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CREATIVE FUTURES: TEN STEPS TO SUPPORT THE CREATIVE ECONOMY

**million+ is a university think-tank
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which engage in high quality teaching,
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exchange and innovation.**

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Foreword

A successful creative economy needs three things:

- > Talent – and the UK has some of the best talent in the world
- > Space – for that talent to develop, experiment, network and demonstrate achievement
- > Investment – to give confidence to investors, universities and students that the high value of the creative industries to society and the economy is recognised at the heart of government.

This report highlights the success of the creative industries in supporting the wider creative economy and examines the role of higher education and, in particular, modern universities in underpinning this success.

Foreword continued

These universities have been significant, and often under-valued, players in the development of the UK's vibrant and ever-evolving creative industries.

They educate 75% of the highly skilled graduates and 50% of the postgraduates who enter the creative workforce – graduates who are, and have been, at the forefront of supporting and establishing the small and medium-sized businesses which are a feature of the sector.

Universities have proved to be innovative in responding to new and emerging creative markets but there are concerns. Creative subjects are being neglected in school performance measures and there is a lack of investment and support for research and entrepreneurial activity linked to the creative industries.

The UK has the talent and world-leading creative universities and conservatoires. Neither government nor universities can afford to rest on their laurels. We make no apologies for setting out ten steps for government to help ensure that the UK remains a creative winner.



Professor David Phoenix OBE
Chair of million+ and
Vice-Chancellor, London
South Bank University

Ten steps to support the creative economy

Support talent in schools and colleges

- > promote creative subjects at GCSE, A Level and BTEC as a valid route to further study at university and for degree apprenticeships
- > review school performance measures to include creative subjects

Support a strong creative university sector

- > promote and support universities educating the creative workforce of the future
- > investigate the investment required for creative programmes that need industry-standard facilities as well as those linked with design and the performing arts
- > review graduate destinations data to reflect patterns of employment in the creative economy
- > establish a new Arts, Humanities and Creative Industries Research Council with an increased budget and a wider remit

Support a strong creative economy

- > establish a working group of representatives from SMEs and universities engaged in the creative economy to identify barriers to market entry and progression
- > deploy a new Creative Capital Fund to invest in creative industries in the regions
- > fund an innovation vouchers scheme for creative industry SMEs through Innovate UK
- > use trade missions and educational export campaigns to promote the excellence of the creative industry qualifications offered by UK universities

The creative economy is strong...

In 2013, the creative industries and creative sector were worth £76.9 billion, a staggering 5% of the UK economy.

And that contribution is growing. From 2012-13 the gross value add (GVA) of the creative industries increased by 9.9%. During the same period, the GVA of the UK economy as a whole only increased by 3.3%.

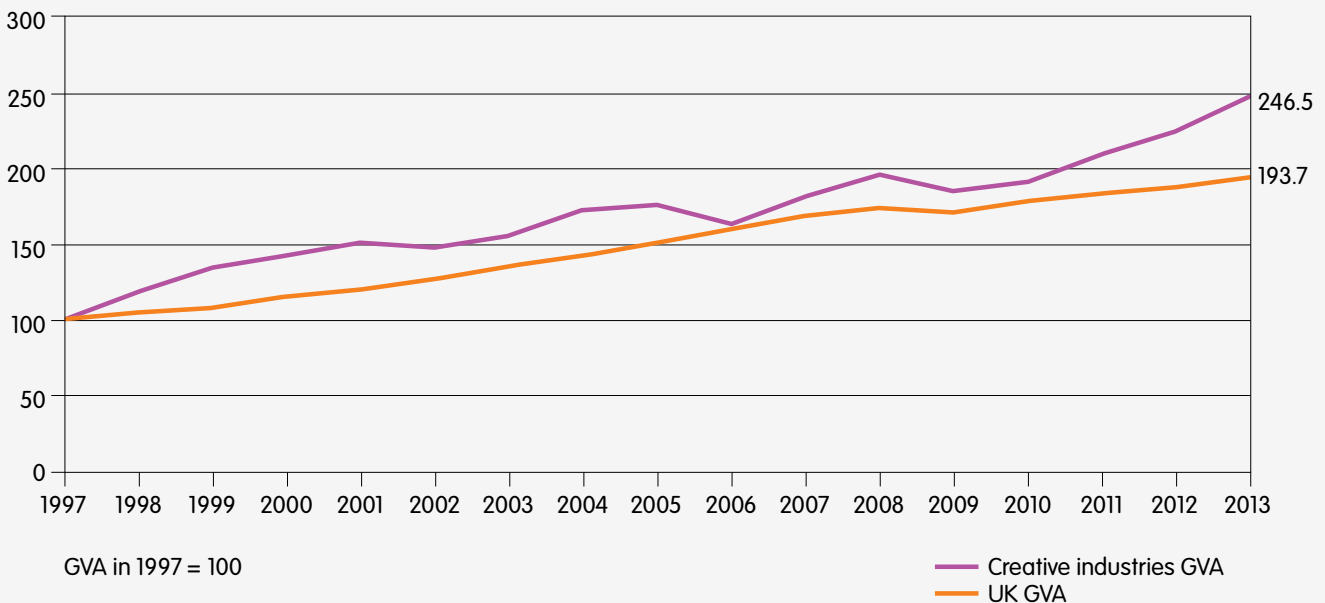
In fact, since 2008, the creative industries have been the second largest growing sector, with a GVA increase of 25.8% between 2008 and 2013 (see Figure 1). That is second only to real estate (28.8%), and far greater than the next best performing sector – finance and insurance activities (13.1%).

