus on the creative economy. We believe it’s a driving force for the creative economy and specifically a key driving force for skills and training, especially in our industries, which is why we would like to have a public purpose for training and partnership.”

Maria Balermpa, Policy and Consultations Manager, Creative Skillset

“The UK internet landscape is dominated by the US, particularly West Coast platforms but increasingly other companies also, and that really matters. It matters for wealth creation but it also matters for talent creation from where we believe we are going to add value on a global level. I would urge the BBC that far from retrenching from the wider digital world, you should be on the front foot, protecting something we need desperately to be protected because otherwise we lose it to some powers that are not necessarily malicious but are certainly extremely large.”

Baroness Lane-Fox, Businesswoman, philanthropist and public servant

Jobs

Independent production companies who contributed to our discussion also stressed the importance of BBC investment for the development of SMEs and how the establishment of BBC North has acted as a magnet to creative economic growth. MediaCity now has around 200 firms employing around 6,400 people. The independent production sector's dependence on BBC investment in commissions has consequences for employment with smaller independent production companies expecting to cut staff if commissioning spend falls.

The BBC is a major investor in small and micro creative businesses with around £450m going to 2,200 smaller creative businesses of fewer than employees.

The Market

The BBC has stated its need to find new sources of revenue in the current climate. Some Federation members have legitimate concerns about the BBC's new commercial plans. Issues such as BBC Studios and production quotas are being widely discussed in other forums and we will not replicate that debate. We do not under-estimate how important it is.

We hope and expect that the review process will ensure that an appropriate balance is reached that preserves a thriving BBC while enabling corresponding commercial success by its rivals.

However, the existing retrenchment of BBC spending has already provided a testbed of what might happen in future. The market has not filled the gap created by the fall in spending and commissioning expenditure of recent years. International TV revenues fell in 2014 for the first time since 2007. [Sources: Ofcom/PACT]

Despite the renewed commitment to the arts and music, there was a slight drop (from 1,819 hours to 1,812 hours) in music and arts provision on BBC television between 2013–2014 and 2014–2015. There was a similar fall in film (from 1,511 hours to 1,458 hours) although a slight rise in drama hours (from 1,292 to 1,344).

Training

Retrenchment also has consequences for training. The BBC employs around 18,000 people, the majority of whom are in creative occupations, and the staff it trains remain the cornerstone of the wider industry.

Nearly half of ITV on-screen talent began their working lives on the BBC.

The BBC Academy, the BBC's training and skills division, has moved to Birmingham. As part of its talent development and nurturing initiatives, it has instigated schemes such as the Make It Digital Traineeship which is a training scheme for up to 5,000 unemployed young people in digital skills, and traineeships in local radio, offering young people an opportunity to get into the media in their own area. Creative Skillset believes the BBC has an excellent record, but existing cuts have already had an impact on its contribution to training and skills with implications for the broader sector.

Further cuts – and/or a failure to prioritise training as a public service commitment – also risk progress that has been made on improving diversity. Representation and involvement of BAME communities and youth in news and other programming remains problematic, although the move out of London has improved engagement in some instances.

Partnership

It is clear that there are areas where the BBC could do better. It has pledged to work more in partnership, where it has a notoriously bad reputation and track record.

Those with experience in the sector highlight that an apparently genuine shift in attitude at the top of the BBC – where the director-general has personal experience of the problems of partnership from his previous post at the Royal Opera House – is not reflected in practice further down the organisation where partnerships can seem unequal and an exercise in box-ticking.

The majority of partnerships remain with major institutions such as the British Museum, Royal Shakespeare Company and Science Museum, prompting concerns similar to those of the smallest independent production companies that the system remains heavily supportive of established companies. Smaller organisations and individual artists question how to become partners and how SMEs can meet tender requirements.

The size and scale of the BBC introduces a power imbalance in many partnerships. This does not, however, imply a desire for a smaller BBC as there is no alternative national broadcaster believed likely to even attempt many of the cultural projects on which it collaborates. The BBC remains a coveted partner, but could be a better one. Charities, such as Noise which works to promote young talent through digital platforms, report that some BBC staff do not know how to engage with them and are unwilling to pay for their expertise. Such hurdles are unlikely to be overcome by clauses in the Charter but should be further considered by the BBC.

Digital/Online

Another, more general problem highlighted by digital leaders is that the BBC, in common with most major institutions, still regards the digital world as a separate universe rather than the one in which we now live and operate.

The video games industry argues it is unfair that the support offered to film and television by the BBC is not extended to games, which are yet to be seen as a serious cultural undertaking. However, the BBC has addressed some of this perceived failure to engage with digital with its Make it Digital season and work on BBC micro:bit – an international collaboration involving the commercial, charitable, not-for-profit and educational sectors that arguably no other organisation could have marshalled – and on coding for children. This comes in addition to existing indirect support such as the licensing for games of IP from popular series such as Doctor Who.

Others see potential in initiatives such as the Digital Innovation Unit and the opportunities offered by BBC Three going online, indicating the role the BBC could play if it were able to continue to invest. Online pioneer Baroness Lane-Fox emphasises the need for an open, free and true internet. The BBC is the only UK website among the top 100 most visited in the world. The UK internet landscape is dominated by American platforms which has implications both for talent and wealth creation.

British Distinctiveness

Major overseas businesses such as Amazon and Netflix are also investing heavily in British broadcasting and becoming an important source of finance for some UK businesses.

They have not to date produced content in volumes to replace the fall in UK-funded and produced content. Non-public service broadcast channels increased investment from £240m to £350m in the five years to 2013 which is less than a third of the loss of investment by the public service broadcasters. The acclaimed House of Cards from Netflix cost an estimated \$100m for two 13-part series of 22 hours, while for the same money the BBC produced 14 drama series totalling 79 hours. [Source: BBC]

Overseas investors, even when working with British talent and with British material (as in House of Cards which was first a Michael Dobbs novel and then a BBC series), do not necessarily shoot in the UK. Overseas investment raises valid concerns about the impact on the distinctiveness of the British offering and the destination of the profits, including in the newer area of digital media.



Martha Lane
Fox

Conclusion

We draw attention to the report produced by Frontier Economics in April 2015 for the BBC on ‘The contribution of the BBC to the creative industries’ for discussion of further matters including commercial revenues and exports through merchandise for TV shows such as Bob the Builder and the role of iPlayer in driving the successful development and roll-out of video on demand (VoD). These were not discussed at our seminars but appear relevant to understanding the value of the BBC’s wider role in the creative industries.

The broader picture of how public investment is crucial to growth across the entirety of the creative industries is further discussed in the Creative Industries Federation report, ‘How public investment in arts contributes to growth in the creative industries.’ Despite progress made, the BBC remains vulnerable to charges that it is bureaucratic and expansionist. In responding to these claims and in seeking to address them within a transparent and fair framework, we believe that it is important not to lose sight of the BBC’s role at the heart of British culture and the potential impact of a diminished BBC on the cultural output of the broader arts and creative industries and on employment in the wider sector.

Many Federation members clearly fear the sustained financial pressures on the BBC puts its capacity to deliver in jeopardy with serious consequences for the broader arts and creative industries.

The licence fee payers should remain paramount. The experience of discovering culture through BBC television, radio and online has been crucial for many working in the arts and the creative industries in bringing them to higher education and to their future employment. For many other listeners and viewers, especially those in smaller or rural locations, the BBC, provided at what remains a comparatively modest cost, is still a vital and trusted point of access to British culture which is the envy of the world.

Diversity

Diversity

The creative industries rise or fall on the range and talent of those working within them. That is why, in our first year, the subject of diversity was so important to the Federation. We did not just want to be a voice which elevated those who were not being heard, but we wanted to explain to those who did have a voice why they needed to diversify their practice and employment, and then to hold their (and our own) feet to the fire. The year started with diversity as the topic of one of our first policy breakfasts, in partnership with the Bridge Group, who specialise in socioeconomic diversity. This was followed by the launch of our Creative Diversity paper, an edited version of which is reprinted below. This was created in partnership with the MOBO organisation, and speakers at its launch at the British Film Institute in London in October included actor David Oyelowo.

We also worked with the Clore Fellows (a group of exceptional leaders from the cultural sector¹⁰⁴) on the question: ‘How can we ensure that all talent is given a chance, regardless of background?’ Some of their thoughts are listed here.

The state of diversity in the UK's creative industries, and what we can do about it (Edited)

This report was released in partnership with MOBO on September 28, 2015

Summary

There is a hard economic case for the creative industries to diversify their workforces – and action could be taken now. This survey of available data confirms the creative industries are failing to reflect the diversity of the populations where they are based, but suggests they stand to benefit even more than most organisations if they do.

Work by McKinsey & Company consultants has shown:

- The most racially and ethnically diverse companies are more likely to have better than average financial returns
- Companies with more women are more likely to have above average financial returns
- Greater gender diversity on senior executive teams boosts performance.

Yet the headline statistics on diversity remain worrying.

The British workforce appears to have grown more diverse with a 12.5% increase in the number of jobs in the creative economy held by black, Asian and minority ethnic (BAME) workers between 2013 and 2014. Around 11% of jobs in the creative economy are filled by BAME workers, which is a similar level to the BAME workforce in the UK economy as a whole.

