# Creative Industries Economic Estimates:

# Consultation on Proposed Developments

# Contents

# Chapter 1 - Introduction

DCMS aims to continually improve the Creative Industries Economic Estimates to help mitigate the impact of the known limitations and improve the statistics available. Each year has seen significant developments, including a new methodology introduced in January 2014, historic time series data back to 1997 added in January 2015, and the first estimates of the value of the Creative Economy (January 2016).

As part of this process of continuous improvement there are a range of issues at various stages of development:

1.  Estimates of GVA for the Creative Economy.
2.  Accounting for under coverage of microbusinesses and self-employed.
3.  Estimates of Productivity for the Creative Industries.
4.  Inclusion of exports of goods in estimates of exports.
5.  Reviewing the industries included using the creative intensity approach.
6.  Sub-national GVA estimates
7.  Now-casting

DCMS welcomes feedback on the proposals by email to evidence@culture.gov.uk or through the consultation form by **Tuesday 26 April 2016**.

**Standard Occupation Classifications**

DCMS also continues to work closely with the Office for National Statistics to try and influence changes to Standard Industrial Classifications (SIC) and the Standard Occupation Classifications (SOC).

The SOC codes are subject to review by the ONS, and therefore the Creative Occupations are subject to change over time as the SOC codes change. The current standard is SOC2010. The next review is impending and will determine changes to be made in preparation for SOC2020, and ONS is consulting on the changes. The consultation will close on 17 April 2016. You can respond using the online survey. DCMS will respond to this consultation. If you would like DCMS to consider any points in our response, please email DCMS by **Monday 4 April 2016** at evidence@culture.gov.uk.

# Chapter 2 - Creative Economy

**Proposal**

The [January 2016 Creative Industries Economic Estimates](#) included estimates for the GVA of the Creative Economy. Subject to user feedback it is proposed that estimates allocating GVA on a per head basis will be included in future releases.

**Detail**

A methodology for producing estimates of the Creative Economy has been developed by the ONS Methodology Advisory Service. Full details of the methodology are included in [this](#) accompanying methodology note.

In summary, GVA for the non-Creative Industries is allocated to the Creative Economy based on the number of jobs in Creative Occupations (on a per head basis). There is limited evidence on whether this assumption is accurate and DCMS plans to do more work to understand this.

It is worth noting that the estimate for the Creative Economy would change if/when the following proposal (uplift to account for under coverage) is also applied.

**Questions**

1. **Do you have any views on the Creative Economy GVA estimates and the methodology used to calculate them?**
2. **Do you have any evidence to support or contradict the assumption that productivity in Creative and non-Creative jobs outside the Creative Industries is the same, and therefore GVA should be allocated on a per head basis?**
3. **Do you support the future publication of Official Statistics on the Creative Economy?**

# Chapter 3 - Under-coverage of microbusinesses

**Proposal**

The GVA of the Creative Industries should be uplifted by 10 per cent to account for under coverage by the IDBR.

Subject to feedback, this change would be implemented for the 2015 estimates published in December 2016.

**Detail**

The Annual Business Survey is based on a sample from the Inter-Departmental Business Register (IDBR). It is known that the IDBR has under coverage of microbusinesses not registered for VAT or PAYE. Following work by the ONS Methodology Advisory Service and outlined in more detailed in the [methodology note](#) it is proposed that the GVA of the Creative Industries should be uplifted by 10 per cent to account for under-coverage by the IDBR.

Factoring in this uprating yields the results for the Creative Industries and Creative Economy shown in Table 1.

**Table 1: GVA of the Creative Economy (£m), uplifted to account for under-coverage**

| Group | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| Creative Industries | 71,698 | 76,834 | 84,906 | 92,474 |
| Creative proportion of non-Creative Industries | 41,309 | 42,639 | 45,958 | 48,943 |
| Creative Economy | 113,007 | 119,473 | 130,863 | 141,417 |
| UK total | 1,443,281 | 1,485,776 | 1,546,914 | 1,618,346 |
| **Creative Industries share of UK Total** | **4.97%** | **5.17%** | **5.49%** | **5.71%** |
| **Creative Economy share of UK Total** | **7.83%** | **8.04%** | **8.46%** | **8.74%** |

This approach, does not easily allow for estimates at SIC code level due to variability in the number of microbusinesses found in each SIC code. No reliable data source has been identified to provide this information.