Case study

The Cultures of the Digital Economy (CoDE) Research Institute is a multidisciplinary initiative at **Anglia Ruskin University, Cambridge**, specialising in the creative and cultural opportunities which are generated through the emerging Digital Economy. CoDE engages in and enables collaboration between cultural, creative and technical industries and academia.

- > The creative economy is worth £76.9 billion
- > Creative industries make up 5% of the whole UK economy
- > The creative industries are one of the fastest growing sectors of the economy

Figure 1: Growth in GVA since 1997



Source: DCMS Creative Industries Economic Estimate – January 2015

...and creates jobs

Case study

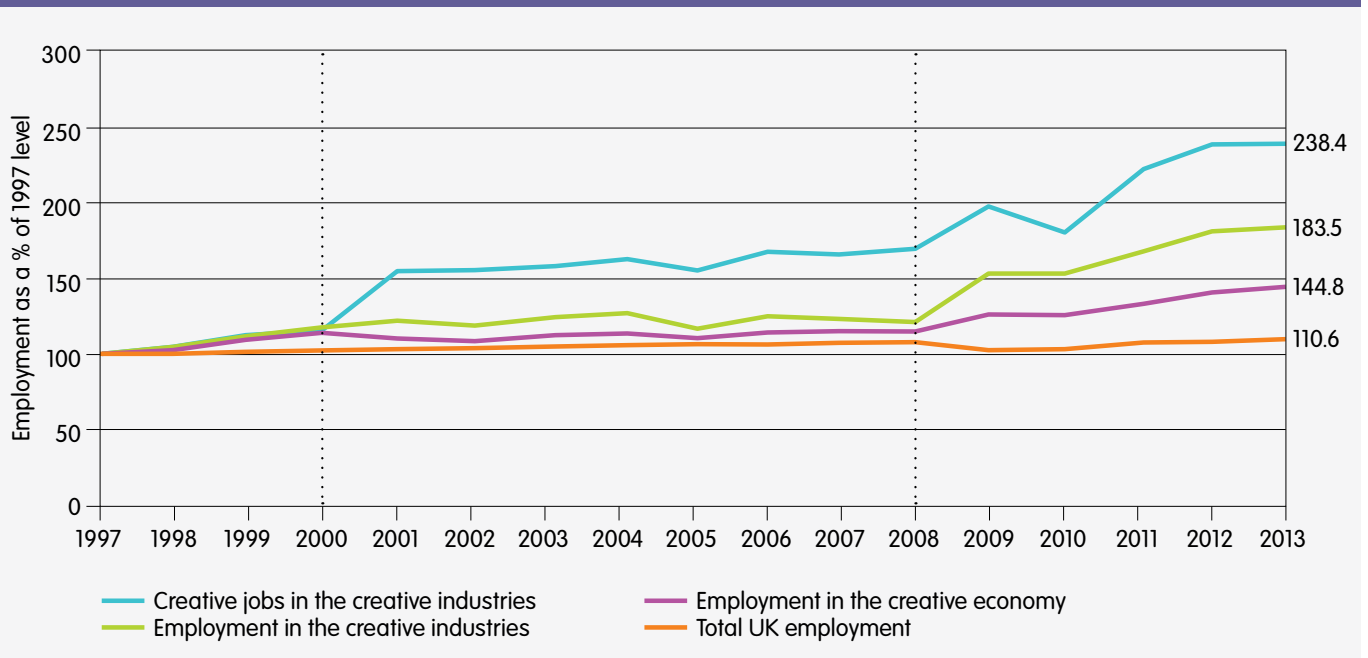
The **University of Sunderland** is developing a new £10m+ Centre for Enterprise & Innovation, to be launched in two phases through 2016, which will provide a major cross-disciplinary asset to support engagement between the University's priority areas – Enterprise & Innovation, Applied Science, Advanced Manufacturing, Software and Creative Industries. The Centre will be home to the North East's first Fab Lab – encouraging schools, businesses and individuals to work with designers and technicians on new inventions and innovations.

In 2014 2.8 million jobs were associated with the creative economy – 8.8% of all UK jobs. This is a 55% increase since 1997, when there were 1.81 million such jobs. This greatly outstrips growth in jobs (see Figure 2) in the economy as a whole, which increased by around 10% over the same period.¹

This growth has continued: the 2014 figure is an increase of 13.7% from 2011 and a further 5.0% on 2013 figures.

