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Benchmarking and understanding London's Cultural and Creative Industries

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Abstract

This paper describes the Greater London Authority's evidence base for its work on the creative and cultural industries.

Its main purpose is to show that th9is evidence base is viable, robust, and useful. The second and most important purpose is to encourage others in city management to invest in such evidence bases, and to compile them on a comparable basis. It will be some while before this is done by international agencies, and that national agencies are only at the start of a long journey in recognising the importance of city data. Hence, I argue in this paper, a responsibility devolves onto the cities themselves. This paper is about those responsibilities.

The paper was originally presented to the Conference Board of Canada at its March 2008 international conference on the creative industries, and, along with the conference proceedings, can be obtained from the conference board via www.e-library.ca. or www.conferenceboard.ca

Benchmarking and understanding London's Cultural and Creative Industries

Introduction

Starting in 2002, the Greater London Authority[1] has constructed a systematic evidence base to support London strategies relating to culture and the creative industries in London. It has published three reports and a research database, detailing employment and output in the Creative Industries at city-wide, borough and micro-local-area levels. It recently published a 'Cultural Audit' of London, listing and comparing London's cultural offer and infrastructure with Paris, New York, Tokyo and Shanghai. It also produced three reports directed towards harmonising international standards for defining and measuring cities.[2]

The first purpose of this paper is to show that an evidence base like this is viable, robust, and useful. The second and most important purpose, however, is to encourage others in city management to invest in such evidence bases, and to compile them on a comparable basis. I believe it will be some while before this is done by international agencies, and that national agencies are only at the start of a long journey in recognising the importance of city data. Hence, I want to argue, a responsibility devolves onto the cities themselves. This paper is about those responsibilities.

Why cities?

The first obvious question is: why compare cities at all? This is really two questions – why study cities, and why compare them?

That notwithstanding their relatively low political influence, cities have become economic drivers of the world. This is recognised in a growing body of literature dealing with World Cities, discussed in our recent *Cultural Audit of London* (Freeman 2008). Therefore, cities matter economically. As chart 1 shows, the majority of the people of the world live in urban regions. In four parts of the world – North America, Latin America, Europe and industrialised South-East Asia – urban population exceeds 75 per cent of the total.

So, why compare them? Because we can better identify the causes of what happens in them by looking at a number of different cities – ideally, over time. Thus, in constructing our cultural audit, we did not simply produce statistics for London and, as it were, challenge others to produce their own. The exercise

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[1] The Greater London Authority is the governing body for London. Most executive power resides with directly elected Mayor. An elected deliberative body, the London Assembly, approves the Mayor's budget and is responsible for scrutinising his activities. Other bodies are responsible for particular areas of work and report either directly or indirectly to the Mayor, including Transport for London (TfL) and the London Development Agency (LDA) which is responsible for economic regeneration and development and handles much of the work related to the Creative Industries.

[2] See the bibliography for a list of relevant reports.

was designed to identify *why* London had the particular level and type of culture that it does and, therefore, to see in what respects it was similar and in what respects different from other cities.