But the Creative Industries Federation has weighted the employment statistics according to where jobs are based – with, for example, nearly 32% of all creative jobs in London where 40% of the workforce is BAME. By this analysis, at least 17.8% of the UK creative industries should be BAME if they were to reflect the population at large.

The lack of diversity across gender, disability, sexuality, age and socioeconomic background also requires action.

A snapshot of statistics shows:

- The percentage of women in the creative industries fell from 37.1% in 2013 to 36.7% last year, although women hold 47.2% of jobs in the wider UK workforce
- Evidence from parts of the sector shows that those who attended private school earn nearly £6,000 more than the average.

Failing to diversify means wasted business opportunities:

- The BAME population will make up nearly a third of the UK's population by 2050 and its disposable income increased 10-fold in the decade from 2001
- Women influence 80% of buying decisions and by 2025 are expected to own 60% of all personal wealth

What do we mean by diversity?

- Only 14% of workers in the £1.7bn video games industry are women yet they play more than half the games

As the creative industries sell ideas, content and products, they might benefit more than other businesses from diversifying because doing so would increase understanding of what different parts of the population might like.

The second half of this report (available on the Federation website) offers details of routes to action, but in essence:

- Have a hiring strategy and advertise on sites likely to be seen by a wide range of applicants
- Beware recruiting people just because they look like you
- Do internal audits and provide diversity training
- Make flexible working available

Diversity has been long seen as a matter of social justice. This study emphasises it is also a question of hard-headed business acumen.

We believe that diversity for the creative industries means having a workforce that represents the communities where they operate – and, by extension, the people who might use and enjoy the goods they make or the entertainment they offer. This report aims to provide members with ways to take immediate action to achieve this diversity, in gender, disability*, sexuality, age, ethnicity as well as recognise that these groups intersect.

We recognise that policy needs to change in order to allow everyone to fulfil their creative potential – this is something explored in our ‘Creative Education Agenda’¹⁰⁸ and ‘How Public Investment in Arts Contributes to Growth in the Creative Industries’¹⁰⁹ – but arts and the creative industries could act now to improve the diversity of their workforce.

**The Federation recognises the social model of disability, as adopted by organisations including Scope¹⁰⁵ and AchieveAbility.¹⁰⁶ This means that we understand that there is no sensible dichotomy between able and disabled – and it is the social environment that normally ‘disables’ a person (ie: makes it impossible for them to perform to their ability). For example: lack of wheelchair access is often what makes it impossible for an individual in a wheelchair to work in an organisation rather than the work itself being incompatible with their impairment. In the Government’s 2010-2015 policy paper on equality they suggested that one way of protecting the rights of disabled people was “encouraging the use of the social model of disability which says that disability is created by barriers in society”.¹⁰⁷*



Actor **David Oyelowo** speaking at the launch of the Federation's Creative Diversity report. Credit: The MOBO Organisation

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What is really happening?

Every year the government report on employment in the creative industries attempts to lift the lid on exactly who is employed within our sector. The headline is this: total employment continues to grow, with the workforce of the creative economy (all workers in the creative industries plus creative jobs in other industries) increasing by 13.7% since 2011.¹¹⁰

Using some measurements, the workforce also appears to be becoming more diverse: 11% of jobs in the creative economy are now filled by black, Asian and minority ethnic workers, a similar level to the UK economy at large. Between 2013 and 2014 there was an impressive 12.5% increase in the number of BAME jobs in the creative economy (the increase for the white group was 4.0%), surely a sign that our sector is waking up to the importance of diversifying – in particular the immediate economic imperative of having a diverse workforce which understands and reflects the cultural experiences and preferences of its audience.

Other groups seem to be taking steps backwards: women hold 36.7% of the jobs in the creative industries (down from 37.1% in 2013), compared to 47.2% of jobs in the UK workforce at large.

For the first time this year, the DCMS has provided information concerning the socioeconomic groups that make up the creative industries. The 'more advantaged groups' (two-thirds of the UK workforce) make up 91.9% of occupations in the creative economy.¹¹¹ This group has experienced 17% employment growth since 2011, compared to 2% growth for the 'less advantaged group'.¹¹²

But these figures do not tell the whole story

Even where diversity appears to be improving, figures may be misleading. Whilst an 11% BAME workforce is near the national average, the number of creative industries practitioners in London (and the high percentage of BAME workers there) mean that the average percentage of BAME workforce for a sector with this distribution should be around 17.8% to match the diversity of its local populations. This means that many businesses are still not representative of their communities, and miss out on the creative diversity (and financial rewards) that true representation could offer them.

They also fail to tell the whole story because the given groups are not distinct. For example, we cannot separate growth in BAME representation from the decline in number of women. Is a BAME woman more or less likely to work in the creative industries than this time a year ago?

It is also worth noting that the way the Government has chosen to classify socioeconomic groups is by looking at what people do. So the lower socioeconomic groups (NS-SEC 5-8) include those in lower supervisory and technical occupations; semi-routine and routine occupations; and never worked and long-term unemployed.¹¹³ But the definition of the creative industries is that its workers do creative jobs – i.e. at a higher level than these positions – which makes it difficult to classify almost any worker in the creative industries (defined as such for their creative processes) as socioeconomically deprived, by these criteria.

However, there are genuine issues with the socioeconomically deprived and most notably with those from minorities

getting a place at university or college in the first place: papers looking at entrance requirements in arts schools have recognised that even at interview level, inherent biases affect the way in which candidates are spoken to and chosen.¹¹⁴ This is particularly important because the creative industry workforce has increasing numbers of graduates.¹¹⁵

It may also be that to succeed in the creative industries minorities and women need to be more educated than their white, male counterparts: the most recent Creative Skillset ‘Media Workforce Survey’ revealed that 78% of their respondents possess degrees (compared to 32% of the general UK workforce), but among BAME and women respondents the figures were even higher at 83% and 81% respectively.¹¹⁶ What is certainly true is that, as discussed in the Federation’s ‘Creative Education Agenda’,¹¹⁷ unless we can provide creative and balanced educations for all, we impede the opportunity of the least advantaged students to enter the creative industries, and therefore restrict the potential talent coming into the sector. The Creative Industries Federation continues to advocate for changes in policy and messaging from the government, media and universities to remedy this.¹¹⁸

The differences between the appearance and reality is clear to those within the sector, and for this reason trade bodies, charities and organisations have been trying to understand what is going on beneath the headline figures. Although these are normally industry-specific reports, cumulatively they provide strong evidence that the sector is not becoming diverse as quickly as, or in the way that, it appears to be.

Advertising and marketing

The advertising world has potential to reach new audiences by diversifying in a number of ways. 57% of white respondents to a recent Advertising Association opinion poll believed that advertising represents the UK's multicultural society whilst only 45% of BAME respondents agreed. It is clear that BAME people think advertising should try harder to portray them and their lives more realistically and that organisations that have a staff able to understand their lives and their portrayal will benefit.¹¹⁹ 41.9% of those working in advertising within the creative industries are women,¹²⁰ but this does not mean they are evenly distributed – only 25% are women at senior management level.¹²¹

Architecture

An architectural education lasts seven years and leaves students with debts in excess of £50,000.¹²² It makes sense, then, that this would limit the groups interested in it as a career. In 2014, only 0.9% of people working in architectural businesses had no qualifications, and 74.3% had a degree (the UK economy averages are 5.5% and 31.8% respectively).¹²³

RIBA (Royal Institute of British Architects) UK chartered memberships (practising architects with RIBA qualifications¹²⁴) include just 17.6% women. Their student membership is 44.3% women, which may herald a new diverse architectural landscape to come – but the phenomenon of women training and then dropping out due to sexist attitudes, low or unequal pay, and inflexible working hours, is well documented.¹²⁵

In 2014 there were only 9,000 registered BAME architects, compared with 133,000 white architects.¹²⁶ The number of white architects continues to grow, whilst the number of BAME architects has shrunk between 2013 and 2014.¹²⁷

White men are not the only people to use buildings – so diversifying architecture (although potentially more difficult than other industries) could allow companies to understand new markets and move ahead of the competition.

Crafts¹²⁸

The profile of craft is atypical of the creative industries. The overall craft economy (people working in craft occupations across all industries) has high numbers of less skilled workers. Of those working in craft within the creative industries (meaning they work in craft businesses), the typical maker is female (70%), older, and white (92%) with a high level of dyslexia (13%). Craft businesses are widely distributed, with 80% located outside of London.¹²⁹ However, with the reduction in craft-related formal education and the challenge of delivering craft apprenticeships there is a danger of craft becoming the preserve of high socioeconomic groups able to fund their training and subsidise their businesses.

Design: product, graphic and fashion

Design is not only the fastest growing industry in the creative industries, but also has the fastest growing percentage of BAME workers. Between 2011 and 2014, there was a 126% increase in the numbers of BAME people working in the design sector – this is compared with a 29.3% rise across the same period for white people working in design.

In the creative industries, 43.5% of those working in design businesses are women – this is still slightly lower than the average of 47.2%, and has fallen since 2011 (when it was 44.1%).

Although design growth is the highest of all industries, the Design Council has identified that diversifying to compete is one of the ways in which we can “continue to invest in our design capabilities to retain and build on this competitive advantage and keep the pipeline strong.”¹³⁰

Film, TV, video, radio and photography

Creative Skillset's 'Workforce Survey' records what is going on in creative media employment, including various demographics of diversity.