- > 2.8 million jobs in the creative economy
- > More than 1 in 12 people are employed in the creative economy

Figure 2: Growth in creative jobs and the creative economy since 1997



Source: DCMS Creative Industries Economic Estimate – January 2015

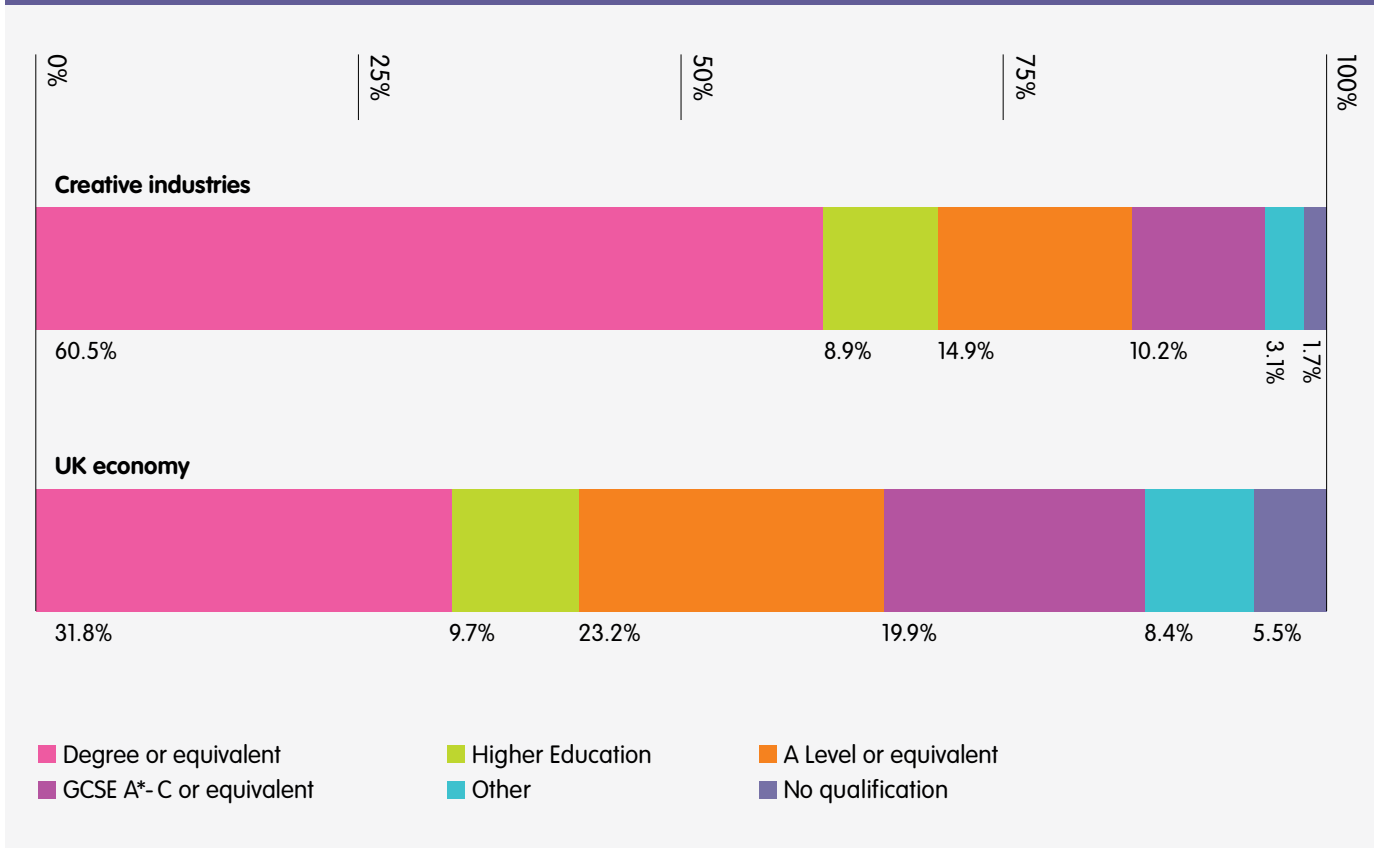
¹ Figures from DCMS Creative Industries Economic Estimates – January 2015.

The creative economy has a highly educated workforce...

This thriving part of the UK economy has a highly educated workforce. As a whole, the UK economy has just under a third of jobs filled by people with degree level qualifications.