**Questions**

4. **Do you have any views on the methodology used to account for under coverage in the ABS?**

5. **Are you aware of any sources of information which would enable us to apply this approach at 4-digit SIC level?**

6. **Do you support use of this additional adjustment in future publications of Official Statistics on the Creative Industries and Creative Economy?**

# Chapter 4 - Productivity

**Proposal**

DCMS is considering two possible approaches for measuring the productivity of the Creative Industries.

i.    Per capita – GVA would be apportioned on the basis of the number of jobs in the Creative Industries. This would be the more straight forward approach.
ii.   Hours worked – this approach would use the total number of hours worked, this is more complex but is generally considered a better measure.

The preferred option is option ii) output per hour worked. DCMS will publish new Experimental Official Statistics on productivity for the Creative Industries in a Focus on Productivity report in June 2016.

**Detail**

## HOW IS LABOUR PRODUCTIVITY CALCULATED?

Labour productivity is calculated by dividing a measure of economic output by workers, jobs or hours worked*.

LABOUR INPUT

Workers or Jobs or Hours Worked

BUSINESSES

PRODUCTIVITY

ECONOMIC OUTPUT

Goods and Services
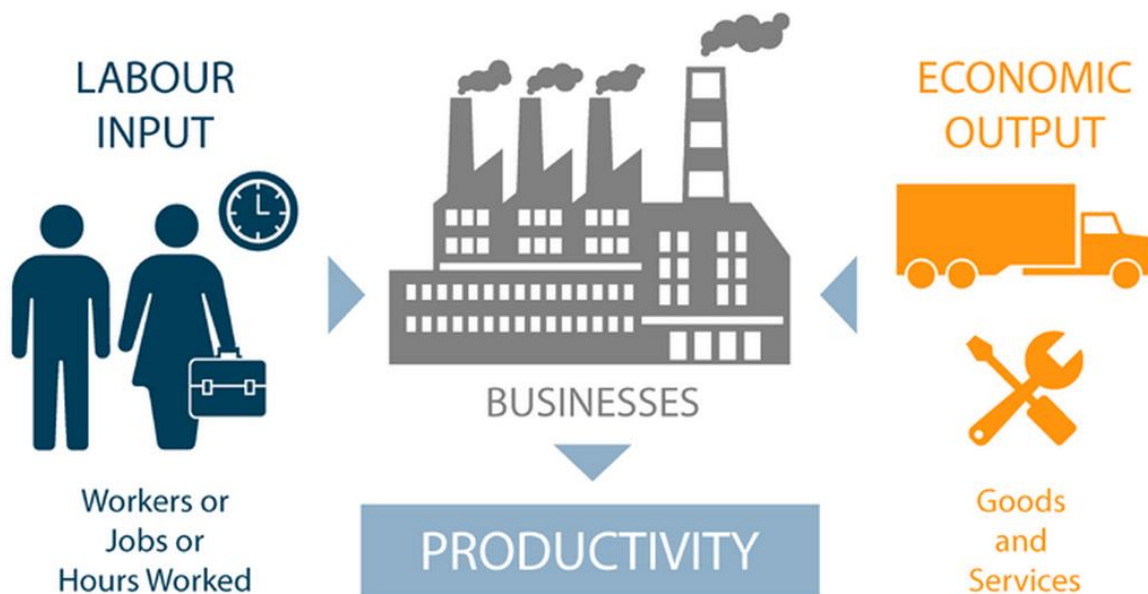
*Output per hour worked is the preferred measure of productivity, as it takes into account changes in average hours worked by individuals in the economy.

Source: ONS

The first option would be a straightforward calculation taking GVA for the Creative Industries and dividing by number of jobs. Based on latest published data, estimates for the Creative Industries would be as shown in Table 12.

**Table 12: Creative Industries Productivity GVA per head**

|  | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| Creative Industries GVA | 65,180 | 69,849 | 77,187 | 84,067 |
| Creative Industries Employment | 1,561,691 | 1,691,112 | 1,713,004 | 1,808,001 |
| **Creative Industries Productivity (GVA per head)** | **£41,737** | **£41,304** | **£45,059** | **£46,497** |
| **CI Productivity Index (2011 = 100)** | **-** | **99** | **108** | **111** |
| **UK Productivity (GVA per head)** | **£47,908** | **£48,991** | **£50,481** | **£51,718** |
| **UK  Productivity Index (2011 =100)** | **-** | **99** | **108** | **111** |

**Notes:**
1. For comparability the UK Productivity figures have been calculated using the same data sources as the Creative Industries estimates. They are not the same as the official UK estimates of productivity.