Chart 1: proportion of the world's population living in urban areas
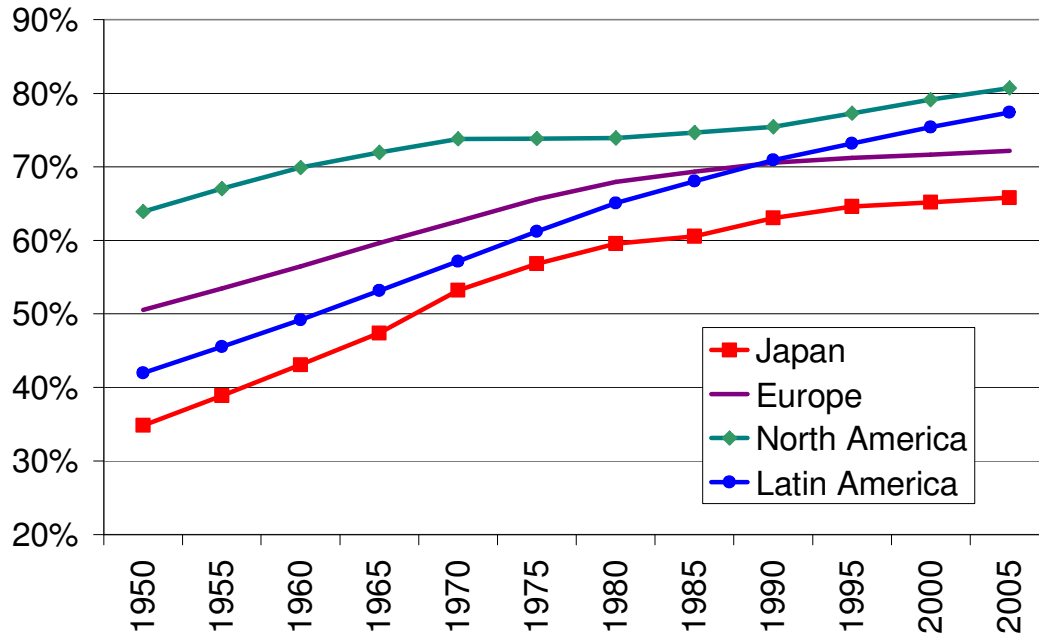
This gives rise to a basic problem which a North American audience may not be fully aware of: the absence of robust and comparable statistics about cities.

A large body of comparable statistics is available at national and regional level. Every country now has National Income statistics (NIPAs) on a standardised basis established after the second world war, thanks to the United Nations and the indefatigable Richard Stone. A huge variety of social and political data is also available at national state level. More and more data is also available at regional level. Countries with a federal administrative structure, like North America and Germany, have a relatively long-standing record of compiling regional statistics. Others, notably Eurostat, are producing a growing volume of statistics for regions at different levels of disaggregation, which, by the way, include sub-regional as well as provincial or state data.

However, a city is not a nation. Nor is it a region, as regions are now mostly conceived. A city is not even reducible to an urbanised area (66 per cent of London consists of Green Space or water): it is an economic entity, a kind of integrated machine consisting of an interlocking system of places, connected by transit and communication systems, in which a self-contained group of people conduct the daily business of working and living. Except in those few cases where city boundaries, so defined, happen to correspond with official statistical regions, regional statistics are the wrong ones for making informed decisions about city administration.

Canada and the USA have a long-standing statistical tradition for defining and measuring their cities, and a researcher into North American can readily find a wealth of statistics not simply on standardised regions (states or provinces, counties, and so on) but on cities as such. This tradition does not exist in Europe, which is just at the beginning of a process of attempting to define and measure its cities on a standardised basis.[3] It is also absent from most other parts of the world.

The classic example of this problem is Paris with at least three definitions. The first is the 'Petite Couronne' containing 20 arondissments, with a Mayor, an area of 105 sq km and a population of 2.164 million. Paris has extended well beyond this ancient boundary and a frequent alternate definition uses Ile de France, a vast region covering 12,012 sq km and containing 11.362 residents. The problem is that neither of these corresponds properly to 'GLA London', the only existing official definition, with an area of 1,584 sq km and a population of 7.371 million. In comparing these two, the researcher therefore either finds that Paris is ten times smaller than London, or ten times larger. Neither of these is economically true; the best available definition, obtained by applying the technique developed by the GEMACA group of researchers, defines a 'functional urban region' or FUR, showing rather similar populations and areas and affording true comparisons. Table 1 summarises the main statistics characterising some of these definitions.