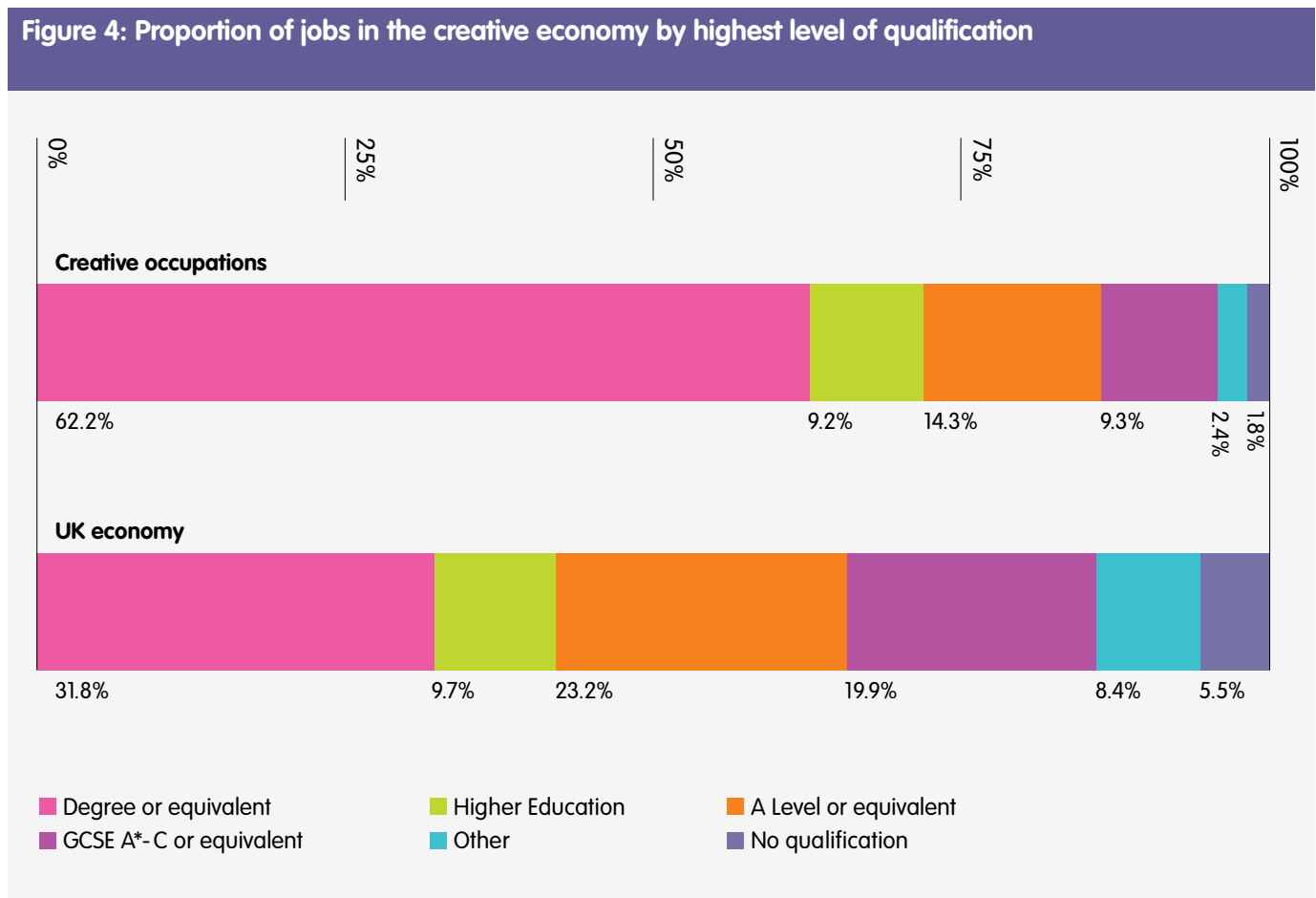
The creative industries have 60.5% of jobs skilled to degree level, and nearly 70% with some level of higher education. It is higher in roles that are specifically creative occupations, with over 70% of jobs filled by people with higher education qualifications.

Figure 3: Proportion of jobs by highest level of qualification in the creative industries compared with UK economy, 2014



Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/439714/Annex_C_-_Creative_Industries_Focus_on_Employment_2015.pdf

> Over 60% of jobs are filled by people educated to at least degree level



Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/439714/Annex_C_-_Creative_Industries_Focus_on_Employment_2015.pdf

...and modern universities are where a large proportion of creative subjects are taught

The creative economy needs talent and skills to support the wide and diverse range of creative industries that contribute to the sector. Universities – and in particular modern universities – have played a key role in supplying this talent and underpinning the success of these industries in the UK.

On an annual basis around 12% of all students study creative subjects; approximately 40,000 first degree students graduate each year with qualifications related to the creative industries. However, these students are not evenly distributed across all institutions. Modern universities and specialist institutions have led the field in developing courses, including multidisciplinary programmes, to respond to new and emerging creative markets.