While this approach is more straightforward, it is not the best measure to enable comparison over time or between sectors, because it does not account for the actual time worked. For example:

i.   If an industry has a high proportion of part time workers it will appear less productive relative to other industries (compared with a per hour worked measure). This is because each worker is being treated equally irrespective of the number of hours worked. This is likely to be particularly relevant for the Creative Industries.

ii.  If an industry increases output as a result of increased working hours it will appear more productive when in fact productivity may not have changed.

The second approach considers hours worked in creative occupations. This is the preferred approach by ONS[1] and is a better measure of productivity. The ONS "productivity hours" (i.e. number of hours worked to inform the calculation of productivity) are derived by multiplying employee and self-employed jobs at an industry level by average actual hours worked from the Labour Force Survey (LFS) at an industry level. Results are scaled so industries sum to total unadjusted LFS hours, and then seasonally adjusted.

Given the data available for the Creative Industries DCMS proposes a slightly more straightforward approach, taking total number of hours worked from the APS. This approach is likely to be sensitive to missing data and therefore may be more volatile than the per head measure and/or miss some unreported hours, but it should provide more meaningful results.

**Questions**

7.  **Do you have a view on the best approach and data sources to measure productivity for the Creative Industries?**

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[1] http://www.ons.gov.uk/ons/rel/productivity/labour-productivity/index.html

# Chapter 5 - Exports of goods

**Proposal**

DCMS plans to publish estimates of exports of goods for the Creative Industries based on ONS data from *UK trade in goods by classification of product by activity (CPA 2008)*[2] *.* The list of proposed categories for inclusion in a Creative Industries estimate are outlined below.

Subject to feedback, these data will be included in the June 2016 Focus on Exports report.

**Detail**

Currently DCMS publishes estimates of exports of services for the Creative Industries but does not produces estimates for exports of goods. DCMS intends to use the UK trade in goods by classification of product by activity (Trade in goods by CPA) to produce estimates in future publications. This will then also allow for an estimate of all Creative Industries Exports.

It is proposed that the categories shown in Table 2 will be included in the definition of Creative Industries for the purposes of measuring exports of goods. These are the categories most closely aligned with the Industries defined as Creative.

**Table 2: Proposed categories for exports of goods for Creative Industries, current prices (i.e. not adjusted for inflation), not seasonally adjusted**

|  |  |  |  | £million |
| --- | --- | --- | --- | --- |
| **Category** |  | **CPA (08)** | **2013** | **2014** |
| Architectural Plans & Drawing | P2YH | Group 71.1 | 11 | 91 |
| Jewellery, Bijouterie & Related Articles | P2XP | Group 32.1 | 4 462 | 4 449 |
| Films & Videos | P2CH | Group 59.1 | 442 | 343 |
| Exposed Photographic Film | P2CN | Group 74.2 | 7 | 4 |
| Packaged Computer Software | P2CF | Group 58.2 | 516 | 395 |
| Printed Matter | P2CE | Group 58.1 | 1 640 | 1 655 |
| Antiques & Collections | P2CS | Group 91.0 | 804 | 877 |
| Audio Recordings & Printed Music | P2CI | Group 59.2 | 130 | 119 |
| Paintings & Sculptures | P2CQ | Group 90.0 | 2 907 | 2 682 |
| Musical Instruments | P2XQ | Group 32.2 | 62 | 76 |
| **Total Creative Industries** |  |  | **10,981** | **10,691** |

The major limitation with the categories for measurement of exports of goods is that it is not possible to value the design element for goods not included in the definition above, for example for products such as textiles and furniture.

**Questions**

8.  **Do you agree with the proposed source for export of goods (Trade in goods by CPA)?**

9.  **Do you have any views on the proposed categories of Creative Goods?**

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[2] http://www.ons.gov.uk/ons/rel/uktrade/uk-trade-in-goods-analysed-in-terms-of-industry/q3-2015/sum-uk-trade.html

# Chapter 6 - Creative Industries intensities

**Proposal**

Review the Creative Intensities of all sectors every three years, using a two year average as originally employed (see Annex C Table 9).

If there are significant changes to the Creative Intensities then this will justify revisions to the industries classified as Creative. Details of any planned changes will be published in June 2016 for comment prior to changes being implemented for the December 2016 publication of 2015 GVA.