It shows that the proportion of the media workforce who are graduates has been increasing since 2003 (apart from a fall in 2010),¹³¹ and 14% of respondents attended an independent/fee-paying school, (versus 7% for the UK population).

Women do succeed in management in these industries – with 68% of business management roles and 65% of broadcast management roles – but technical jobs are still overwhelmingly male.¹³² In the media at large, according to the Creative Skillset survey, the number of women has increased from 53,750 in 2009 to 69,590 in 2012, representing 36% of the total workforce in 2012 compared to 27% in 2009. Television, interactive media, animation, commercials and pop promos, corporate production and video games have seen the biggest increase. Other sub-sectors where representation has increased are film distribution, studios and equipment hire, post-production and independent radio production.

The average income across the workforce was £33,900, with women earning £1,500 less than the average (and around £3,000 less than their male counterparts). Income varies substantially in other metrics: BAME respondents earn slightly less than the average (£32,950), while disabled respondents earn substantially less (£25,450). Those who attended private school earned nearly £6,000 more than the average (£39,850).¹³³

5% of the media workforce surveyed by Skillset consider themselves to be disabled (in 2010 the figure was also 5%). This compares with a figure for all industries in the UK economy of 11%. The freelance workforce (8%) is twice as likely to consider themselves disabled as those who are permanent staff (4%). This proportion varies from just 2% in VFX and 3% in digital, animation and cable and satellite to 8% in facilities and 7% in film production.

IT, software and computer services

IT, software and computer services now have the lowest proportion of women of all of the creative industries – at just 19.7%. In the creative economy at large (which also includes women working in jobs in this area in other industries) the number is even lower – at 18.8%.

We discuss later in this document what growth this may allow for in the games industry in particular, but across this sector it is clear that there is potential for improvement, to help tap into new markets. In terms of BAME employment, however, IT, software and computer services have one of the fastest growth rates – at 52.4% between 2011-2014 (compared with 18.9% growth for the white workforce over the same period).

Publishing

Publishing today has 54.5% women in its workforce, a number that has risen steadily since 2012.¹³⁴ But there is only 9.3% BAME employment. In a snapshot survey of 66 publishers and 49 literary agents undertaken for Writing the Future at the end of 2014, 56% regarded the industry as ‘not diverse at all’, while 29% regarded it as only ‘a little diverse’. Only 6% regarded it as ‘very diverse’.¹³⁵ This may be affecting the work they do: a survey of authors for Writing the Future found that black, Asian and minority ethnic writers feel pressurised into using cultural stereotypes.¹³⁶ There is a diverse and large audience for reading: in the most recent poll by YouGov three-quarters (75%) of adults in Great Britain say they have read and finished a book for pleasure in the past year.¹³⁷ Creating more diverse workforces could help better serve this market.

Museums, galleries and libraries

In part because of Government funding cuts, the number of jobs in museums, libraries and galleries fell sharply between 2011 and 2012. It continues to steadily decline (a 7.2% decrease from 2011-2014)¹³⁸ and this decline may be having a negative effect on diversity: the proportion of museum, gallery and library jobs filled by people from BAME backgrounds fell from 9% in 2011 to 8% in 2014.¹³⁹

Museums, galleries and libraries have the second highest percentage of less advantaged employees after craft, but it is also relevant to point out that the sector has the lowest percentage of creative intensity (a measurement used to define which businesses fall into the creative industries) of all sectors, with ‘museum activities’ at 22.5% and ‘library and archive activities’ at 23.8%. This is because there is a high percentage of staff in non-creative jobs including retail and hospitality (in addition to the curators, archivists and librarians). Many of the less-advantaged employees are doing these jobs. The issues facing the public arts sector in particular are examined in our paper on the contribution of public arts to growth.¹⁴⁰

Music, performing and visual arts¹⁴¹

There is a low diversity rate in the music sector, which could be explained by the tendency to rely on graduates (who are more likely to come from socioeconomically advantaged backgrounds) for entry-level positions that do not actually require a degree. There is a proliferation of internships on offer (44% of respondents to the UK Music Skills Audit stated that they or their employer offered some form of work experience placement), many of which are unpaid. This requires new entrants or their families to support themselves financially for long periods of time, which can mean that new entrants from underprivileged backgrounds are excluded.¹⁴²

The performing arts industry is predominantly young; nearly 50% of the workforce is under 40 years of age, and evidence suggests that people drop out of the sector in significant numbers in their thirties and forties. This traditional reliance on a young workforce may be challenged in the future by a lack of people coming through the education system who meet industry skills and qualifications needs.¹⁴³

Retention of skilled staff is a key issue affecting all creative and cultural businesses, in part due to opaque progression routes and low pay; currently 73% of the performing arts workforce earns less than £20,000 a year.¹⁴⁴

The performing arts industry employs an almost even split between male and female staff. Women, however, are likely to earn less money than their male counterparts and continue to find it difficult to progress to higher-level jobs. With only 6% of the sector from BAME backgrounds, performing arts businesses cannot be said to be ethnically diverse. The performing arts sector is also characterised by self-employment (58% of people working in the industry, compared with 13% in the UK as a whole), and part-time employment (35%).¹⁴⁵

Why does this bias exist?

There is a wealth of evidence to suggest the reasons that unconscious (as well as conscious) biases may currently be affecting employment. These range from 'implicit stereotypes' (for example, the stereotype that women are more likely to pursue arts subjects and men STEM subjects) to 'group favouritism' (people are more likely to hire people who, quite literally 'look like them') through to 'homogeneity bias' (the assumption by an individual that the group they belong to is more diverse, and the ones they do not belong to are more homogenous).¹⁴⁶

The social case for diversity is a matter of social justice: enabling those less likely to succeed for reasons beyond their control is clearly important. But there are concrete business reasons for diversification of employment and outreach which should inspire companies, charities and even freelancers to make immediate changes to their structure, employment strategies, board setup and programming.



Amahra Spence, Advisory council member and founder of her own business, MAIA Creatives

Why does this matter for business?

In their groundbreaking paper, *Diversity Matters*, McKinsey demonstrated that:

- Companies in the top quartile for racial and ethnic diversity are 35% more likely to have financial returns above their respective national industry medians.¹⁴⁷
- Companies in the top quartile for gender diversity are 15% more likely to have financial returns above their respective national industry medians. The average percentage of women in the executive team was 12% in the UK.¹⁴⁸
- In the UK, greater gender diversity on the senior-executive team corresponded to the highest performance uplift in any data set, across their international comparisons.

We are hoping to work with McKinsey on creative industries-specific data in the future. They also suggested that for creative businesses, more than for any other type of business, diversity might correlate with economic success.

Dennis Layton, co-author of *Diversity Matters*, says: *“In our research we saw a correlation between increased diversity and better financial performance as measured by EBIT (earnings before interest and taxes). The research highlighted a correlation, not a causation, but we hypothesise that diversity has a positive impact on many key elements of organisational performance including: Winning the war for scarce talent, strengthening customer orientation, increasing employee satisfaction, improving decision making, and enhancing the company’s image. These drivers may be especially important for media companies in the UK.”*

The creative industries produce ideas, content and products – and so of course it makes sense that boards, and staff more generally, should reflect the society that consumes their products. For example, they need to recognise that women influence 80% of buying decisions and by 2025 are expected to own 60% of all personal wealth.¹⁴⁹ In some areas, there is obvious and extraordinary potential: games contribute £1.7bn to the economy, and although women make up just 14% of the industry’s workforce, they play more than half the games.^{150, 151, 152} There is clearly scope for a savvy business to utilise a greater female workforce to reach this market more effectively.

The BAME population is also a market that businesses throughout the sector could and should be tapping into already. In the last national census (2011) 14% did not identify as white, and 19.5% did not identify as white British (a subgroup of white).¹⁵³ But the rewards will be even greater in future as it is a growing market. The majority are under 25¹⁵⁴ and people from ethnic minority backgrounds will make up nearly a third of the UK’s population by 2050.¹⁵⁵ BAME disposable income has already increased nearly 10-fold (to £300bn from £32bn) between 2001 and 2011.¹⁵⁶

Furthermore, many businesses are losing out in recruitment. Talent is not distributed by wealth, sex, ethnicity or any other metric, but failure to tap into the diversity of what is available means there are many individuals with extraordinary potential who are being overlooked. At any moment companies could be widening their selection pool and thinking about how to get brains around the table. In *Diversity Matters*, McKinsey notes

that there are good sources of desirable talent to be found if efforts to increase diversity are made. They quote a recent study which found that, on average, lesbian, gay, bisexual, and transgender (LGBT) recruits were more highly skilled and more likely to have advanced degrees.¹⁵⁷

Those who come from less-advantaged socioeconomic backgrounds also offer a diversity of experience currently not exploited by businesses. The most recent Creative Skillset 'Workforce Survey'¹⁵⁸ revealed that:

- Over half of respondents found their current job through informal recruitment methods (56% in 2014; up 10% since 2010).
- 48% have done unpaid work at some point in their career.
- 78% of all the creative media workforce are now graduates; over half (51%) of these graduates hold a creative/media degree.
- 14% of respondents attended an independent/fee-paying school (compared to 7% in the wider workforce).

