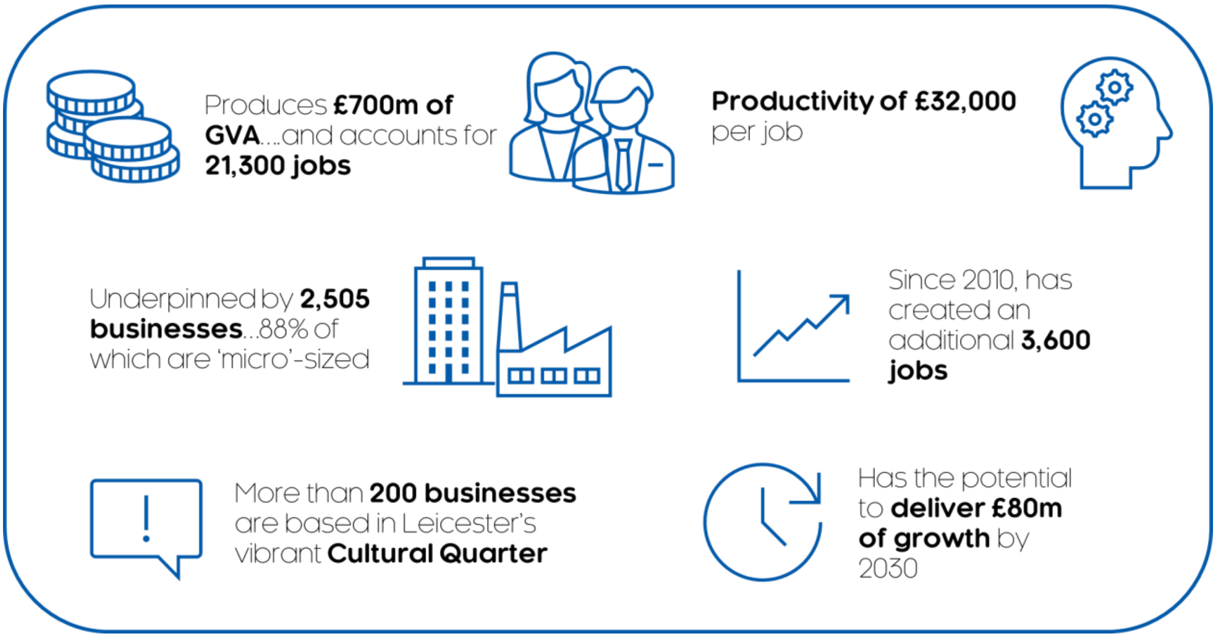
Sector profile: the Creative and Cultural sector in Leicester and Leicestershire



Source(s): See Economic and growth indicators.

Defining the Creative and Cultural sector

The Department of Culture Media and Sport (DCMS) has identified nine core categories that make up the creative and cultural sector: Advertising and marketing; Architecture; Crafts; Design: product, graphic and fashion design; Film, TV, video, radio and photography; IT, software and computer services; Museums, galleries and libraries; Music, visual and performing arts; and Publishing.

Market and economic outlook

Global market

According to a study conducted by Ernst & Young and UNESCO in 2015, all 11 cultural sectors combined generated $2,250 billion in revenues (3% of world GDP). The highest earners were television ($477 billion), newspapers and magazines ($354 billion) and visual arts ($391 billion). Revenue from creative industries exceeded those of telecommunications services (which comes in at $1,570 billion globally), and even surpassed the entire GDP of India ($1,900 billion). Creative industries generated 29.5 million jobs, which employ about 1% of the world's active population.

The top three global employers are visual arts (6.73 million employees), books (3.67 million) and music (3.98 million). Creative industries also employ more people than the automotive industry in the United States, Europe and Japan combined. Small businesses and individuals are key and give rise to innovative and agile employers and workers. In the United states, artists are 3.5 times more likely to be self-employed than the rest of the US working population, according to the study.

The Covid-19 pandemic has had a tremendous impact on creative industries globally. The OECD estimated that the jobs at risk in tourism, creative and cultural sectors comprising between 0.8 to 5.5% of employment across OECD regions.

Venue-based subsectors such as museums, performing arts, live music, festivals, and cinema have been the hardest hit by social distancing measures. The abrupt drop in revenues has put their financial sustainability at risk and has resulted in reduced earnings and lay-offs with repercussions for the value chain of their suppliers, from creative and non-creative sectors alike. Some cultural and creative sectors, such as online content platforms, have profited from the increased demand for cultural content streaming during lockdown, but the benefits from this extra demand have mostly accrued to the largest firms in the industry.