Table 1: definitions of Paris and London

	Population 2003 (000s))	Workforce Employment 2003 (000s)	GVA 2003 (€billion current)	Area sq km	Density population per sq km	Productivity (€ per worker per year)
Inner	2,892	2,470	160	321	9,023	64,986
GLA	7,371	4,376	260	1,584	4,655	59,329
FUR	13,988	7,706	431	15,344	912	55,915
Paris	2,164	1,656	138	105	20,529	83,422
FUR	11,967	5,616	411	17,873	670	73,259

London's current boundary – the Greater London Area – is a better match for its 'economic' extent than for many other cities, which has given the city a sufficient evidence base to draw some initial conclusions. Even so, the task of collating accurate statistics covering the 'full' London remains to be undertaken. For many cities in the world, the statistical region is simply an inadequate territory on which to construct a robust and informative evidence base. For this reason, GLA Economics has a significant programme of research and international collaboration directed towards attempting to arrive

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[3] For a detailed discussion see GLA Economics' papers on defining and comparing cities, listed in the bibliography. See also the website of Urban Audit, the main statistical organisation charged with collating city data in Europe.

at common, harmonised definitions of cities that can be used for robust comparasons.

Why creative industries?

Why study the creative industries? First, because they are important in their own right, and second because they are particularly relevant to cities.

Our first, 2002 study, confirmed by two updates, showed that the creative industries were, in London during the 1990s, the focus of what we termed a *benign productivity revolution.* As charts 2 and 3 show, productivity growth had outstripped the UK economy's rate in all creative sectors and, unlike many 'sunset' sectors in manufacturing, this combined with employment growth. The growth in output was thus being achieved not by capital-labour substitution but by an expansion drawing in labour. The creative sector was a driver of growth.
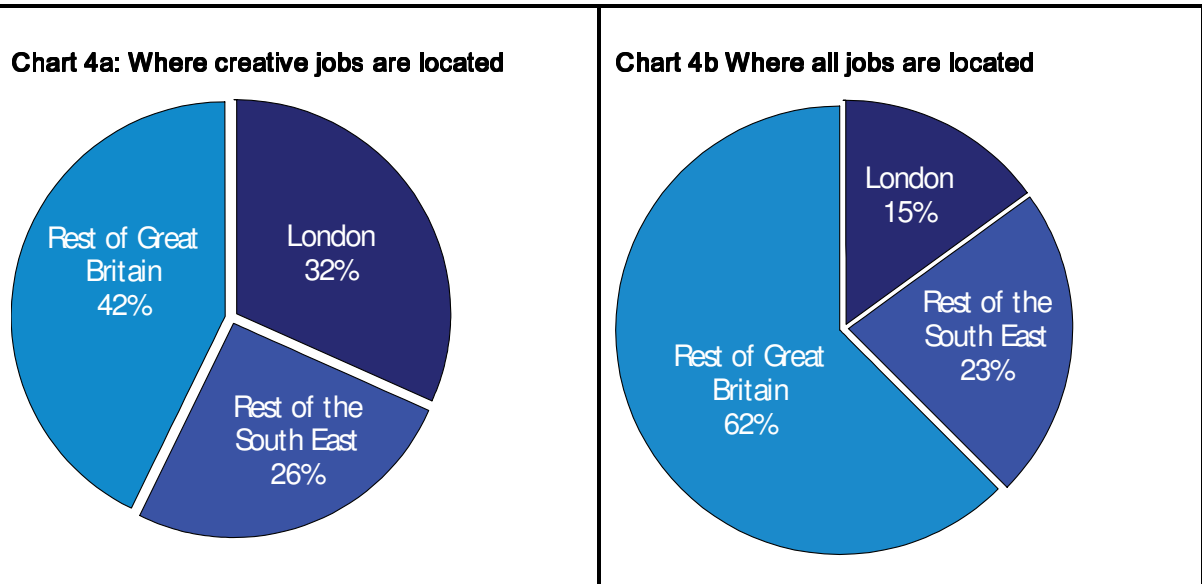
Chart 2: productivity growth rates 1995-2000
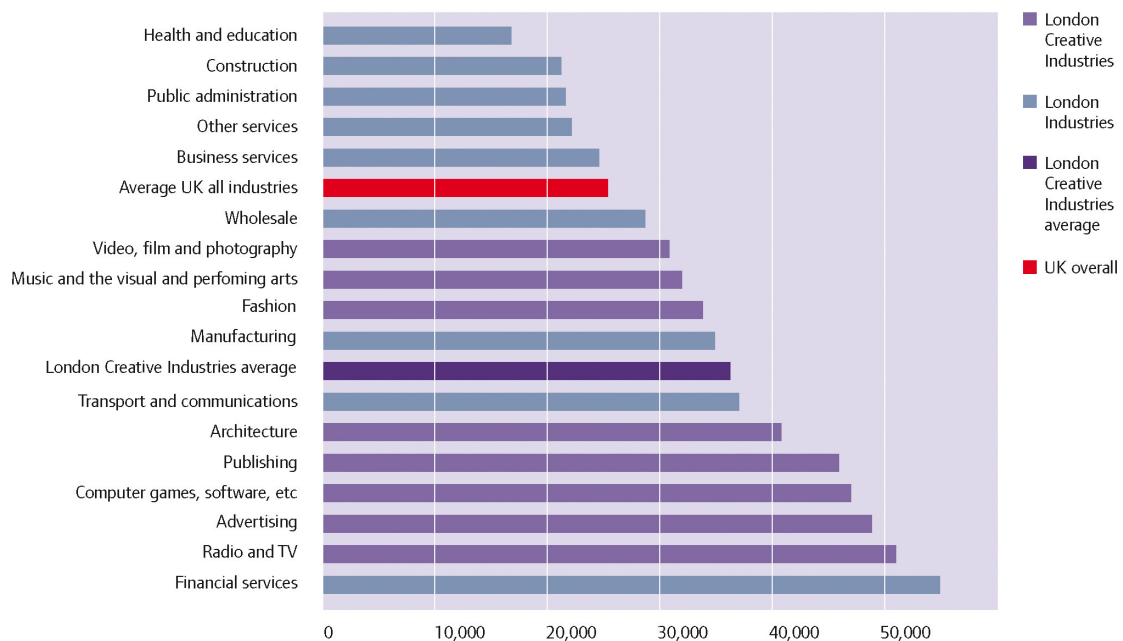
The creative sector had also become a major sector in the London and UK economy, accounting for one in eight London jobs and a sixth of its output. It employed, by 2000, more than any comparable sector except Financial and Business Services.