The argument about socioeconomic diversity has been historically concerned with fairness but the evidence suggests that work to reduce barriers associated with socioeconomic background can also help achieve competitive advantage. A recent publication from the Social Mobility Commission outlined these benefits¹⁵⁹; much like the advantages to diversity in relation to gender and ethnicity, they include increased productivity, improved performance, improved staff loyalty and engagement and enhanced corporate brand.

Of course, it is not only the creative industries that have the potential to access talent that is currently being missed. Other sectors suffer similarly: BAME men are 28% less likely to work in science, technology, engineering and maths than white men, and only 9% of those in non-medical STEM careers are women.¹⁶⁰

In fact, nearly three-quarters (74%) of management positions held by BAME people are clustered in just three sectors: banking and finance; distribution, hotels and restaurants; and public administration, education and health.¹⁶¹ The statistics are less widely available for other minorities, but the story is much the same. As a sector which indisputably benefits economically and culturally from diverse opinion, we believe that the creative industries can and should be at the forefront of tackling their own lack of diversity, both through advocacy to policy makers and in-house systemic changes.

To access the rest of the report, and a link to our updated organisational directory, please visit www.creativeindustriesfederation.com.

The response of Clore Fellows – Britain’s new generation of cultural leadership – to the question: *How can we ensure that all talent is given a chance, regardless of background?*

“To help people at the bottom of the tree join those near the top, give them a ladder, not a bow and arrow.”

This is a condensed version of a paper written by the Clore Fellows. The Clore Fellowship is a leadership scheme which each year recruits 25 carefully-selected individuals from the cultural sector. The programme includes placements, workshops, courses and projects. The Creative Industries Federation put part of the most recent cohort to the test with the above question, and they produced the following piece of cultural commentary and research.

Authors:

Beth Bate

Claire Dow

Mark Dunkley

Malgorzata Dzierzorr

Rachel Grunwald

Sam Ruddock

We felt this challenge of talent development and diversity was such a huge and complex one, and the conversations around it have become so ubiquitous, that we might need another way to think about it.

We'd like to tell you a fairy tale.

Once upon a time in a kingdom far far away, there stood a tree. It was an ancient tree, and had grown tall and strong. Whatever size of tree you are imagining, double its height and you might get somewhere close to the size of this legendary tree. On cloudy days – and in this kingdom there are many of those! – the top of our tree can't be seen from the ground. Nor can the tops of all the other trees it is surrounded by.

For our tree is not alone. You see, this was the Enchanted Forest. The forest was a good place to be. People enjoyed visiting there, things happened when you set foot in the Enchanted Forest. But some people were more able to visit the forest than others.

Because the Enchanted Forest was such a wonder-filled place, people built treehouse cities there, high up in the trees.

There were magicians and a huge range of roles making the magic happen, and sharing it with the kingdom. These people believed passionately in the power of magic to be a force for good in the world, and because they wanted the best possible magic to be made, they tried to ensure that the best possible magicians could make that magic. They built ladders to get from the forest floor up into the trees, platforms on which to work, rope swings to get between trees, and all sorts of other ways to get around, too. This forest was connected with thousands of opportunities to get involved.

Many of the people who visited the Enchanted Forest dreamed of making the magic happen. Reaching that first platform just off the forest floor was particularly difficult. Getting anywhere near the top similarly so.

One day there was a group of mages [practitioners of paranormal magic] sitting high in the canopy, just off one of the highest of the ladders. They had to climb hard to get there, stood on platforms, had the occasional bow and arrow thrown their way. And sometimes people reached down and gave them a helping hand up. The system had worked for them.

But there was a problem: it wasn't working that well for everyone. There were many people not in the forest at all. And even those who were often weren't represented in the trees. The people getting those hands up were often pretty similar to the people at the top of the tree already. And that meant that the spells being cast were like those that had always been cast.

Perhaps the magic was losing its wonder. A thing that was meant to be about creativity and wonder, was also part of existing power structures: the kingdom was becoming less equal. One thing all agreed on: the forest needed more biodiversity in order to grow its magic for all.

That is our tale: there's no ending in sight. The knights haven't yet decided to climb on their horses and set off on an epic quest. The trees still have their heads in the clouds. They talk about it all... A lot...

Remember:

- The trees are high
- The ladders are short and hand-ups are often needed. Hand-ups are often given to those similar to the people already in the trees
- There are lots of people not in the forest to begin with.

So, in light of our story, some things we'd like to think about are:

- What can we do to ensure that everyone in that totally invented kingdom can visit the forest and partake of its wonder?
- How might we strengthen the network of ladders and ropes so that it is more possible to climb those vast trees without needing a hand-up?
- And should we always be asking people to climb up those trees? How might we, as enchantment leaders, use the ladders ourselves to meet people halfway, to give up some of our power in order to share it more broadly?

Recommendations from the Clore Fellows

During our collaborative learning enquiry on behalf of the Creative Industries Federation we tried to put ourselves into the shoes of those who were asking the following questions: I am interested in culture, how do I find out about career opportunities? I am interested in culture, I know about opportunities, but I can't access them.

We soon realised that this wasn't enough. We realised that we need to ask those asking the questions what they need. Nevertheless, we've identified four broad recommendations:

- Better signposting of opportunities
- Development of a skills exchange (a kind of skills swap-shop)
- Mapping the gaps in opportunities
- Sharing opportunities and knowledge.

Conclusions

Throughout our exploration of access and barriers to employment in the creative industries, we repeatedly came up against the question of whether the sector itself – in terms of the art and culture it generates and transmits – was wholly attractive to a wide range of people.

We feel that to attract talent from all backgrounds we need to ensure that the work made, presented and shared by creative organisations properly represents the culture of Britain in all its forms. Until we do so, we risk operating in an 'echo chamber' which cannot and will not attract talent from a broad range of backgrounds, regardless of the critical schemes and approaches delineated above.

To return to the metaphor of the forest, we need to ensure that the fruit of the trees is varied and attractive to people of all backgrounds, and to understand that this is what will draw people to the ladders in the first place.

Access to finance

Access to finance

It is widely reported that the creative industries are the UK's fastest growing sector, contributing £8.8m an hour to the UK economy. But we also know that some within the sector struggle to find the investment that this sort of growth should inspire. The Federation has made helping members, private and public, access investment one of its priorities. We therefore collaborated with the Institute of Chartered Accountants in England and Wales to produce a document which we believe should provide assistance for businesses across the creative sector, as well as charitable organisations seeking to find investment or improve their commercial aims.

'Creative industries – routes to finance: A guide to sources of funding and investment for arts, cultural and creative organisations,' written by the ICAEW in collaboration with the Federation, was released in November 2015. It was designed to be a key tool for those within our sector to use when looking for investment.

Reprinted here is a summary of the main text as well as comments from Harriett Baldwin MP, Economic Secretary to the Treasury and City Minister. To gain access to the entire document please visit: www.icaew.com/en/technical/corporate-finance/corporate-finance-faculty/corporate-finance-news/creative-industries-routes-to-finance

Creative industries – routes to finance: A guide to sources of funding and investment for arts, cultural and creative organisations (Edited)

This report was released in partnership with the Institute of Chartered Accountants in England and Wales on November 18, 2015

Summary

- The creative industries are major contributors not only to the cultural life of the UK, but also to its international reputation and its competitive advantage and innovation – accounting for £76.9bn gross value added to the British economy and 1.8 million jobs.¹⁶²
- The UK is the world leader in many creative industries – and culture is a fundamental part of its ‘soft power’ (the ability of the country to attract and persuade by means other than military or financial).¹⁶³
- Top British businesses view public investment in culture as a crucial factor for innovation in many areas of commerce, including manufacturing, technology, media, advertising, leisure and retail.¹⁶⁴
- Every pound of public funding in ‘national portfolio’ arts organisations pays back £5 in tax contributions from the sector, according to Arts Council England.¹⁶⁵
- Philanthropic funding and private investment in the creative sector are not substitutes for state support – but work alongside it.
- Legitimate tax breaks are a necessary but not sufficient factor in persuading individuals to give to the arts.

- The business benefits of corporate sponsorship include marketing, business development, public relations and corporate social responsibility (CSR).
- New and emerging forms of funding, such as rewards-based crowdfunding and peer-to-peer lending, as well as the growth of private investment and venture capital in the creative industries, are helping to fuel new businesses.
- Better awareness amongst creative organisations of alternative sources of equity and debt finance – beyond traditional bank lending – greatly enhances their potential development and resilience.
- Creative industry tax reliefs continue to underpin the expansion of the UK’s hugely successful creative industries, including film and TV, animation, video games and orchestral performances.
- Financial skills and expert professional advice are essential for developing robust finances, philanthropic and private investment, and sustainability.