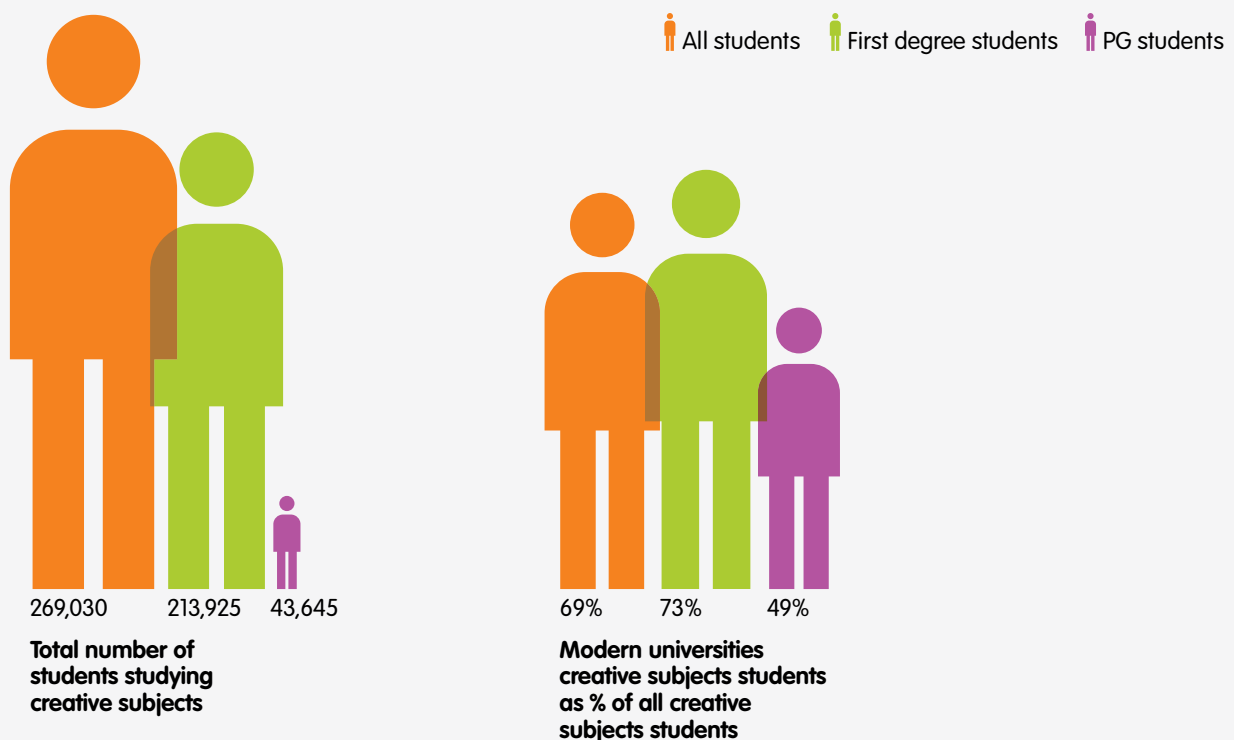
Modern universities educate nearly three-quarters of all undergraduate students and nearly half of all postgraduate students studying creative subjects. The skills and

attributes of these graduates are vital: they support a range of successful creative businesses and engage with small businesses and start-up enterprises.

70% of all students and nearly three-quarters of undergraduates studying courses linked to the creative industries do so at modern universities. Almost half of all students studying for postgraduate qualifications linked to these industries do so at modern universities.

- > Nearly 70% of students of creative subjects study at modern universities
- > Around half of all postgraduate students in creative subjects study at modern universities

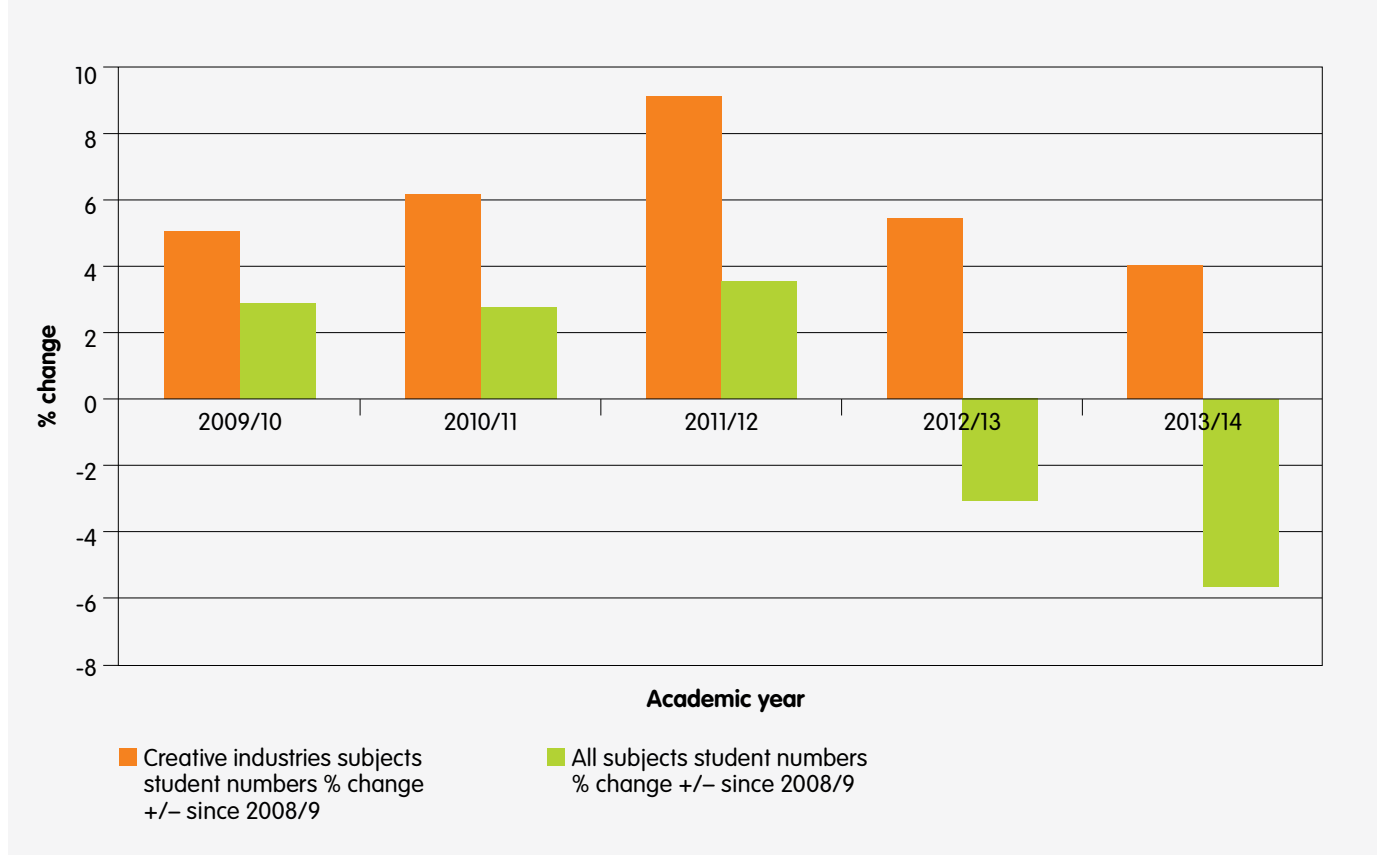
Figure 5: Creative subjects students in 2013/14