The effects of the crisis on distribution channels and the drop in investment by the sector will affect the production of cultural goods and services and their diversity in the months, if not years, to come. Over the medium term, the anticipated lower levels of international and domestic tourism, falling purchasing power, and reductions of public and private funding for arts and culture, especially at the local level, could amplify this negative trend even further.

Cultural and creative sectors are largely composed of micro-firms, non-profit organisations and creative professionals, often operating on the margins of financial sustainability. Large public and private cultural institutions and businesses depend on this dynamic cultural ecosystem for the provision of creative goods and services.

The sector has innovated rapidly, notably with accelerated digitalisation. Massive digitalisation coupled with emerging technologies, such as virtual and augmented realities, can create new forms of cultural experience, dissemination and new business models with market potential. With the lockdown, many public and private providers moved content on-line for free to keep audiences engaged and satisfy the sharply increased demand for cultural content. While the provision of free and digitally mediated cultural content is not sustainable over time, it has opened the door to many future innovations. To capitalise on them, there is a need to address the digital skills shortages within the sector and improve digital access beyond large metropolitan areas, with the additional consideration that digital access does not replace a live cultural experience or all the jobs that go with it.

UK market

Creative industries contributed £111.7 billion to the UK in 2018. This was up 7.4 per cent on the previous year, meaning growth in the sector is more than five times larger than growth across the UK economy as a whole, which increased by 1.4 per cent. The sector was supported by large contributions from tech services and the film and television industries, which contributed £45.4 billion and £20.8 billion to the economy respectively. Another boost was delivered by the advertising and marketing industries, which account for a quarter of the total growth of the creative industries since 2017. In 2019 there were 5.3 million jobs in Culture, Media and Sport sectors, accounting for 15.7% of all UK jobs. Some of the subsectors are significant employers, with Digital employing 1.56 million, Theatre employing 290,000 and Live music employing 191,000.

The UK's arts and entertainment sector has been one of the areas worst affected by the coronavirus pandemic, research shows. Diverse activities from live performance and theatre productions, to exhibitions and galleries, have seen their revenues fall dramatically as venues have closed their doors and gatherings have been prohibited to maintain social distancing. Enforced cancellations and indefinite closures caused immediate financial pressures for performing arts organisations. In the first 12 weeks of lockdown, more than 15,000 theatrical performances were cancelled with a loss of more than £303 million in box office revenue. UK Music estimated that 90% of all festivals in 2020 would be cancelled, and the Association of Independent Festivals estimating in June 2020 that 92% of its members face permanent collapse and 98.5% are not covered by cancellation insurance. The cancellation of cultural events and closure of venues has had knock-on effects across the creative workforce, with theatres including the Birmingham Hippodrome and the National Theatre announcing redundancies in June. The impact on the self-employed workforce has been even more immediate. Office for National Statistics (ONS) figures indicate that just over 30% of the creative industries workforce is self-employed, compared to the UK average of 15%.

According to the Office for National Statistics, the arts and entertainment industry saw a 44.5% reduction in monthly gross domestic product (GDP) output (according to gross value added (GVA)) in the three months up to June 2020 compared with the three months earlier, making it one of the sectors worst hit by the pandemic. Approximately 70% of workers in the arts and entertainment sector were furloughed under the Government's coronavirus job retention scheme (CJRS), the second highest after accommodation and food services. For example, research from the Greater London Authority estimated that 152,000 jobs were at risk in London's cultural and creative industries.

Concerns about a talent drain are evident. Financial pressures will cause people to leave the creative industries for alternative employers. In 2020, 19% of respondents to a Musicians' Union survey said that they were considering abandoning their careers as musicians, while 17% of respondents to an Equity survey are now working outside the entertainment industry, with a further 20% actively looking for other work outside theatre.

There is some evidence of recovery. Estimated monthly GVA of DCMS sectors (excluding Civil Society) grew by 1.7% month-on-month in March 2021 in real terms. This remains 14% below February 2020 levels, which was the most recent month not affected by pandemic-related restrictions in the UK.

Activities and key organisations in Leicester and Leicestershire

The Design sector was first highlighted as a significant sector in Leicester and Leicestershire in the 2004 study commissioned by the East Midlands Development Agency. This identified 780 creative design companies spread across 15 design industry sectors.