The full document provides advice for creative businesses, freelancers and arts charities alike on:

1. Preparing for finance
2. Professional advice
3. Public investment
4. Philanthropic support and corporate partnerships
5. Private capital

“The UK’s creative industries bring enormous benefits. These benefits are cultural, with a recent study noting that the UK is the number one for ‘soft power’ in the world, largely because of the global appeal of its creative industries. But the benefits are also economic, with the creative industries employing 1.8 million people and generating £76.9bn of value for the UK in 2013. One in 11 jobs in the UK is now a creative job, and one in six of our graduate jobs is now in a creative role. Clearly, the creative industries are more than playing their part in the UK’s economic recovery. The Government has done much to support the UK’s creative industries, particularly through the creative sector tax reliefs. In the last parliament, we introduced tax reliefs for high-end television, children’s TV, animation, video games and theatre. In the March 2015 Budget, the Government announced that it would further support the film industry by increasing the rate of film tax relief to 25% for all qualifying productions. In addition, a new tax relief for orchestras is scheduled to come into force from April 2016. But the success of the British creative industries is based on a mixture of public and private support. This publication, *Creative Industries – Routes to Finance*, provides an invaluable guide for creative organisations that are looking to leverage funding and investment from both traditional and nontraditional sources. It is a useful contribution that will do much to support the ongoing success of the UK’s creative industries.”

Harriett Baldwin MP, *Economic Secretary to the Treasury and City Minister*

Around the UK

How do creative industries vary around the UK?

London

Britain is the global leader of the creative industries, which remain the fastest growing sector of the UK economy, and London is the national hub – home to thousands of businesses of all shapes and sizes, world-beating arts organisations, museums and galleries, the BBC and other award-winning media conglomerates and, indeed, the headquarters of the Federation itself.

Comparisons with other nations and regions follow in the section summarising the findings of our roadshows around the country, but the importance of London cannot be under-estimated. The creative industries provide almost 800,000 jobs in the capital – one in six of the total and more than the financial services sector – and contribute £35bn to the economy.¹⁶⁶

There are many positives for the capital, including its diversity. Around 41% of the population is BAME, a diverse community which offers huge potential benefits to creative businesses. But the capital is also acting as the canary in the coalmine in terms of some of the pressing issues in the sector. Not only are the effects of skills shortages amplified here, but concerns over new immigration regulation are greater, and the city has been drastically affected by the shortage of spaces for artists.

Just as public arts spaces are essential for the strength of all creative industries so we recognise that having artists living and working in our creative clusters is vital to their success. London is set to lose 3,500 artists studios in the next five years, a drop of

almost a third.¹⁶⁷ The number of nightclubs and music venues has also fallen by almost a third in the last eight years. It is difficult to imagine how the creative community will continue to thrive in London without these vital cultural spaces. The high cost of living also has ramifications for the wider sector – even for those who earn well.

Incomes for the creative industries overall are positive although the sector also includes low-paid individuals some of whom have chosen or accepted a lower income to pursue their creative ambitions. The median hourly pay in the creative economy last year was £18.80, compared to a median hourly pay of £15.26 in other industries.¹⁶⁸

As home to more billionaires than anywhere else in the world,¹⁶⁹ the city is uniquely placed to benefit from philanthropic support for culture. However, organisations outside the capital have so far found it difficult to access philanthropy on any meaningful scale. This reinforces concerns that the current divide in public support unfairly disadvantages those living outside London.

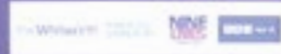
Some of these issues will be discussed in the mayoral elections taking place in several cities this year. The Federation is planning to host its own hustings with candidates for the London mayoralty.

However, while London undoubtedly sets the pace for creative industries growth in the UK, across the country influential creative clusters are emerging with their own concerns, needs and desires.



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Across the country

The Federation roadshows, at cities from Glasgow to Bristol (which took place after we went to print), were aimed at getting a sense of how creative and cultural differences manifest themselves around the nations and regions of the UK. This section reflects on our travels around the UK and sets out the priorities that emerged at these events, which were all chaired by Federation Chief Executive, John Kampfner.

We plan to do more policy-driven events across the nations and regions of the UK including the South West, Wales and Northern Ireland.

Manchester Roadshow: April 27, 2015

Once the heart of the industrial revolution, a resurgent Manchester is increasingly being seen as the centre of the Northern Powerhouse and the nucleus of creative industries growth in this part of the country. The Government has been vocally supportive of the Powerhouse, and backed this up with tangible investment. In August, they announced a £13bn investment in infrastructure and a further £400m Northern Powerhouse Investment Fund was announced in the Autumn Statement.¹⁷⁰ The creative industries are seen as a vital part of Powerhouse growth, from the expansion of BBC North and the development of MediaCityUK, to the Manchester International Festival.

Before a capacity audience of delegates from the creative industries and beyond, Manchester welcomed the Federation to the Whitworth Art Gallery to kick off our programme of UK roadshow events. Unsurprisingly, the idea of the Northern Powerhouse and how that might relate to more traditional forms of clustering was high on the agenda, as was Manchester's particular innovations in arts, higher education and business.

Since the roadshow, we have held a roundtable on the future of the BBC in Manchester (reprinted in this report), and Federation Chief Executive John Kampfner will give the keynote address at the 2016 'Future Talent' creative industries event organised by Manchester Metropolitan University in the city on February 19.

Who was there?

Keynote Speech:

— Tom Bloxham, *Chairman, Urban Splash*

Panellists:

— Sir Peter Bazalgette, *Chair, Arts Council England*

— Lou Cordwell CEO, *magneticNorth*

— Malcolm Garrett, *Creative Director, Images&Co and Co-founder, Design Manchester*

— Charles Lauder, *Chair, Contact Theatre*

— Helen Bullough, *Head of CBBC Productions*

Dr Maria Balshaw, *Director, the Whitworth, University of Manchester and Manchester City Galleries*, co-chaired.

What was said?

The panel discussion and Maria Balshaw's opening remarks suggested that there is a story about creativity in Manchester, beginning with post-industrial regeneration, that people in the city believe should be told to the wider world. Recovery in Manchester started with investment in culture (the Lowry, the Bridgewater Hall) and today the creative industries are seen as a vital part of the city's ecosystem. Balshaw pointed out that the creative industries are growing faster in Manchester than anywhere else in the North.

But the panel also made it clear that a desire for growth in the creative industries should be matched by a move to make Manchester a more liveable city in terms of its cultural offering. To the panel, this meant having public art that is of international significance, but with a character specific to Manchester, rather than aimed solely at an international market.

Tom Bloxham said in the last 20 years the creative industries have changed beyond recognition and that in the 21st century, Manchester's wealth will come from ideas and creativity – implying the city's future growth will rely on creative industries, rather than (solely) the industrial sector.

Sir Peter Bazalgette brought a national perspective to the panel and spoke about the need for investment in UK-wide technological and digital advances, as well as a need to repair creative education in our schools – not just because it is a child's right, but also because it fuels the creative industries. He reminded the audience that there is talent right across the country and investment needs to reach it all, and he later argued that Manchester should not worry too much about a talent drain to London. As spaces in the capital become more expensive, he said, people in their twenties will move out in order to start families. Other cities should therefore be preparing to welcome and work with this talent.

Charles Lauder was happy to see a diverse audience and asked how the sector could better harness the diversity of talent in all communities across the area.

The question of how Manchester could help its success translate to the rest of the North, and not become a point of resentment, was raised by Dave Moutrey, the Chief Executive of HOME (the centre for contemporary art which was created from the merger of two of Manchester's best-loved arts organisations, Cornerhouse and the Library Theatre Company).

Leeds Roadshow: June 1, 2015

The second in our programme of UK roadshow events saw the Federation visit Opera North in Leeds. A city with fantastic creative potential, ‘digital and creative’ have been named as growth sectors in Leeds¹⁷¹ and it has the highest percentage of small businesses working in this sector in Yorkshire.¹⁷² Topics including the Northern Powerhouse, skills and infrastructure were discussed. There were deep concerns about educational provision in Leeds, but also conversations about the great potential of the city. The Northern Powerhouse rhetoric was seen not only as a way to make Leeds part of something bigger, but also as an opportunity to offer a spotlight specifically on Leeds itself.

Who was there?

Keynote Speech:

— Anya Hindmarch, *Founder, Chair and Chief Creative Officer ‘Anya Hindmarch’, UK Business Ambassador for the Creative Industries*

Remarks From:

— Jo McBeath, *Trade Adviser Manager, UKTI*
— Tom Riordan, *CEO, Leeds City Council*

Panellists:

— Dominic Gray, *Projects Director, Opera North*
— Sally Joynson, *CEO, Screen Yorkshire*
— Jamie Sefton, *Managing Director, Game Republic*
— Ian Thompson, *Owner, Thompson Brand Partners*
— Sharon Watson, *Artistic Director, Phoenix Dance Theatre*

Anamaria Wills, *CEO, CIDAcO*, co-chaired.



Anya Hindmarch Founder,
Chair and Chief Creative
Officer, 'Anya Hindmarch'

What was said?

The conversation at the Leeds roadshow touched on the changes that the internet has made to businesses, particularly those outside London. Jo McBeath argued that any company with a website is an international business. This thought was echoed by Anya Hindmarch, who also highlighted the importance of businesses taking risks, whether in or out of the digital sphere.

Participants also raised the issues of talent, training and access. Tom Riordan said that it was vital that people in the poorer parts of Leeds have as much access to arts and culture as those in the richer parts. A contributor from the floor pointed out that Yorkshire and Humberside has the lowest uptake of art and design at GCSE in the country and the lowest attainment levels among those that do study it. It was acknowledged that businesses need to get into schools to talk about the variety of jobs that such subjects could lead to. Hindmarch asked teachers in the audience to inspire students to discover how important and successful they could be in the creative industries.

