Creative Industries
Policy & Evidence Centre
Led by nesta

How evidence should guide manifesto promises on the Creative Industries

The creative industries - from film, to fashion, to creative technology - are rightly lauded as a thriving part of the UK economy, contributing £101.5bn GVA and employing more than 2 million people. Trade in services in this area helps to offset the UK's substantial trade deficit elsewhere, and they are frequently cited by MPs as a 'soft power' asset.

However, the sector faces significant challenges. Research on the growth dynamics of creative industries has shown that businesses are getting smaller, few are scaling up and the sector is becoming increasingly concentrated in London and the South-East of England. In addition we know that creative businesses can struggle to fill vacancies in skilled technical roles, and there is widespread concern in the sector about the fate of creativity in training and education. There are also both economic and social issues relating to the lack of diversity in the sector as well as issues around low pay which are sometimes mistakenly attributed to skill level.

Despite a recent Sector Deal, the economic significance of the creative industries is still underappreciated in the House of Commons - since the last election the sector was mentioned just 305 times. This is surprisingly low when compared to, say, the smaller, automotive industry which was mentioned 533 times.

This is why it is so vital that political parties consider the creative industries and their needs in their political manifestos.

The Creative Industries Policy and Evidence Centre (PEC) was funded to produce and promote independent evidence about the sector. Here we have put together four evidence-led policy recommendations that we think political parties of all colours should adopt to support this vital part of the economy, and which would help to address what might be the greatest economic issue of our time, namely the nation's sluggish productivity.

This briefing should not be read as a "manifesto for the creative industries" covering all areas where policy change is needed, but rather four specific areas where the evidence strongly points to action that would help grow the sector.

1. Invest heavily outside London and the South East.

Recent analysis from the PEC has shown the level to which London and, to a lesser extent, the South East dominate the creative industries in the UK. Not only are the creative industries larger in London and the South East, they have also been growing faster in these regions than in the rest of the UK.

Our research also suggests that labour productivity in the creative industries is substantially higher in London and the South East than in the rest of the UK. Indeed, in some sub-sectors and regions the implied labour productivity of creative industry workers is strikingly low.

In order to change this, the future Government will need to be far more ambitious in its support for regions across the United Kingdom. We recommend a substantial and long-term commitment is made to increase productivity outside London and the South East by investing in creative clusters, which builds on - but goes further than - the Arts and Humanities Research Council's Creative Industries Clusters Programme.

2. Get creative with R&D

Investment in innovation is often cited as a way to boost productivity, which is why parties of all colours have called on businesses to invest more in it, specifically in research and development (R&D). But policymakers may be missing a trick when it comes to the businesses that are the focus of initiatives to encourage this. This is because we currently use a definition of R&D that doesn't play to national strengths and leaves out the arts, humanities and social sciences.

Consequently much of the research and development that happens in the creative industries - based on developing content and experiences rather than just building new widgets - is excluded. Because of this, creative businesses are also excluded from the tax incentives that the government provides to encourage businesses to do more R&D.

Research for Nesta from Professor Stephen Roper and Areti Gkypali from the Enterprise Research Centre has shown that creative industries businesses report that they do almost as much R&D as the manufacturing sector, when using a broader definition than used in tax incentives.

We recommend a broader definition should be adopted for R&D tax relief, to incentivise R&D investment in the creative industries.

3. Ensure immigration policy works for all sectors

In any given area, improving the skills base can boost productivity, and so it is perhaps no wonder that companies are so keen to advocate for their corner of the economy when it comes to immigration.

But the reality for the UK's creative industries is that their needs look different from the rest of the economy. Any generic one-size-fits-all immigration policy could be hugely detrimental to this world-leading sector.

Research has shown that, unlike the rest of the economy, the most severe skills shortages within the creative industries are in high skilled occupations such as programmers, software developers, architects, and designers. In fact, employers are already sourcing migrant talent in these roles.

Despite the high skilled nature of job vacancies, industry bodies have raised concerns that they may not reach the £30,000 salary threshold necessary for overseas applicants to obtain a visa. Economists see salaries as a measure of skills productivity. But employers in some creative industries say that salaries can be lower than in areas like finance for reasons unconnected with productivity. As such, setting the bar so high risks locking out talented individuals.

In addition, it is difficult for self-employed people from outside the EU to enter the UK unless they meet the criteria for an "exceptional talent" visa, which are incredibly demanding – it can require having won a Bafta or equivalent prize, for example. The hurdles for entrepreneurs are also unrealistic for many – with the innovator visa requiring a minimum of £50,000 in investment funds.

For a sector in which as much as one third of the workforce is self-employed it is perhaps unsurprising that we estimate 10 per cent of employers in the creative industries have hired a freelance worker from the EU in the past 12 months. If, or when, freedom of movement is to end it is not clear how talent of this type would enter the UK.

All political parties must consider moving away from an immigration system which focuses on big business, to one which looks at talent as just that: talent. This means

introducing a freelance visa with the same checks as the visas used by large businesses, as well as ensuring that a salary threshold doesn't keep out the kind of creative talent the UK needs.

4. Provide creative training for life

Research from the PEC has shown that jobs requiring creativity are far more likely to grow as a percentage of the workforce by the year 2030. This reinforces the findings from previous research by Nesta and others that policymakers should be investing in the workforce's creative skills.

There are significant concerns about whether policies for schools and universities (especially in England) will disincentivise subjects that develop creativity.

Given that 70% of people who will be working in 2030 are already in the workforce, it is also critical that those who are out of school and university have the opportunity to develop creative skills, including but not limited to those required by specialist creative occupations.

We recommend that the future UK Government ensures the development of creative thinking is a key tenet of *all* life-long training schemes. They must also ensure that creative occupations are well-served by existing interventions such as the English apprenticeship levy, which have often been designed for sectors dominated by large businesses rather than the SMEs that make up the creative industries. Other lifelong learning policies including data-driven careers information on changing skill needs, individual learner accounts, and flexible, bite-sized, digitally-enabled training to support upskilling and reskilling in this rapidly changing sector should also be considered.

By acting on the evidence and targeting policies, the next Government has the opportunity to build on a UK strength and grow productivity.

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