Research by Creative Leicestershire in 2015 identified 8,000 people working in the Creative Industries across the County and estimated that a third of people employed were in some way related to tourism in the area, showing the strong links between the Creative

Industries and the generation of wider economic value. The Leicester UK City of Culture bid highlighted the importance of the tourism sector and the strong interconnections between tourism and the creative and cultural sectors. Tech City's 2017 report suggested that there were 23,173 digital jobs in Leicester many within creative sectors, generating £437 million in digital GVA.

St George's Cultural Quarter has transformed Leicester's former textile and shoe hub into a thriving area for the arts. Many of the Victorian factory buildings which give the area its unique character are now home to a lively community of artists and creatives, and that vibe spills out into the cafes and bars in the area. St George's Cultural Quarter is home to three of Leicester's award-winning arts organisations - Phoenix, Curve, and Leicester Print Workshop. In addition, the area is home to several successful annual events - Skyride Leicester, St George's Festival and Light the Night. Beyond the city centre, the Dock I and Dock II workspaces act as a hub for high-tech businesses.

Economic and growth indicators

Table 1: Summary of key economic and growth indicators for the Creative and Cultural sector in Leicester and Leicestershire

	Value, 2019	% of economy total	*% of economy total (UK average)*
GVA (£m)	681	2.8%	*5.4%*
Jobs	21,300	3.9%	*5.4%*
Businesses	2,505	5.0%	*7.1%*
Productivity (£)	32,000	71.8%	*100.0%*
	Value, 2010-19	% change p.a.	*% change p.a. (UK average)*
Real GVA growth (£m)	58	1.0%	*3.5%*
Jobs created	3,600	2.1%	*2.3%*
New businesses	540	27.5%	*27.2%*
Productivity growth	-	-1.1%	*1.2%*

Source: ONS, Cambridge Econometrics.

Worth £700m and accounting for 21,300 jobs (according to official statistics – see Table 1 above), Leicester and Leicestershire is home to a diverse and vibrant cluster of creative, cultural and artistic industries, with extensive overlap and links to other local strengths and assets, such as digital tech, textiles and fashion, and tourism.

Recent growth has been employment-led, with 3,600 additional jobs created since 2010. Accompanying productivity growth however has been subdued, and in contrast to the UK average has contracted by 1.1% p.a. over this time.

This has further widened the sectors historical productivity gap relative to the UK average, which now stands at almost 40%, meaning creative and cultural activity in the LLEP area is almost half as productive than elsewhere in the country. If this gap was closed, the sector could be some £400m larger.

The sector is comprised of over 2,500 local businesses, of which the overwhelming majority (88%) are 'micro'-sized (employing <9 people). An entrepreneurial sector, some 540 additional cultural and creative businesses have been established since 2010.