The need to retain creative talent in Leeds was also discussed. Panellists spoke about their concerns that talent is moving away, particularly to London, and how this could be helped if Leeds were able to foster more routes into industry.

Leeds' position in the UK more widely was also debated. Panellists said that they were keen for it to be seen as part of the Northern Powerhouse and saw this as vital for their promotion of the region. It was noted that Leeds is already connected and partnered with other urban centres, but holds unique opportunities and should not only exist as part of this Northern network. It was widely accepted that collaboration and higher visibility are essential to make the most of the opportunities offered by both creative industries growth and the Northern Powerhouse.

Birmingham Roadshow: June 29, 2015

Birmingham is the youngest city in the UK (45.7% of Birmingham residents are under 30, compared with 36.8% for England¹⁷³), and this is seen as giving it an edge when it comes to creative start-ups and technological innovation. For this reason it is perhaps unsurprising that the BBC launched their digital initiative, Guerrilla Group, in the city. The roadshow reflected this in the conversations and questions from the floor, as well as in the keynote speech given by Jonnie Turpie, founder of Maverick TV and High Sheriff of the West Midlands. Rather than make a distinction between the creative sector and other sectors, it was clear that in Birmingham the two go hand-in-hand and discussion centered on how the city can take the impressive talent based in the city further in terms of their creative abilities.

Since the Birmingham roadshow, we have held a roundtable on the future of the BBC in the city, which highlighted the importance of the closure of Pebble Mill studios and the establishment of the new Digital Innovation Unit in the city.

Who was there?

Keynote Speech:

— Jonnie Turpie, *Founder and Director, Maverick TV and High Sheriff of the West Midlands*

Panellists:

- Anita Bhalla, *Chair of Creative City Partnership, Board member LEP and Chair Performances Birmingham Ltd*
- Bethan Bishop, *Head of Innovation and Industry Engagement, Heart of England NHS Foundation Trust*
- Joe Godwin, *Director, BBC Birmingham and BBC Academy*
- Karl Hilton, *Programme Executive, Games and Digital, Creative England*
- John Mathers, *Chief Executive, Design Council*
- Karen Newman, *Director, Birmingham Open Media (BOM)*

Lara Ratnaraja, *cultural consultant*, co-chaired.



What was said?

Birmingham was described as the UK's start-up capital, but it was noted by panellists that the 'critical mass' needed to fulfil its potential might be yet to come. The new Government seemed to offer opportunities, and Anita Bhalla suggested learning from elsewhere in Europe to create well-rounded creative hubs.

Joe Godwin observed that lots of the city's innovation has come from scientifically-trained engineers, but that we should not force a distinction between them and its artists. Karl Hilton said that the games industry was a good example of collaboration between these two potentially separate camps. MAIA Creatives founder Amahra Spence, who became a Federation Advisory Council member after the roadshow, made a strong case from the floor for the elevation of young people's voices. She said that post-university, those voices were being lost but that they were vital to the health of the city's economy.

John Mathers raised concerns about the D&T uptake being hit heavily by suggestions that there is no future for young people in creative jobs. Joe Godwin agreed that both economic arguments and inspiring role models were needed to produce change in this area. These concerns about education were echoed from the floor.

East Anglia Roadshow: June 22, 2015

East Anglia, and the South East more generally, has fantastic potential for growth in its creative industries. Creative industries in the SE LEP area generated £2.5bn in GVA – the largest contribution of any LEP outside London.¹⁷⁴ The work at High House Production Park (an international centre of excellence in the creative industries which is a collaboration between partners including the Arts Council and Royal Opera House), spearheaded by Andrea Stark, has demonstrated how new clusters could be built in this region, as well as ways in which existing hubs might be expanded. The recently-published study, ‘Towards a National Prospectus for the Creative Economy in the South East,’ (funded by South East LEP) sets out ways in which the region can capitalise on this potential now, including discussion of a possible ‘Economy network’ (a partnership with local government to identify barriers to growth).

Who was there?

Keynote Speech:

- Mark Pendlington, Chairman, New Anglia Local Enterprise Partnership and Group Director, Anglian Water

Panellists:

- Erika Clegg, Founder and Creative Director, Spring
- Brendan Keaney, Artistic Director and Chief Executive, Dance East
- Paul Greenhalgh, Director, Sainsbury Centre for Visual Arts
- Andrea Stark, Chief Executive, High House Production Park
- Peter Wilson, Chief Executive, Theatre Royal Norwich

What was said?

A two-hour debate saw delegates flag issues including East Anglia's success in promoting itself compared with rival regions that have developed their creative brand for longer and how more young talent needs to be kept in the area.

Mark Pendlington, Chair of the New Anglia LEP, said their mission is “to make East Anglia a safe and ambitious home for people of all talents”.

But he said there is a need to develop East Anglia as a destination. It would be boosted by the upgrading of the Eastern Mainline railway route but also requires a one-stop online platform for the region.

Andrea Stark, Chief Executive of High House Production Park and a member of the Federation's Advisory Council, said creative industries and schools should develop stronger links and there should be better advice on the potential careers in the creative industries.

She warned that Britain is living in “the era of DIY”: with state support for culture shrinking, creative businesses must become more savvy and self-assertive. East Anglian arts organisations had to promote themselves or risk being out-manoeuvred by those in cities such as Manchester and Leeds.

Yet Erika Clegg, founder of the communications agency Spring, said there is huge potential for the region. “This part of the world has always been where creativity thrives and if you look at the way business is now going, that level of creativity is needed not just in traditionally creative sectors.”



A Strategy for the Arts and Creative Industries
How public investment in arts contributes to the strategy

...the arts and creative industries...
...the arts and creative industries...
...the arts and creative industries...

Liverpool Roadshow: September 8, 2015

Liverpool has a rich cultural heritage and a history of pushing artistic boundaries. Now it is also home to a growing creative industries sector, with the infrastructure to support it.

This includes digital and software development vehicles – from Liverpool Science Park and Liverpool Innovation park to Liverpool John Moores University’s Open Labs – alongside many of the organisations represented at this roadshow, both on the panel and in the audience.

According to the Liverpool LEP, there are now 3,500 creative and digital businesses in the city, employing a total of 18,906 people and bringing in £878m GVA.¹⁷⁵ It also has many particular growth points, from its groundbreaking digital cluster in the eHealth and telecare sector, to low-cost studio space, which should inspire future development.¹⁷⁶

Who was there?

Opening Remarks:

— Deborah Aydon, *Executive Director, Liverpool Everyman and Playhouse*

Panellists:

- David Pichilingi, *CEO, Liverpool Sound City*
- Claire Poyser, *Joint Managing Director, Lime Pictures*
- Yaw Owusu, *Music consultant and Curator of Liverpool International Music Festival*
- Erika Rushton, *Chair, Baltic Creative*
- Professor Simeon Yates, *Director, Institute of Cultural Capital, Liverpool John Moores University and University of Liverpool*
- Gemma Bodinetz, *Artistic Director, Liverpool Everyman and Playhouse*

Deborah Aydon, *Executive Director, Liverpool Everyman and Playhouse*, co-chaired.

What was said?

The Liverpool roadshow focused on the cultural identity of the city and its future, both in terms of the way it is funded by the Government and the education and retention of its inhabitants. There is concern that students are being pushed away from creative courses, and even those that do take it as a path are likely to then leave to go to London: as with other cities, the subject of making the city 'liveable' was paramount in the panellists' minds.

In her introduction, Deborah Aydon highlighted the impact of austerity. Even in a city where culture is described by the mayor as the "rocketfuel of the economy", the effects of finance being withdrawn from long-held partnerships have been widely felt. However, she believed that as a result of passionate work within the creative sector, the vibrancy of the city has been retained.

Higher education in the city was described by David Pichilingi as "amazing" but he was concerned about the retention of talent and how businesses were grown. He saw the Baltic triangle – an area of cutting-edge creative development – as an important starting point. He also wanted to open a debate about whether it would be better for the city to attract global brands (like Apple) or smaller companies.

Gemma Bodinetz said technical and engineering skills were vital for – and inextricable from – the creative industries, and she described the immense engineering effort needed for pieces of recent theatre in the city, as well as the set of skills held by her crew. Education, therefore, is essential to the future of the creative industries – getting engineering students, for example, to engage with the arts and think about culture in a new way. Engagement between universities and industry in 'creative cities' is seen as essential. Professor Simeon Yates described how LJMU is trying to make these links.

The question of how Liverpool could be celebrated beyond the city walls was discussed by the panel and the floor. The way the opening of HOME in Manchester was celebrated by the whole country was seen as a good example of how noise and news could be made about cultural success and investment. Global links were also highlighted when Claire Poyser discussed her company's new links with US giant Disney.

Glasgow Roadshow: November 10, 2015

Glasgow is a UNESCO City of Music and Pacific Quay was given Scottish Government Enterprise Area status in 2012. Other initiatives, like Creative Clyde – a collaborative creative community now the home of BBC Scotland and STV – have also helped to give the city a facelift.¹⁷⁷ However, the keynote speech by Fiona Hyslop MSP set the framework at our Glasgow roadshow for a debate around growth in Scotland more generally. Although the minister highlighted the positive picture, panellist Brian McLaren queried the statistics and quoted figures suggesting that the creative industries in Scotland were falling behind those in the rest of the UK. This discrepancy was illuminated in the submissions made this year to the Scottish Affairs Committee’s ‘Creative Industries in Scotland’ inquiry and debated in the Scottish press.

