

DO CREATIVE INDUSTRIES GENERATE MULTIPLIER EFFECTS? EVIDENCE FROM UK CITIES, 1997-2018

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Centre & City-REDI



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Overview

- **What we do:** How cities grow? Look at the wider economic impacts of creative industries in UK cities, 1997-2018.
- **Why this matters:** creative industries cluster in urban areas ...
 - Does this imbalance matter? Are there urban-level spillovers of CIs?
 - Large but inconclusive cross-country literature on spillovers
 - Lots of policymaker interest (culture in economic development, industrial strategy, 'levelling up' agenda etc.)



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A note on terminology - Creative industries

- advertising and marketing;
- architecture;
- crafts;
- design;
- film, TV, video, radio and photography;
- IT, software and computer services;
- publishing;
- museums, galleries and libraries;
- music, performing and visual arts.



Overview

- **Approach:** Estimate Moretti-style multipliers for rich UK microdata, with an IV approach based on historic coalfields & Victorian - Edwardian era art schools
- **Findings:** 1) long term, creative specialisation in few cities 2) jobs multipliers (2 jobs in local services per CI job) – 15% of local services' job growth during 1997-2018 3) impact on jobs rather than workplaces, driven by creative services spending and declining after 2007 4) no impact on other tradable activities
- Implications for 'creative city' policies



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Background

- Creative Industries (CIs) uneven concentration in urban areas
 - Across countries (Lazzeretti, Boix et al. 2008, Nuccio and Ponzini 2017, Kemeny, Nathan et al. 2020)
 - Within countries (Bertacchini and Borrione 2013, Mateos-Garcia, Klinger et al. 2018, Tao, Ho et al. 2019)
 - Within cities (O'Connor and Gu 2014, Hracz 2015)
- Due to
 - Post-industrialisation (Zukin 1995, Scott 2006, Pratt and Jeffcut 2009)
 - Agglomeration economies (Hall 2000, Hutton 2008)



Background

- Does this urban clustering matter for wider urban economies? 3 views
 - 1) No. They are just the spatial footprint of ‘culturalisation’ (Lash & Urry, 1984) and ‘cognitive-cultural capitalism’ (Scott, 2014). Just benefitting from agglomeration and other urban economies (Scott 1988, Zukin 1995, Hall 1998, Hall 2000)
 - 2) Yes. Via
 - a) Multiplier effects from creative worker spending on local services (Hutton 2008, Lee 2014)
 - b) Amenity effects attracting high-income residents and visitors who spend further (Florida 2002, Pratt and Jeffcut 2009)
 - c) Agglomeration economies catalyst by enhancing urban stock of ideas -> innovation -> productivity (Müller, Rammer et al. 2009, Pratt and Jeffcut 2009, Boix-Domenech and Soler-Marco 2017)
 - d) Displacement effects on other industries (industrial gentrification)
 - 3) Yes and No. More productive cities have more CIs due to demand from other industries (creative and not) & households



Background

- Extensive but inconclusive literature on the economic impact of creative industries (Seaman 2011, Bloom et al. 2020)
 - a) Single events
 - b) Short time-frames
 - c) Non-causal identification strategies
 - d) No distinction between arts and creative services
- Questions remain on spillovers by:
 - a) type of creative industry
 - b) type of recipient industry
 - c) business cycle stage
 - d) causality



Background

- Contribution
 - a) All CIs in urban TTWAs using BSD data
 - b) 22 years
 - c) IV approach using historical coalfields + art schools
 - d) Separation between arts and creative services
 - e) Local multipliers for jobs & workplaces, non-tradables and tradables, pre- and post-2007



Research Questions

Q1: How has the UK creative industry system evolved across cities since the 1990s?

Q2: What are the urban non-tradable jobs and workplace multipliers from CIs?

Q3: Are there differences between the impact of arts and creative services?

Q4: What is the impact of CIs on other tradable jobs and workplaces?



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Data

- **Business Structure Database:** census of UK workplaces, covering 99% of economic activity in the UK
- **Controls** from LFS/APS, ONS GVA and GDHI datasets
- Our basic concepts:
 - **Cities** defined as Travel to Work Areas (2011 version) with an urban core of at least 125,000 people [\[detail\]](#)
 - **Creative industries** defined as per UK Government official definition, but crosswalked to SIC2003 to use our full time-series [\[detail\]](#)
 - **Other Tradable sector** – manufacturing; public sector services + tradable services (defined with new Locational Ginis built using 2018 BSD data [\[detail\]](#))
 - **Non-tradable sector** – non-tradable services (Locational Ginis)
- Panel: 1716 obs, 78 TTWAs, 22 years [\[summary stats\]](#)



Pukka Organic
Supreme Matcha
Green Tea 36G



Q1: How has the UK creative industry system evolved across cities since the 1990s?