Source: million+ analysis of HESA data

...and the number of students studying those subjects is growing

Figure 6: Creative industries subjects undergraduate growth since 2008/9



Source: million+ analysis of HESA data

In 2013/14, the number of undergraduate students studying creative subjects was 4% higher than in 2008/9, whereas the total number of undergraduates declined by 5.5%.

This trend was sustained even when the number of students entering higher education dropped sharply. For example between 2011/12 and 2012/13, students studying courses linked to the creative sector fell by just over 4% compared to an overall decline in the total number of undergraduates students of 7%.

> The number of undergraduate students studying creative subjects increased by 4% from 2008/9 to 2013/14, while the total number of undergraduate students fell by nearly 6%

The courses which universities offer to support the creative economy are many and varied and range from the performing arts to creative music technology to marketing, architecture and computer games.

Universities have often been ahead of the field in anticipating new and emerging creative markets. For example, the University of Abertay was the first university in the world to develop and offer a postgraduate qualification in computer games technology. The University remains a world-leader with close links to the industry and positive spin-off effects on the local economy that are typical of the outcomes of university support and involvement in emerging creative markets.

Linking with companies in order to enhance graduate employability and support small creative businesses has been a strong feature of the undergraduate and postgraduate degree programmes developed by modern universities.

These universities contribute to the creative economy through partnerships with creative businesses of all sizes but in particular with the small and medium sized enterprises (SMEs) that dominate much of the sector. Through innovation activities and entrepreneurial partnerships these universities support a sector which provides nearly 10% of all UK jobs.

Case study

Solent Creatives provides a unique opportunity for businesses and private clients to tap into a diverse talent pool of students studying at **Southampton Solent University** for creative freelance assignments. Students' skills span a wide variety of disciplines and can be matched to employers working in a range of sectors: from graphic and website design to photography; branding and identity to journalism; screenwriting to public relations; video production to make-up and hair design. Working closely with both students and employers, one-by-one, Solent Creatives carefully matches business clients with students based on their particular skillsets and talents. This means they are able to help the client attain results with a professional approach while students are able to develop their skills and grow their portfolios and career prospects through hands-on experience.

“Linking with companies in order to enhance graduate employability and support small creative businesses has been a strong feature of the degree programmes developed by modern universities.”

But there are challenges to be addressed...

Supporting arts and creative subjects in schools

The Department for Education (DfE) has an important role in promoting interest in and the study of subjects important to the creative economy. Under successive governments, and encouraged by vocal employer federations with an interest in STEM, DfE has tended to emphasise the greater importance of STEM subjects. The idea that studying creative subjects might actually limit career opportunities was referred to by the Secretary of State for Education in a speech in 2014.²

“But if you wanted to do something different, or even if you didn’t know what you wanted to do, and let’s be honest – it takes a pretty confident 16-year-old to have their whole life mapped out ahead of them – then the arts and humanities were what you chose because they were useful for all kinds of jobs.

Of course now we know that couldn’t be further from the truth that the subjects that keep young people’s options open and unlock doors to all sorts of careers are the STEM subjects: science, technology, engineering and maths.”

Nicky Morgan, Secretary of State for Education, 2014

This narrative has been highly influential in all political parties but there are good reasons for it to be moderated if Britain’s supply of creative talent is to be encouraged and maintained.

In addition, there are risks in the promotion by the DfE since 2011 of ‘facilitating subjects’ at GCSE and A level. These subjects were identified by a small group of universities and were based on the premise that study of these subjects was more likely to lead to admission to their institutions. A narrower definition of success linked to pupil achievement in these facilitating subjects is being applied to schools. As a result less value is being placed on creative and cultural subjects, which risks the future supply of students qualified to progress to study at university or for degree apprenticeships in some creative areas.

From 2016/17 new performance measures will be applied to secondary schools in England. Success will be judged on how schools support attainment and progress in 8 key subjects.³ The measure is comprised of four elements – the first two focus on mathematics and English GCSEs which are both given a double weighting to emphasise their importance in underpinning success in other parts of the curriculum. The third element judges schools on success in science, computer science, history, geography or languages. The fourth element allows for the inclusion of any other subject, including any from the third element.