A third fact that emerged was that these industries were exceptionally concentrated in London: by 2006, our third report showed, 32 per cent of creative industry employment was to be found in London and 58 per cent in the region we have termed the 'Grater South East', consisting of London and the regions immediately adjoining it. For comparison, 15 per cent of all jobs were to be found in London, and 38 per cent in the Greater South East

Chart 3: job growth rates 1995-2000

Categories (top to bottom): Crafts, Public administration, Financial services, Architecture, Construction, Manufacturing, Retail, Health and education, Transport and communications, Radio and TV, London total, Wholesale, Music and the visual and perfoming arts, Art/antiques trade, Publishing, Hotels and restaurants, Fashion, Video, film and photography, London Creative Industries total, Advertising, Business services, Design, Computer games, software, etc

Legend: London Creative Industries; London industries; London Creative Industries total; London total

X-axis: -2%, 0%, 2%, 4%, 6%, 8%, 10%, 12%

Chart 4a: Where creative jobs are located

London 32%
Rest of the South East 26%
Rest of Great Britain 42%

Chart 4b Where all jobs are located

London 15%
Rest of the South East 23%
Rest of Great Britain 62%

This gave rise to two immediate questions:

- Were we witnessing a one-off surge, or a sustainable growth process which could be expected to last over more than one business cycle?

- Were the factors that had fuelled creative industry growth transferable – could they be reproduced in other industries?

Two other more complex questions surfaced as our information-gathering proceeded, and also with the launch of the *Creative Economy Programme* – an intensive, national, research effort conducted by the national Department of Culture, Media and Sport (DCMS)

First, what benefits do creative industries bring to people (or industries) other than direct consumers? These 'external benefits' – sometimes termed

spillovers – were known to be exist for individual consumers. A classic example would be the presence of a beautiful or inspiring building, which brings enjoyment to people beyond those who paid for it or work or live in it.