Additional evidence and research

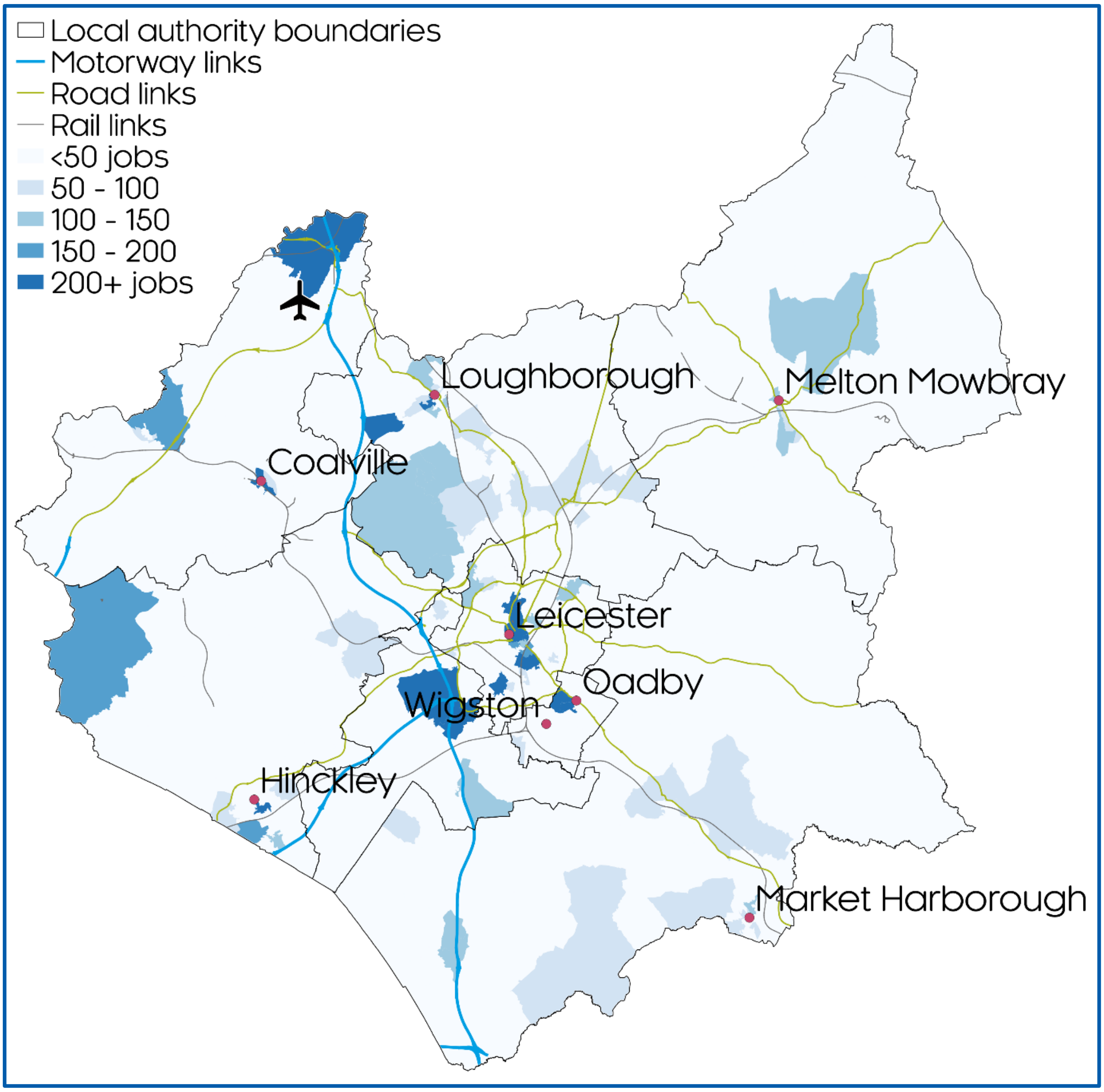
Additional indicators and research on the sector in Leicester and Leicestershire show that:

- Research has shown the city of Leicester is the largest creative cluster outside of London
- Analysis of creative and cultural meetups in Leicester and Leicestershire by Tech Nation found there were 5,300 members across 24 active groups
- Leicester's Cultural Quarter hosts more than 200 businesses across a diverse range of creative disciplines, ranging from digital and gaming, to fashion and ceramics

Spatial structure and clusters

Creative and cultural activity is well represented across Leicestershire, with a particular focus on the city of Leicester, as Figure 1 below shows. Significant clustering is evident in and around the city's Cultural Quarter – hosting more than 200 businesses across a diverse range of creative disciplines.

Figure 1: Creative and Cultural sector clusters in Leicester and Leicestershire



Source: ONS, Cambridge Econometrics.

The cluster retains strong links with the city's two universities and its talented and creative graduate pool, as well as enterprise assets such as Leicester Coworking Space, and Leicester Innovation Hub.

The city also hosts a number of leading cultural and artistic attractions and assets, including the King Richard III Visitor Centre, the National Space Centre, the New Walk Museum, and the Curve Theatre.