Since schools will be measured against other schools in how their students perform, they will understandably construct a curriculum that works towards success in these 8 subjects. There is a risk that this will lead to a further decline in the uptake of creative subjects at GCSE level – a trend tracked by the Warwick Commission which reported that there had been a 50% decline in the number of students studying Design and Technology at GCSE, and a 23% drop in the numbers studying drama in the decade from 2003-13.

² Transcript available at: <https://www.gov.uk/government/speeches/nicky-morgan-speaks-at-launch-of-your-life-campaign>

³ Details of the new system are available on the Department for Education’s website: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/415486/Progress_8_school_performance_measure.pdf

The Commission also noted that a large number of pupils no longer take any creative or cultural subjects at GCSE level.⁴

An obvious consequence of these drivers and patterns of study is that fewer students may be qualified to pursue subjects at A level likely to lead to progression to higher education courses linked to some of the creative industries. Unless adjustments are made, school performance measures at GCSE risk undermining student engagement in creative subjects and one of the country's most successful sectors.

Defining success in creative education and graduate careers

The creative sector, with a high number of SMEs and start-ups, does not easily lend itself to the graduate recruitment patterns of larger companies or employment in other sectors. Graduates take various routes into creative industries, often working in a portfolio manner in a number of different jobs along the way. Freelance work is common at the beginning of a successful career, as is working in a paid role in a completely different sector while gaining experience (through voluntary or low-paid roles) in creative industries. These employment patterns are integral to the immediate and early post-graduate experiences for many creative industry professionals. However, they can lead to a perception that studying creative subjects at university is an unwise choice for potential students and that the universities which offer these courses are underperforming in respect of graduate outcomes.

Employability measures applied to higher education institutions have failed to keep pace with these different patterns of employment. Destination of Leavers from Higher Education (DLHE) surveys are used to assess how quickly students enter 'graduate' employment as well as salary levels associated with particular degrees based on surveys of graduates 6 months and 3 years after they have completed their course.

Outcomes are used to inform services like Unistats that support potential students in making choices about degree courses.

Providing information about subjects and graduate destinations is important in helping students to make an appropriate choice. However, the way in which this information is acquired, interpreted and published should take account of the varied career paths in the creative industries (and other careers that do not have a straightforward, linear progression route). Simplistic success criteria such as graduate employment after 6 months, or salary levels within 3 years are often not representative of the nature of many creative employment routes. The inclusion of DHLE outcomes in their current form in the proposed Teaching Excellence Framework and in measures which seek to track graduate performance from school to university course to paid employment, are likely to underestimate long-term benefits and outcomes of many courses linked with the creative economy.

Case study

Publishing Industry National Promotion Campaign (Bath Spa University)

Commercial partners have commissioned and funded a team of Digital Publishing Year 3 students and a graduate filmmaker (supported by an academic staff member) to produce 3 short films of the life of a book for 3 key areas of publishing (Neil Gaiman for Trade; *Nature* magazine for Academic journals; bestselling GCSE revision book for Educational).

⁴ *Enriching Britain: Culture, Creativity and Growth*, The 2015 Report of the Warwick Commission on the Future of Cultural Value – http://www2.warwick.ac.uk/research/warwickcommission/futureculture/finalreport/enriching_britain_-_culture_creativity_and_growth.pdf

Supporting innovation in universities powering the creative economy

The strong performance at undergraduate level in the creative subjects flows through to postgraduate and research degrees. As with undergraduate provision, modern universities are significant contributors to the creative industries' research that is done in UK higher education. Overall, across all subjects, around 13% of research degrees are undertaken in modern universities. When it comes to research degrees in the creative industries, nearly a quarter are being studied in modern universities.

Nonetheless, the investment picture for research degrees in creative subjects in modern universities has been challenging. Policy decisions taken by government and funding bodies have emphasised an increasingly selective approach to the allocation of financial support for research degrees and capital investment has tended to favour STEM subjects and facilities.

As a result, modern universities have seen public investment in their research decline in spite of its high quality as policies of increased selectivity have shifted even more funding into a small number of universities.⁵ By 2012/13, 25% of the UK's total recurrent research funding was allocated to five universities with just 31 universities receiving 75% of this investment. A similar pattern of concentration resulted in around 75% of the funding allocated by the Research Councils being awarded to just 22 institutions.

In spite of the importance of the creative industries to the economy, the higher education funding regimes in teaching and research have all too often ignored the need for undergraduate and postgraduate students to have access to industry-standard facilities at university that match and keep pace with those available in the creative industries themselves.

In England, funding for teaching now largely comes through student loans rather than direct grant. While some creative subjects receive additional funding there is an urgent need to

investigate the investment required to sustain high cost creative programmes in areas which need industry-standard facilities as well as those in design and the performing arts.

Similarly, the budget allocated to the Arts and Humanities Research Council has been the lowest of the seven research councils while the Council's interests and priorities have not always kept pace with the creative industries themselves. A refocused Arts, Humanities and Creative Industries Research Council with an increased budget and a wider remit would support investment in research that supports the creative industries.