A second, more complex question is whether *businesses* in London draw indirect benefit from the presence of creative industries – for example, by being able to draw on the talent they brought to London or the inspiration their products gave rise to? There was strong *prima facie* evidence for this. For example, a growing number of multinational companies including Ford, Nokia, Virgin and Volkswagen, decided to place their design headquarters in London. Could this be ascribed to the external benefits of a strong creative presence?

The question, related to the two just mentioned is this: what are the benefits that business purchasers of creative products draw from them? Do these include an enhanced capacity to innovate, or additional productivity growth? Our third creative industries update used input-output statistics to study the interconnections between creative and other industries, and established that,

- 42 per cent of all creative products were sold direct to businesses

- three particular industries – advertising, architecture and software – sold their output almost entirely to businesses

- business expenditure on creative products had, by 2004, exceeded spending on business and financial services

Building a creative industries evidence base

What sources of data were available to us? The objective of comparability dictated that we should seek a standard which was, as far as possible, internationally-recognised. Whilst there is no standard with the degree of endorsement to be found with, for example, NIPAs, we had two advantages

There was a national standard which had been devised by the government's Department of Culture, Media and Sport (DCMS). The concept 'creative industries' was actually coined in Britain in the late 1990s.[4]

- This standard was itself based on the quite considerable agreement reached in international bodies (thanks to the pioneering work conducted in the Canadian national statistical office), and in particular in the OECD and in the work of a body known as the Leading European Group (LEG) on the creative industries.

- The department had defined thirteen 'creative sectors' by identifying sets of *industries*, defined by Standard Industrial Classification (SIC) and *occupations*, defined by Standard Occupation Classifications (SOC)

We were able to use these codes to extract estimates of employees and firm numbers from the UK's standard business survey, now called the *Annual Business Inquiry* (ABI), and from its standard population survey, now called

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[4] See O'Connor (2008) for an account of the origin and history of this term.

the *Annual Population Survey* (APS) – at the time called the *Labour Force Survey* (LFS). This provided a data set with characteristics offering both advantages and pitfalls.

Of these, perhaps the most central issue is that the classification is 'cross-cutting'. It amalgamates enterprises from quite widely differing parts of the industrial and occupational spectrum. Thus 'Music and the Visual and Performing Arts' consists of code 22140 (Manufacture of musical instruments), 22310 (Sound recording), 92311 (live theatrical performance) 92319 (Other artistic and literary creation and interpretation), 92349 (Other entertainment activities) and 92721 (Motion Picture Television and other theatrical casting). The 22xxx codes are drawn from manufacturing and the 92xxx codes from 'Other services', which would not normally be treated as having any relation to each other.

Table 2: Composition of creative industries in relation to standard SIC categories, 2005

		Thousands of employee jobs in 2005		Percent of…	
SIC 2-digit	Broad SIC section	Creative	Total (creative and non-creative)	Total creative jobs that work in this section[a]	Jobs in this section that are creative[b]
10,20,30	D : Manufacturing	70	236	20%	30%
50	G : Wholesale and retail trade	7	953	2%	1%
70-74	K : Business Services	131	1481	37%	9%
90	O : Other community, social and personal service activities	147	342	41%	43%
	Total (all London Employees)	**355**	**3,012**	**100%**	**12%**

a: for example: 70,000 out of 355,000 creative workers are in manufacturing, making 20%

b: for example, 70,000 out of 236,000 manufacturing workers are creative, making 30%

The benefit is the capture of characteristics that are not transparent in the raw SIC system. Cross-cutting classification systems are used to study a variety of putative 'sectors – for example the life sciences. They are most useful to study those parts of the economy which are rapidly evolving. In these situations the standard classification does not change fast enough to yield information about the newly evolving industries or types of industry, and may not change at all, since it is constrained by the requirement that any new classification should remain compatible with previous ones, so that time series comparisons can be made.