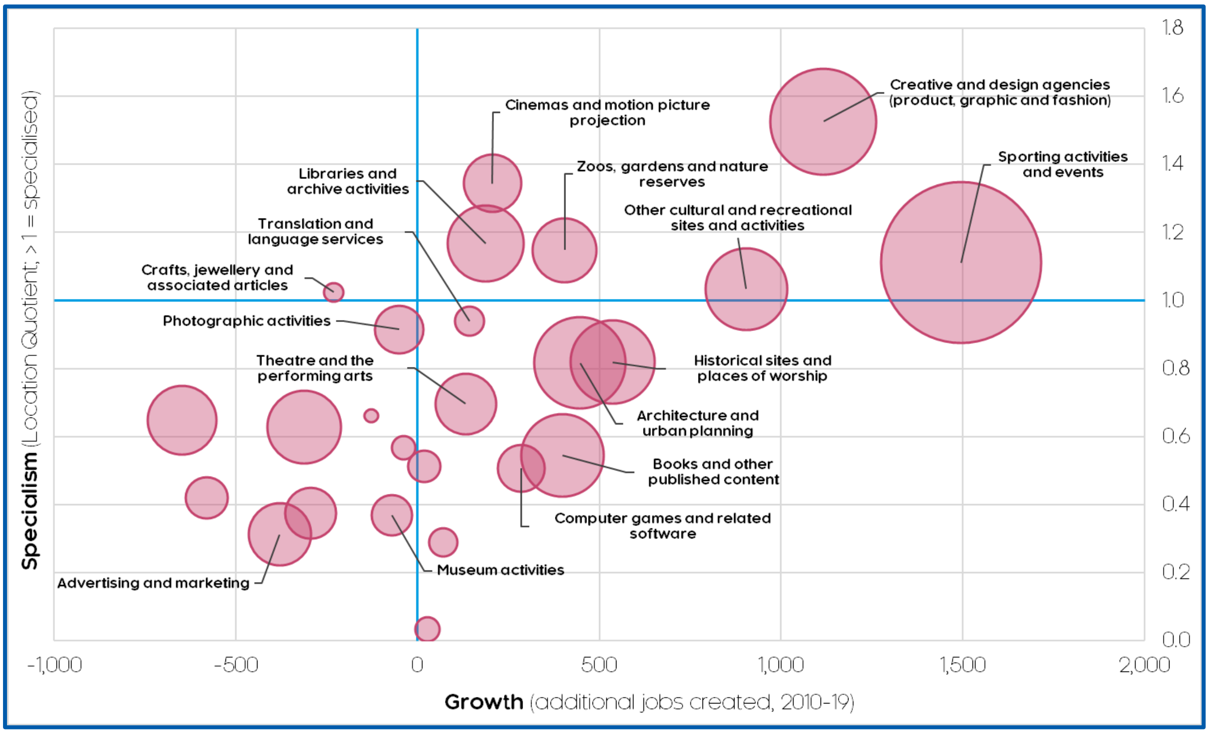
Pockets of activity are also evident elsewhere in county, notably in market towns including Hinckley, Coalville and Loughborough, often reflecting local activities and events.

Industry structure and specialisms

Given the relative size and nascency of Leicester and Leicestershire's creative and cultural sector, there are only a handful of highly specialised activities, though further specialisms are beginning to emerge and grow, as Figure 2 below shows:

- **Sporting activities and events** - 4,900 jobs, £110m GVA; a large and specialised activity, creating 1,500 additional jobs since 2010
- **Creative and design agencies (product, graphic and fashion)** – 2,100 jobs; the most specialised activity, and fast-growing, doubling its workforce over the past decade
- **Zoos, gardens and nature reserves** - 800 jobs
- **Cinema and motion picture projection** - 600 jobs
- **Libraries and archive activities** – 1,100 jobs
- **Historical sites and places of worship** – 1,300 jobs

Figure 2: Local specialisms and growth within the Creative and Cultural sector



Source: ONS, Cambridge Econometrics. Note: Size of bubbles relate to size of activity (in jobs terms). Bubbles above the blue horizontal indicate a specialism. Bubbles to the right of the blue vertical indicate growth (in jobs terms).

Sector prospects in Leicester and Leicestershire

Economic impact and recovery from Covid-19 and Brexit

The sector has been highly impacted by 'lockdowns' and social distancing restrictions during the Covid-19 pandemic. Resultantly, GVA is expected to contract by approximately 7% (-£50m) in 2020, though this is notably more resilient than the UK sector average (-14%)., as Table 2 below shows.

Table 2: Covid-19 impacts and recovery prospects for the Creative and Cultural sector in Leicester and Leicestershire

Forecast Covid-19 impact (2020)			
	Value, 2020	% change	*% change (UK average)*
GVA impact (£m)	-48	-7.1%	*-13.7%*
Jobs impact	-1,300	-6.0%	*-1.6%*
Productivity impact	-	-1.2%	*-12.4%*
Forecast Covid-19 recovery (2021-30)			
	Value, 2021-30	% change p.a.	*% change p.a. (UK average)*
Real GVA growth (£m)	79	1.2%	*1.9%*
Jobs created	-300	-0.1%	*0.6%*
Productivity growth	-	1.3%	*1.3%*

Source: Cambridge Econometrics Spring 2021 Forecasts.