Who was there?

Keynote Speech:

— Fiona Hyslop MSP, *Scottish Cabinet Secretary for Culture, Europe and External Affairs*

Panellists:

— Janet Archer, *Chief Executive, Creative Scotland*
— Professor Tom Inns, *Director, The Glasgow School of Art*
— Janice Kirkpatrick, *Designer and Founding Director, Graven*
— Brian McLaren, *Managing Director, EKOS*
— Jill Miller, *Director of Cultural Services, Glasgow Life*
— Dr Krishna Thiagarajan, *Chief Executive, Royal Scottish National Orchestra*

What was said?

Fiona Hyslop praised the Scottish creative industries, arguing that a vibrant cultural sector was paramount to the creative industries thriving. The sector employs more people than the oil and gas industries and has a greater GVA than the life sciences sector. The minister recognised that Scotland's creative activities were also vital to its international profile and their exports. She suggested looking at the progress of other countries to see how Scotland was doing compared to other countries and to learn about what others are doing. Broadcasting was seen as a key part of the creative industries in Scotland, with boundaries breaking down between traditional means of broadcasting and the digital sphere. She said that they had looked in depth at what the BBC should look like in Scotland after Charter renewal.

Brian McLaren argued for clarity within the Scottish creative industries about growth rates and said that he believed the creative industries in Scotland have not been growing at pre-recession rates, in marked contrast to the rest of the UK's growth: in Scotland, growth was entirely focused on creative services (advertising, design and architecture) and digital technologies. Janet Archer explained that the statistics were not comparable between Scotland and the rest of the UK, as, for example, in Scotland, creative education was included in the mix. In terms of digital tech, however, investment was inspiring economic growth.

Education was seen as essential to help people move into the creative industries, whatever their background. Archer mentioned the lack of design in the curriculum, contrasting this with the fact that Scotland had the first art school in the world. She argued art schools could equip people to 'exist' in the real world, as well as giving them a particular set of skills. She said that digital was not an industry and that practitioners still needed to be able to design, to draw, to read and to write – therefore the skills taught in art schools remained essential.

Tom Inns spoke about the challenge of the funding situation in higher education, in particular in Scotland where he said that he believes students will feel withdrawal of budgets following the spending review. He also described how the trajectory once students leave the school is vital, and that perhaps Scotland needs to be nudged away from being a place of creative consumption to being a place of creative and cultural production.

There was also discussion about what made Glasgow unique when compared with other cities across the UK. Dr Krishna Thiagarajan spoke about the opportunity in new buildings, like the RSNO's new home. He described how in the United States, government support was less than 3%, so those working in the sector required a strong entrepreneurial streak to secure funding from philanthropists. One of the things that attracted him to leave America to work in Scotland, was how, through investment, the creative community and government had set their sights on cultural leadership.

Harpist, **Aimee Clark**, performing at the Glasgow roadshow. Credit: Alan McAteer



NewcastleGateshead Roadshow: November 16, 2015

Newcastle, and its neighbour Gateshead, were once at the centre of one of the world's largest shipbuilding centres, and they have since been important trading centres for wool and major coal mining areas. But now the region is re-imagining itself as a digital and technology hub, with a thriving video games sector, and the annual Thinking Digital conference bringing together those who are curious about technology, ideas and the future. The 'Creative Gateshead' report produced by Gateshead council and the Gateshead Strategic Partnership set out plans to create networks of creative and community hubs, increase talent retention, create a stronger visitor economy, host high-profile international cultural and sport events, and facilitate strong partnerships.¹⁷⁸ Many of these topics were discussed in the debate at the Federation's roadshow hosted by the BALTIC Centre for Contemporary Arts in Gateshead.

Who was there?

Panellists:

- Sarah Munro, *Director, BALTIC*
- Peter Buchan, *Senior Partner, Ryder Architecture*
- Charlotte Gregory, *Director, The NewBridge Project*
- Abigail Pogson, *Managing Director, Sage Gateshead*
- Graeme Thompson, *Dean, Faculty of Arts, Design and Media, University of Sunderland*
- John Tulip, *Managing Director, Northern Film and Media*
- Lucy Winskell, *Pro Vice-Chancellor, Business and Engagement, Northumbria University*

What was said?

The roadshow focused on subjects ranging from devolution of money and policy to how to further the cultural and creative offer in the region.

Peter Buchan described how public funding of the arts is crucial to fulfil the region's potential, but he did not believe that devolution was yet fully formed, and was concerned about how the North East's creative offering could be shown on an international stage. Audience members suggested that the North East must be far more confident in demonstrating its strong creative industries and overall cultural offer.

There was also a feeling within the audience that the city and region must plan ahead if it is to be fully prepared for future spending reviews and subsequent cuts to funding. Others stressed that the success that Manchester was currently enjoying in the creative and cultural sector was where the North East was 15 years ago, but the North East had seemingly failed to maintain and develop this since.

It was suggested that the profile of the creative industries could be greater within regional politics: Charlotte Gregory spoke of the need for more cultural functions within local councils and authorities.

Graeme Thompson raised the subject of graduate and talent retention as a key issue in the North East. He went on to praise the recent trend of universities partnering with public arts organisations such as the University of the West of England's partnership with the Arnolfini Gallery in Bristol. He considered the North East to have been at the forefront of this movement with the University of Sunderland, in conjunction with Arts Council England and other local partners, opening the National Glass Centre in 1998 at a cost of £17m.

The event was also one of the first for new BALTIC director Sarah Munro since moving from her post as Head of Arts at Glasgow Life.

International comparisons

International Comparisons

The UK is the global leader in the creative industries but we should not forget the extent to which other countries are investing heavily in their own creative industries and infrastructure in a bid to emulate our success. In 2016, the Creative Industries Federation will work with partners to produce its first bi-annual report on the international position of the creative industries. This will contain in-depth analysis of the creative industries, and the issues affecting them, as well as advice on exports, and global trends. This will only be available to members of the Federation and will be accompanied by the launch of an International Advisory Council, containing eminent creative industries professionals, as well as diplomats and international business leaders. This section provides a curtain-raiser for the data analysis that these reports will provide. It has been produced by BOP Consulting in partnership with the Federation.

Culture and the creative industries are not just booming in the UK – they are booming globally.

How do we compare?

Callum Lee and Lucy Minyo, BOP Consulting

BOP

Consulting

The UK's creative sector is regularly described as world-leading by politicians, but we know from our work overseas that other countries are trying equally hard to grow these sectors. China enshrined the cultural and creative industries into international policy in 2006, and by 2011 the sector was put forward as a 'main pillar' of the national economy. We have seen a similar emphasis in Taiwan, Korea, Brazil, across the European Union, and in many other countries.

Perhaps as a result of these efforts, some forecasts suggest that creative sector growth will be stronger globally than in the UK. Consultancy firm PwC forecast that entertainment and media global revenue growth will be at 5% per year to 2019. Growth in the UK is forecast at 3% – impressive but not spectacular.

So the critical questions for the UK sector and our policymakers are where do we stand and how can we keep up? The index below compares the UK with six key nations. France, Germany and Italy represent EU nations, whereas Brazil, Korea and the USA are broader international comparators.¹⁷⁹

To see where the UK stands against these nations, we have pulled together data against three headings: the creative industries, public arts, and creative education.

However, we think of these countries as more than just benchmarks. There is a lot we can learn from them, so we have set out some of their most interesting and effective initiatives.

The UK's creative industries really do lead the world

The oft-stated assumption that our creative industries are the envy of the world does look true. We have the highest level of creative exports, we are second only to Korea in the contribution of our creative industries to the economy and second only to the US in consumer spend.

Creative Industries – The UK ranks 1st of our seven comparator nations

Indication	UK ranking (out of 7)	Definition
Contribution made by creative industries to exports	1st	Value of exports of creative goods per capita
Contribution made by creative industries to economic output	2nd	Proportion of GDP from creative industries ¹⁸⁰
Spend by individuals on entertainment and media	2nd	Per capita spend on entertainment and media

The world's largest dedicated eSports arena (China)

Global audiences for eSports – competitive computer gaming – stood at 206 million in 2014 (a 65% increase on 2012).¹⁸¹ Further growth is expected in the West and particularly in Asia.

On China's Hengqin Island, off the coast of Macau, the New York-based eSports company Major League Gaming are partnering with two Chinese companies to build a 15,000 capacity arena dedicated to eSports. This will be a video game destination, part of a larger Hengqin Creative Culture development totalling almost £2bn.¹⁸²

Porto Digital is a creative and digital hub defined by its huge scale (Brazil)

Porto Digital (Digital Harbour) was founded in 2000 in Recife, in the Brazilian state of Pernambuco. The park is home to 250 digital and creative economy companies across 149 hectares (nearly five times the size of Trafalgar Square), employing over 7,000 people.¹⁸³

It has seen significant growth and dominates the local economy. From contributing 1.6% of Pernambuco's GDP in 2001, it contributed 4% in 2011.¹⁸⁴ Porto Digital is incorporated as a non-profit with public-private-education involvement, an approach to governance designed to tackle weaknesses in long-term planning often found in Brazil. Businesses operating there enjoy generous tax reductions and labour incentives. It also has an offshoot, Porto Midia, a dedicated creative industries technology centre, incubator, and exhibition space focused on media.