However, the classification also involves double-counting. The creative industries are not a 'sector' in the same sense as manufacturing, because manufacturing excludes all other sectors such as services, transport, and so on. Therefore, creative industry employment cannot simply be added on top of manufacturing, services, and all the others, since every industry in the creative sector is already included elsewhere in one of the other sectors. Table 2 shows in which standard sectors London's creative industries fall.

Is there such a thing as the creative sector?

Perhaps the most important concern regarding cross-cutting classifications is: do they correspond to anything real at all? Is there any such thing as the creative 'sector' in the same sense as manufacturing, or is it merely a random assembly of products and activities? In this respect, the evidence itself has helped provide the answer.

In the first place, the data we collected on the growth (and subsequently, temporay retrenchment) of the creative industries showed a high degree of correlation. Basically, the creative sectors rise and fall together.

Second, the creative industries in London are intensive employers of creative workers. This may seem obvious, but it is not; moreover, it does not hold to anything like the same degree outside London.

As mentioned, the definition that we used was well suited to study this issue, because it provided information both on the industries which were considered creative (Fashion, Music, Architecture, Arts and Antiques, Video, and so on) and on the occupations.

The 'Trident classification' , as Stuart Cunningham (2008) has called it, facilitates an important distinction. A record company may employ musicians but is actually quite likely not to.[5] Moreover it will employ many people not classified as creative (perhaps wrongly) – for example accountants and lawyers And musicians themselves may not work for a creative industry at all – for example, music teachers, who work in the education sector. There is therefore no *necessary* reason to suppose that an industry whose main outputs are creative products will be an intensive employer of creative workers, or that creative workers will necessarily find their way onto the payroll of a creative company.

In London they do. And the 'creative factor utilisation' – the degree to which the creative industries are specialist employers of creative labour – appears to be the greater, the heavier the concentration of creative industries, as a comparison with table 4 in the next section shows.

This strongly suggests that the creative industries are the site of a particular form of industrial organisation.[6]

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[5] it will, for example, sign them up on record deals, which are not treated statistically as a form of employment.

[6] Freeman (2008) discusses this question at greater length..

Table 3: creative factor utilisation in various London Boroughs

Borough	I	O	$O \cup I$	$O \cap I$	$O \cap \sim I$	$O \cap I / O \cup I$
Havering	2,744	4,147	6,610	281	3,866	4%
Barking and Dagenham	1,948	3,587	5,074	461	3,126	9%
Waltham Forest	6,566	6,900	11,726	1,740	5,160	15%
Harrow	10,517	8,443	16,466	2,494	5,949	15%
Greenwich	7,688	4,939	10,851	1,776	3,163	16%
Bromley	16,098	9,654	21,558	4,194	5,460	19%
Newham	7,072	4,295	9,417	1,950	2,345	21%
Bexley	5,003	3,337	6,848	1,492	1,845	22%
Hillingdon	9,961	9,420	15,874	3,507	5,913	22%
Ealing	17,849	14,523	26,446	5,926	8,597	22%
Croydon	12,256	12,713	20,149	4,820	7,893	24%
Enfield	8,638	6,544	11,844	3,338	3,206	28%
Kingston upon Thames	11,237	9,657	16,153	4,741	4,916	29%
Hounslow	9,536	5,094	11,300	3,330	1,764	29%
Redbridge	7,432	8,338	11,953	3,817	4,521	32%
Merton	9,995	8,905	14,089	4,811	4,094	34%
Lewisham	10,726	10,557	15,780	5,503	5,054	35%
Sutton	9,549	7,337	12,435	4,451	2,886	36%
Brent	12,721	10,794	17,068	6,447	4,347	38%
Richmond upon Thames	18,232	13,535	22,736	9,031	4,504	40%
Wandsworth	27,495	22,574	35,658	14,411	8,163	40%
Barnet	20,093	15,791	25,479	10,405	5,386	41%
Tower Hamlets	9,434	9,121	12,912	5,643	3,478	44%
Westminster	21,213	15,893	25,479	11,627	4,266	46%
Lambeth	20,237	17,561	25,767	12,031	5,530	47%
Hammersmith and Fulham	19,341	14,931	23,344	10,928	4,003	47%
Hackney	11,467	10,285	14,756	6,996	3,289	47%
Kensington and Chelsea	18,410	14,641	22,243	10,808	3,833	49%
Southwark	15,146	14,390	19,565	9,971	4,419	51%
Camden	24,555	19,257	28,665	15,147	4,110	53%
Islington	15,426	12,234	17,854	9,806	2,428	55%
Haringey	18,169	13,750	20,495	11,424	2,326	56%