Once a recovery is underway, the sector is expected to rebound strongly, with a potential £80m of growth by 2030, more than offsetting the losses of 2020. Yet given the scale of the initial impact, and longer-term implications for some businesses and activities, it could still be 4-5 years until the sector recovers to pre-Covid levels.

Furlough and related support will dampen the employment impact, though there could still be 1,300 permanent job losses over 2020-21, which will disproportionately impact the young, low-paid and those on flexible contracts. The jobs recovery could be uncertain given skills shortages and lower migrant labour, alongside reduced employment opportunities in traditional creative activities (e.g. TV and radio, journalism and media etc.)

Skills needs and challenges

Skills needs in the sector are varied according to research by UKCES, ranging from highly-technical, STEM-based skills – to oversee increasingly advanced and technology-led design methods and content production - as well as softer, people-centric skills – given greater client interaction – and, naturally, creative aptitude - for design, marketing and merchandising purposes.

By 2024, UKCES expects over two-thirds (64%) of the creative and cultural workforce in the East Midlands will require high-level (QCF4+) qualifications, a much higher proportion than the labour market average. With strong links to the local universities – with almost a third (27%) of local graduates staying in Leicestershire for work - UKCES also notes the positive uptake and impact of vocational learning and training in the sector.

If the supply for such skills and qualifications are not forthcoming, already high skills shortages and gaps could be exacerbated in the sector. According to the 2019 UK Employer Skills Survey, one-third (30%) of local digital creative vacancies were hard-to-fill.

Appendix A: Sector definition and sources

Data has primarily been sourced from Cambridge Econometrics LEFM. For a full and detailed overview of definitions, sources and forecasting methodology, please refer to the Technical Summary report accompanying this profile.

The sector has been defined using 5-digit Standard Industrial Classifications (SICs), detailed as follows. These have been informed by government and/or industry recommended definitions, and aim to capture as much of the sectors value chain as possible:

18110: Printing of newspapers

18130: Pre-press and pre-media services

18140: Binding and related services

18201: Reproduction of sound recording

18202: Reproduction of video recording

18203: Reproduction of computer media

32120: Manufacture of jewellery and related articles

32130: Manufacture of imitation jewellery and related articles

32200: Manufacture of musical instruments

46431: Wholesale of gramophone records, audio tapes, compact discs and video tapes and of the equipment on which these are played

46491: Wholesale of musical instruments

47591: Retail sale of musical instruments and scores in specialised stores

47610: Retail sale of books in specialised stores

47630: Retail sale of music and video recordings in specialised stores

47640: Retail sale of sporting equipment in specialised stores

47650: Retail sale of games and toys in specialised stores

47781: Retail sale in commercial art galleries

47791: Retail sale of antiques including antique books, in stores

58110: Book publishing

58130: Publishing of newspapers

58141: Publishing of learned journals

58142: Publishing of consumer, business and professional journals and periodicals

58190: Other publishing activities

58210: Publishing of computer games

58290: Other software publishing

59111: Motion picture production activities

59112: Video production activities

59113: Television programme production activities

59120: Motion picture, video and television programme post-production activities

59131: Motion picture distribution activities

59132: Video distribution activities

59133: Television programme distribution activities

59140: Motion picture projection activities

59200: Sound recording and music publishing activities

60100: Radio broadcasting

60200: Television programming and broadcasting activities

62011: Ready-made interactive leisure and entertainment software development

70210: Public relations and communication activities

71111: Architectural activities

71112: Urban planning and landscape architectural activities

73110: Advertising agencies

73120: Media representation

74100: Specialised design activities

74201: Portrait photographic activities

74202: Other specialist photography (not including portrait photography)

74203: Film processing

74209: Other photographic activities (not including portrait and other specialist photography and film processing) nec

74300: Translation and interpretation activities

77210: Renting and leasing of recreational and sports goods

77291: Renting and leasing of media entertainment equipment

78101: Motion picture, television and other theatrical casting

85510: Sports and recreation education

85520: Cultural education

90010: Performing arts

90020: Support activities to performing arts

90030: Artistic creation

90040: Operation of arts facilities

91011: Library activities

91012: Archive activities

91020: Museum activities

91030: Operation of historical sites and buildings and similar visitor attractions

91040: Botanical and zoological gardens and nature reserve activities

92000: Gambling and betting activities

93110: Operation of sports facilities

93191: Activities of racehorse owners

93199: Other sports activities (not including activities of racehorse owners) nec

93210: Activities of amusement parks and theme parks

93290: Other amusement and recreation activities

94910: Activities of religious organisations