- The average city has more CI workplaces and jobs in 2018 compared to 1997 (nrs & shares) – LQ workplaces show concentration, LQ jobs show dispersal

	A. All years		B. 1997		C. 2018	
Variable	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
TTWA all workplaces	23,898	50,492	19,006	36,180	28,790	61,437
TTWA all jobs	263,924	505,570	220,630	407,733	307,218	586,922
TTWA CI workplaces	2,374	7,852	1,595	4,862	3,153	9,961
TTWA CI jobs	12,181	42,730	8,849	27,837	15,513	53,646
TTWA % CI workplaces	0.075	0.032	0.064	0.028	0.085	0.033
TTWA % CI jobs	0.032	0.017	0.03	0.016	0.035	0.018
TTWA LQ CI workplaces	0.77	0.316	0.765	0.336	0.776	0.298
TTWA LQ CI jobs	0.719	0.369	0.74	0.388	0.697	0.35
Observations	156		78		78	

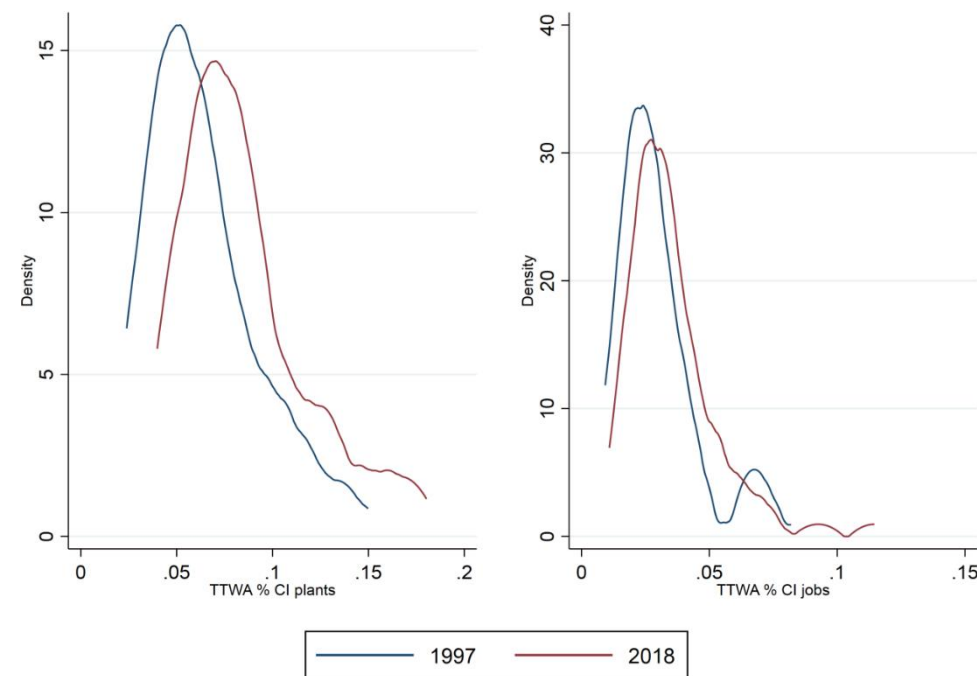
Source: BSD. 78 urban TTWAs in 1997 and 2018. Table shows descriptive statistics of all workplaces and employment, those of creative industries workplaces (individual plants) and employment as well as shares and LQs in 1997 and 2018.

Q1: How has the UK creative industry system evolved across cities since the 1990s?

- CI increase is concentrated in few cities

Kernel density plot of % creative industries workplaces and employment, urban TTWAs, 1997 and 2018.

L: workplaces. R: jobs.



Epanechnikov kernel

Source: BSD. 78 urban TTWAs. Plots show distribution of creative industries workplaces (individual plants) and employment, as a share of all TTWA workplaces / employment.