I = working in Creative industry
O= in Creative Occupation

O $\cup$ I = Total Creative Workforce = industry + occupation (DCMS definition)

O $\cap$ I = 'specialist' workforce (any creative occupation also working in creative industry)

O $\cap$ I/O $\cup$ I = 'Creative Factor Utilisation' indicator

The standard definition of a sector (for example agriculture or manufacturing) is a group of industries that are similar either in producing similar products, or in using a common resource, or in applying a similar process. If we think of creative labour as a resource, and understand that the output of creative industries are creative products, then the 'creative sector' fits at least two of

these criteria. In addition, there are strongly related process characteristics. They tend to produce differentiated products, in relatively short runs, to an imprecise or abstract specification, and to tight deatdlines. See also Caves (2002) for a very detailed discussion of the contractual and process relationships to be found in the creative industries

Samples, estimates and sources

A third difficulty, which we were also able to address, arises more indirectly from the use of cross-cutting classification, particularly one with a high 'granularity'. By this, I mean that the SIC codes used to pinpoint creative industries are specified at a very detailed level – as can be seen from the Music/Performance codes cited earlier, many are specified at a five-digit level.

This first gives rise to severe problems of statistical confidence. The sampling base of the main national surveys in London is substantially less than 50,000. If, therefore, data is compiled for a borough (1/30th of London's area), a single creative sector (often as small as1/100th of London employment), the resulting jobs estimate will be based on a sample that may well consist of ten people or less.

A further problem is that the UK survey databases provide information only at the 4-digit level.[7] Finally, data from series is hard to localise geographically at any level lower than the borough level, because of the sampling problems discussed earlier.

To overcome these difficulties, we commissioned, for one year only (2003) a local area database using a 'company' data taken from Dunn and Bradstreet, which was verified against the 'IDBR', a comprehensive list of UK companies used for tax purposes. Data for this was coded at the 5-digit level and this permitted us to do two things:

- To calculate local regional coefficients with which to estimate at the five digit level, using four-digit data such as that obtained from surveys.

- To produce very detailed local estimates of employment in the creative industries, permitting the study of spatial location and agglomeration effects.

The local area study – which still awaits a geospatial analysis sufficient to do it justice – revealed or confirmed a number of key features of London's creative industries. First, they were highly agglomerated, in a way that mirrored the agglomeration of the finance and business sector. London's financial district lies in the City and, with the growth of docklands, increasingly to its East. London's creative sector is to be found in all the boroughs surrounding the finance sector but above all, to its west, in Westminster and in a belt fanning out from Westminster towards Heathrow Airport.

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[7] A more detailed industry survey, called 'ABI II' provides information at the five-digit level but for less years than the ABI, for which earlier surveys have been rescaled to provide a continuous 12-year series.

Table 4 illustrates the complementarity of financial and creative jobs and confirms the hypothesis, generated by table 3, that creative factor utilisation is strongly associated with creative agglomeration.