**Detail**

The methodology for determining which industries are creative relies on their Creative Intensities, that is, the proportion of occupations per industry that are classified as Creative. These values are subject to change over time, and therefore it is possible for new industries to become sufficiently creative to fall under the Creative Industries remit. Conversely, if an industry becomes less creative over time, it may no longer be appropriate to define it as a Creative Industry.

When the methodology was introduced it was intended that there would be a regular review to make sure that the definition keeps up with the changing nature of the economy. It is proposed that a review is undertaken every three years, which will mean reviewing the Creative Intensities for the December 2016 publication of 2015 GVA.

Due to the importance of retaining a time series changes will only be made if there is a strong justification to do so.

**Questions**

**10. Do you have views on the proposal to review the Creative Intensities?**

**11. Do you support the inclusion and exclusion of industries as their Creative Intensity changes over time?**

**12. Do you have a view on the level of change which may warrant revisions to the data?**

**13. Do you have a view on whether historic data should be revised to reflect a new definition or should retain the definition of Creative Industries associated with the period when it was published?**

**14. Do you agree with the frequency of the review (every three years, or five years)?**

# Chapter 7 - Other proposals

**Sub-national GVA estimates**

Region (former government office regions) and city level GVA estimates are part of DCMS' medium term development plans for Creative Industry Economic Estimates. Further updates will be included in future publications.

**15. Would you find sub-national estimates for Creative Industries GVA useful?**

**16. Would Region or city level estimates be more valuable?**

**Now-casting**

DCMS hopes to develop an approach to modelling more recent data so that GVA estimates can be produced with a shorter time lag. This would be like producing a forecast for the current period. E.g. In early 2016 it would be possible to have an estimate of GVA for 2015.

**17. Would modelled "now-cast" estimates be helpful?**

**18. Do you have any views on the best approach to take this forward?**

The work outlined in this section is part of a wider project to improve economic estimates across DCMS sectors. DCMS is working closely with ONS to take this work forward. As part of this work DCMS have also published the first release of Digital Sector Economic Estimates. This is a part of the economy with significant overlap with the Creative Industries. This statistical release is a development of an ad hoc analysis published by DCMS in September 2015. DCMS welcomes feedback and comments on the statistics and methodology presented in this release, with a view to developing it into an annual official statistics release.

# Chapter 8 - Summary of questions

Creative Economy Estimates

1. **Do you have any views on the Creative Economy GVA estimates and the methodology used to calculate them?**

2. **Do you have any evidence to support or contradict the assumption that productivity in Creative and non-Creative jobs outside the Creative Industries is the same, and therefore GVA should be allocated on a per head basis?**

3. **Do you support the future publication of Official Statistics on the Creative Economy?**

Accounting for under coverage of microbusinesses

4. **Do you have any views on the methodology used to account for under coverage in the ABS?**

5. **Are you aware of any sources of information which would enable us to apply this approach at 4-digit SIC level?**

6. **Do you support use of this additional adjustment in future publication of Official Statistics on the Creative Industries and Creative Economy?**

Productivity

7. **Do you have a view on the best approach and data sources to measure productivity for the Creative Industries?**

Exports of goods

8. **Do you agree with the proposed source for export of goods (Trade in goods by CPA)?**

9. **Do you have any views on the proposed categories of Creative Goods?**

Creative Industries Intensities

10. **Do you have views on the proposal to review the Creative Intensities?**

11. **Do you support the inclusion and exclusion of industries as their Creative Intensity changes over time?**

12. **Do you have a view on the level of change which may warrant revisions to the data?**

13. **Do you have a view on whether historic data should be revised to reflect a new definition or should retain the definition of Creative Industries associated with the period when it was published?**

14. **Do you agree with the frequency of the review (every three years, or five years)?**

Sub-national GVA estimates

15. **Would you find sub-national estimates for Creative Industries GVA useful?**

16. **Would Region or city level estimates be more valuable?**

Now-casting

**17. Would modelled "now-cast" estimates be helpful?**

**18. Do you have any views on the best approach to take this forward?**

DCMS welcomes feedback from users on these statistics and the proposed developments. If you have any responses to the above questions, or any general feedback or questions on this statistical release, please contact DCMS at evidence@culture.gov.uk.

You can also follow DCMS statisticians on Twitter via @DCMSInsight or sign up for Creative Industries Statistics newsletters here.