UK cultural infrastructure remains strong despite low investment

The UK has relatively low levels of public investment, but our cultural venues are well attended and participation levels are high, meaning UK public arts appear relatively healthy. Germany ranked second overall in public investment, with a per per capita spend 2.5 times that of the UK. Our top-ranking institution, the British Museum, received 6.8 million visits in 2014. In comparison, visits to all the main museums in Berlin, those run by the Prussian Cultural Heritage Foundation network, totalled 3.9 million.¹⁸⁵

Public arts – The UK ranks 2nd of our seven comparator nations

Indication	UK ranking (out of 7)	Definition
Government investment in public arts	5th	Government expenditure on culture as % of GDP
Level of engagement with culture among the population	1st	% of the adult population who have visited a museum or art gallery in the last year
Major cultural venues per capita	1st	Number of museums receiving over 630,000 visitors per year, per capita

International literary festival in Rio's favelas (Brazil)

Of Brazil's 200 million population, nearly 14 million people, mainly older, poorer and/or living in the favelas, are illiterate. A new international literary festival Flupp (Festival Literaria das UPPs) was launched in 2012 in Morro Dos Prazeres, a favela in Rio de Janeiro with a permanent police presence known as a UPP or unit of police pacification. The festival focused on the writing talents of favela residents themselves, and was launched with the participation of UK-based authors engaged with themes that are relevant to the communities like Yvette Edwards, Kei Miller and Naomi Alderman.¹⁸⁶ "We want people to see how life in the community is raw material for writing, like any reality." –Toni Marques, festival curator

San Francisco invests to ensure the arts remain in the heart of the city, despite booming property prices (USA)

San Francisco is known for its arts and culture. However, with one of the most aggressive real estate markets in the world, there are fears that artists are being pushed out, and that this is changing the character of the city. San Francisco is increasing funding and developing long-term investment models to ensure the arts remain at the heart of the city. It already provides more per capita funding for the arts than any other large municipality in the USA. In 2015, it voted for an unprecedented 50% increase in grant funding for the San Francisco Arts Commission.

Much of the city's investment is on initiatives that take a long-term view. The Community Arts Stabilization Trust (CAST) offers financial assistance to non-profit arts organisations facing eviction or rent increases as a result of the sizzling economy. This helps these small and medium-size organizations secure long-term, affordable space.

The UK scores relatively poorly in education, suggesting future challenges

The UK performs least well in education, relative to creative industries and the public arts. The data reflected by these education indicators does not manifest changes made to the education system since 2012, which, as a consequence, will almost certainly lower the UK score further.

Education – The UK ranks 3rd of our seven comparator nations

Indication	UK ranking (out of 7)	Definition
Ability of young people to perform well in creative problem solving	2nd	PISA Scores for problem solving[9]
Priority given to the arts in the education system	3rd	% of 14-16 education timetable allocated to arts
Representation of arts and humanities graduates amongst total graduate population	3rd	Arts and humanities graduates as a % of total

Radically reforming education to promote creativity (Taiwan)

In an effort to retain its global competitiveness, Taiwan is trying to move beyond the traditional model of 'rote learning'. Borrowing from educational models in countries like Finland, the curriculum has been fundamentally reconceived to emphasise creativity and student initiative, as these are viewed as linked to the likelihood of developing entrepreneurial skills in future. This mirrors changes taking place in Korea, where the curriculum now looks to promote 'grit' and other more intangible indicators.¹⁸⁷

NuVu is an innovation school based in an architectural studio (USA)

At NuVu, around 12 middle or high school students use 'hands-on problem-solving to solve complex, comprehensive problems'. This approach to learning has a multi-disciplinary focus geared around collaboration, which aims to 'teach students how to navigate the messiness of the creative process, from inception to completion'. Problems are open-ended rather than easy to mark. There is no classroom, just an open space. There are also no one-hour schedules, with students encouraged to manage their own learning.

Where next?

In this analysis, the most interesting comparison is with Korea. The UK and Korea both rank first on three indicators. But the actual figures suggest something different. Our economic indicators are far stronger. The UK's exports per capita are three times that of Korea, and spend on entertainment and media is close to double. In fact, we are much closer to our EU partners, Germany and France.

But the indicators that hint at the future potential of these sectors tell a different story. Korea invests more in the public arts and it tops the ranking for creative problem-solving. These indicators – and the case studies – show a commitment to developing innovative initiatives at scale, with significant investment. This ambitious future feels worrying when compared to the current situation in the UK where, for example, there is growing evidence that recent education reforms may be decreasing take-up of creative and cultural learning.

Our conclusion from this is that we should not look over our shoulders in fear at the approaching competition, but we should recognise that to maintain our lead, we will need to match this ambition and this investment, and actively engage with new ideas coming from outside of the UK. Our creative and cultural sectors still lead the world. Countries like Korea show us we cannot be complacent if we want to keep this advantage.

Recommendations

While other countries are reforming their entire education systems to focus on culture and creativity, we are losing ground in the UK. We should refocus our attention on ensuring our education system is innovative and progressive, supporting the creativity of our young people and providing the bedrock for our future economic success.

Given there is so much to learn from these examples, UK organisations and policymakers should look to new models of exchange to ensure they learn from these innovations. We hope our World Cities Culture Forum – the forum BOP convenes for policy-makers in 27 key cities to share research and intelligence on the role of culture in future prosperity – provides one way to do this. The Government should look to similar approaches to finding innovative practice and bringing it back to the UK.

The data in full – comparative rankings¹⁸⁸

Rank	Creative Industries Indicators		
	<i>Contributions made by creative industries to exports / Exports of creative goods per capita</i>	<i>Contribution made by creative industries to economic output / Core creative industries as % of GDP</i>	<i>Spend by individuals on entertainment and media / Spend on entertainment and media per capita</i>
1 st	<u>UK</u> \$361	Korea 10%	USA \$1,441
2 nd	Germany \$328	<u>UK</u> 5.8%	<u>UK</u> \$1,283
3 rd	France \$305	France 5.1%	Germany \$1,226
4 th	USA \$234	USA 4.3%	France \$1,168
5 th	Italy \$193	Germany 3.9%	Korea \$756
6 th	Korea \$115	Italy 3.9%	Italy \$756
7 th	Brazil \$18	Brazil 2.5%	Brazil \$191
Source	UNCTAD (2011), Exports of Creative Goods	Various including Tera Consulting 2011 (gives best int'l comparisons). Comparisons are indicative only as definitions vary.	PwC Global Media Outlook (2011)

Public Arts Indicators			Education Indicators		
Government investment in public arts per capita / <i>Central government expenditure on culture per capita</i>	Population's engagement with culture / <i>% of adult population who have visited a museum or art gallery in last 12 months</i>	Number of major cultural venues per capita / <i>Number of museums receiving over 630,000 visitors. Per million (total)</i>	Ability of young people to perform well in creative problem solving / <i>PISA score for creative problem solving</i>	Priority given to the arts in the education system / <i>% of 14-16 curriculum allocated to arts subjects</i>	Arts and humanities graduates as % of total graduates / <i>Arts and humanities as a % of total graduates</i>
France €250	<u>UK</u> 52%	<u>UK</u> 0.26 (17)	Korea 561	Italy 13%	Korea 18%
Germany €144	Germany 44%	France 0.15 (10)	<u>UK</u> 517	Germany 9%	<u>UK</u> 16%
Korea €89	France 39%	Italy 0.08 (5)	France 511	<u>UK</u> 9%	Germany 16%
Italy €82	Korea 34%	Korea 0.06 (3)	Italy 510	Korea 8%	Italy 15%
<u>UK</u> €77	Italy 30%	USA 0.05 (15)	Germany 509	France 7%	USA 11%
Brazil €3	USA 21%	Germany 0.02 (2)	USA 508	USA no data	France 10%
USA €0.4	Brazil no data	Brazil 0.01 (3)	Brazil 428	Brazil no data	Brazil 2%
OECD (2011)	Various inc. Eurobarometer (2014)	BOP analysis	NISA Scores for Problem solving	OECD (2011)	OECD (2011)



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Endnotes

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- ¹⁸² <http://www.majorleaguegaming.com/news/major-league-gaming-to-build-first-ever-mlg-arena-in-china>
- ¹⁸³ <http://www.portodigital.org/parque/o-que-e-o-porto-digital>
- ¹⁸⁴ <http://thenextweb.com/la/2011/05/22/why-brazils-most-innovative-institution-comes-from-recipe>
- ¹⁸⁵ <http://www.spiegel.de/international/germany/why-berlin-is-the-most-boring-museum-city-in-the-world-a-1043044.html>
- ¹⁸⁶ <http://www.bbc.co.uk/news/world-latin-america-17692984>
<http://transform.britishcouncil.org.br/en/content/flupp-literary-festival-upps>
- ¹⁸⁷ <http://www.csmonitor.com/World/Asia-Pacific/2015/0823/Creative-demand-Taiwan-says-radical-school-reform-will-set-it-apart>
- ¹⁸⁸ Data is available online for download on the Creative Industries Federation website or at bop.co.uk/articles/cifinternationalcomparisons



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