The resources available to universities through the Higher Education Innovation Fund (HEIF) provided by the government to support knowledge transfer and partnerships with industry were also affected by a change in the HEIF distribution formula in 2011. This resulted in further concentration but, significantly, some smaller universities with strong links with creative SMEs were excluded completely from accessing HEIF where the value of the university's HEIF activity fell below certain income thresholds. This undermined one of the aims of HEIF, namely to support new initiatives by small and micro businesses which are themselves a feature of the creative economy.

“Nearly a quarter of research degrees in creative industries are being studied in modern universities.”

⁵ For the background and an analysis of the consequences of research concentration see the million+ report, *The Innovation Challenge*, September 2014.

Role of government investment in the creative industries

In 2011 Ministers from the Department for Business, Innovation and Skills (BIS) and the Department for Culture, Media and Sport established the Creative Industries Council⁶ as a forum to provide “for the Creative Industries and Government to engage in a joined up way”. It was envisaged that Members of the Council would “instigate industry led approaches to boosting the growth and competitiveness of the creative industries with Government facilitating and removing barriers where appropriate.”⁷

The Council published a strategy, Create UK, in 2014⁸, which emphasised the significant contribution of the creative industries to the economy overall and called for government and industry to work together to ensure that the creative industries were placed at the heart of the growth agenda. It also highlighted the need for government departments to work more closely together to improve support for the sector.

The strategy set out ambitions for the creative sector and identified opportunities as to how the various industries and government could contribute to the goals outlined. In particular, the strategy called for government to ensure that investment was incentivised – for example, through tax breaks to businesses or better access to private finance, creating an attractive regulatory environment, improving protection for intellectual property and maintaining an advanced communications infrastructure.⁹

In spite of its many merits, Create UK failed to make the case for any significant strategic long-term investment in the creative industries.

While tax reliefs provide important incentives, the corporation tax reliefs available for the creative industries are limited to film, television and theatre production.¹⁰ In contrast, the then government’s industrial strategy combined incentives such as tax breaks with access to finance and significant government investment in capital programmes and university research.

A review of the press announcements from both BIS and DCMS in 2014 provides a useful comparator of the availability of government support and particularly the support that was deemed worthy of publicity. In 2014, there were 42 DCMS press releases of which only two related to government investment in the creative industries.¹¹ In total these two announcements amounted to financial support worth £14m.

In contrast BIS press announcements over the same period¹² ran to over eight pages and included at least 13 announcements promoting government investment in sectors associated with the industrial strategy with a total value of £1.3bn. Some of these were for initiatives that businesses in the creative industries could well access – skills training, emerging technologies, British Business Bank support – but the primary targets for this investment were for sectors identified in the Department’s own industrial strategy.

⁶ <https://www.gov.uk/government/groups/creative-industries-council>

⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/79131/CIC_terms-of-reference.pdf

⁸ http://www.thecreativeindustries.co.uk/media/243587/cic_report_final-hi-res-.pdf

⁹ More information on the aims of the Create UK strategy is available at: http://www.thecreativeindustries.co.uk/media/243587/cic_report_final-hi-res-.pdf, page 5

¹⁰ <https://www.gov.uk/corporation-tax-creative-industry-tax-reliefs>

¹¹ million+ analysis of press announcements published on the DCMS section of the Gov.uk website between 1 January 2014 and 1 January 2015.

¹² million+ analysis of press announcements published on the BIS section of the Gov.uk website between 1 January 2014 and 1 January 2015.

Using creative industries to grow the economy

There is a powerful case for BIS and DCMS to work much closer together and ensure that the creative industries are featured in any future industrial strategy. BIS strategy to date has primarily influenced the role of STEM, but there are significant numbers of creative industries and businesses throughout the country that would benefit from targeted investment.

A Creative Capital Fund, for example, would provide a vehicle for investing in businesses to support regional growth.

From an exports perspective, ensuring that overseas delegations include universities with substantial experience in the creative industries would be a way to boost investment from overseas into the UK.

The Creative Industries Council played a role in bringing together representatives from businesses to discuss challenges and opportunities with representatives from government, including Secretaries of State.

There is a strong case to continue with this type of approach, but to broaden out the membership of such a group to ensure that representatives from small and medium enterprises and from universities are also able to contribute. Using knowledge from all parts of the creative sector to identify barriers to market entry and progression will help government in deciding on effective policy solutions.

The success of Innovate UK in supporting small and medium enterprises in accessing research, developing ideas and achieving growth is well documented. However, like other similar investment schemes supported by BIS, it has largely concentrated on organisations working in STEM industries. Although, the Innovation Voucher scheme has no restrictions on applicants, a targeted scheme aimed at SMEs in the creative industries would usefully encourage demand and boost investment and growth in regional economies.

“Using knowledge from all parts of the creative sector to identify barriers to market entry and progression will help government in deciding on effective policy solutions.”

Conclusion

The creative economy is strong, vibrant and resilient. But there is no room for complacency.

Worldwide the nature and scope of the creative industries are changing at an ever more rapid pace, impacting on other sectors of the economy as well as society more generally.

There is a risk that study in some of the subjects vital to the creative economy may decline.

If Britain is to retain its lead in the creative economy the government must consider how the country's talent can continue to be nurtured and how Britain's creative industries and universities can be supported in the next decade.

Creative futures sets out ten steps government should take to secure Britain's future reputation for excellence and innovation in the creative industries.



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