Table 4: Creative and finance/business employment in Inner London (employee jobs)

Borough	Creative workforce jobs	Financial Intermediation employee jobs	Percent of all creative employee jobs in London	Percent of all employee jobs in finance in London
City of London	9,339	125,122	2.1%	40.8%
Tower Hamlets	24,085	55,635	5.5%	18.2%
Islington	27,344	10,487	6.3%	3.4%
Camden	44,613	11,037	10.2%	3.6%
Westminster	75,716	31,278	17.3%	10.2%

Chart 5: distribution of creative and financial jobs in London, 2003
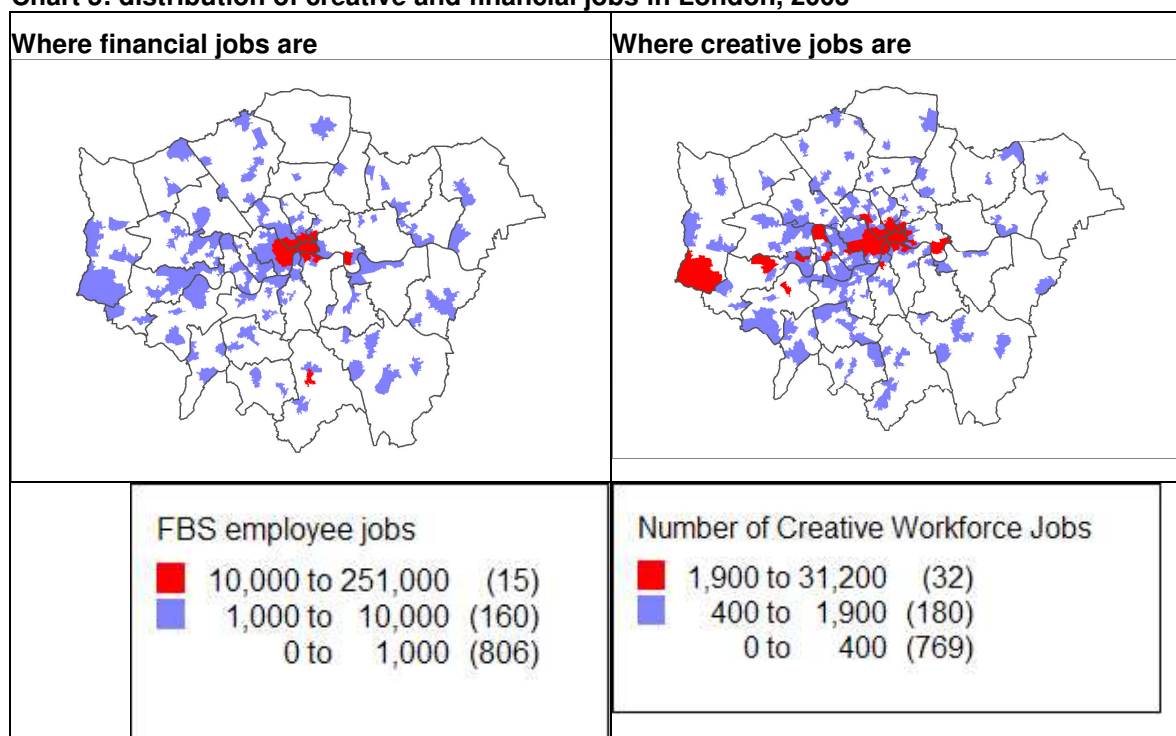
Culture and the city

The most recent report (Freeman 2008), overseen by GLA Economics, but commissioned by the LDA, had an objective which was not merely wider and more ambitious, but very distinct: the benchmarking of culture. Culture is, from

one point of view, the generic product of which the creative industries are a part. On closer examination, however, both the motives for studying culture, and its very nature, differ significantly.

Culture is an objective of policy, in all modern nations and cities, not simply or even primarily for its economic or wealth-creating benefits, but as a social and at times political imperative. Thus, in London, it is governed by the Mayor's Cultural Strategy. Culture moreover cannot be reduced to a simple saleable product, and the emergence of cultural 'industries', leading to a focus on culture as product, has been slow and is by no means a completed outcome.

A full treatment of the cultural audit (which at the time of writing is still embargoed for publication) is beyond the scope of this paper, but will be dealt with in the verbal and visual presentation.

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