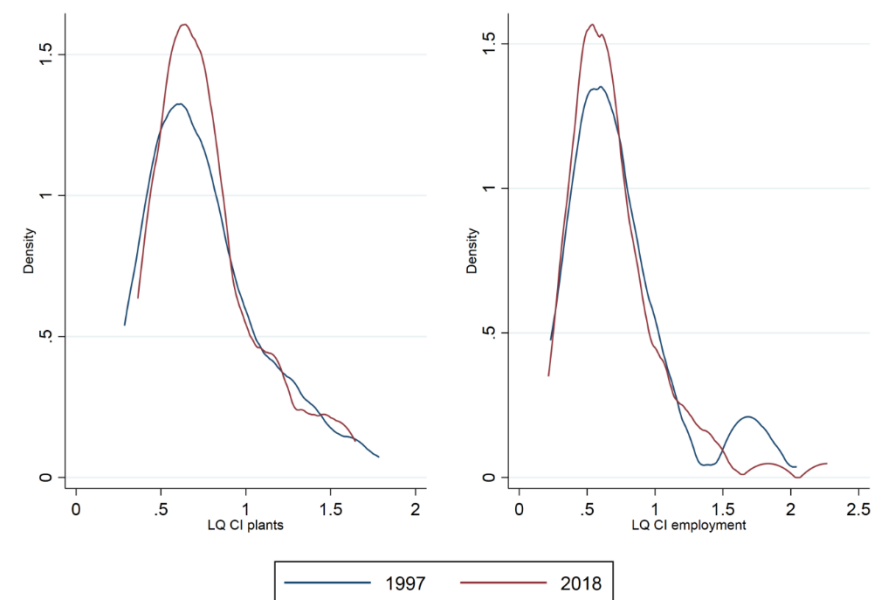


Q1: How has the UK creative industry system evolved across cities since the 1990s?

- CI clustering has been accompanied by diffusion on the specialisation of places on CIs – higher densities below LQ=1
- Except the top clusters in terms of jobs

Kernel density plot of creative industries workplaces and employment LQs, urban TTWAs, 1997 and 2018.

L: workplaces. R: jobs.



Epanechnikov kernel

Source: BSD. 78 urban TTWAs. Plots show distribution of creative industries workplaces (individual plants) and employment location quotients.



Q1: How has the UK creative industry system evolved across cities since the 1990s?

Shifts in urban CI league table -> more CIs in fewer urban areas
but not the initial top performers [\[top-20\]](#)

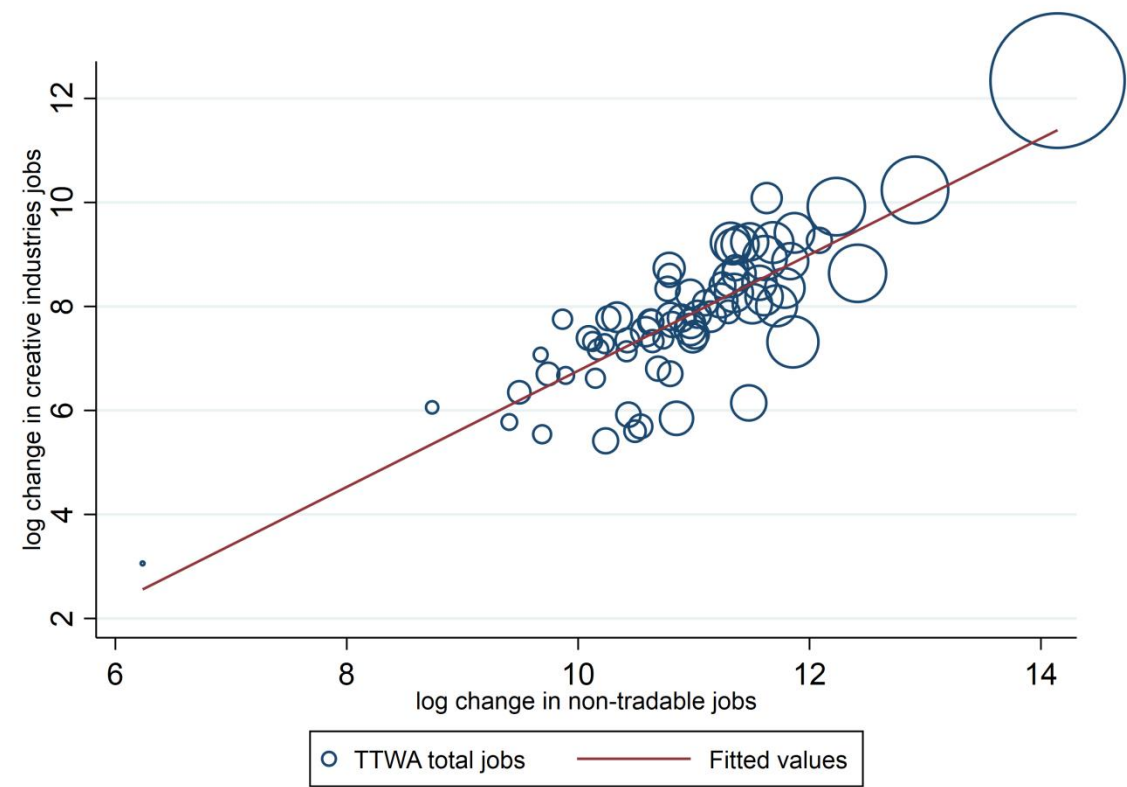


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Q2: What are the urban non-tradable jobs and workplace multipliers from CIs?

Change in creative vs. non-tradable jobs, urban TTWAs, 1997-2018.



Source: BSD. 78 urban TTWAs weighted by #jobs. Plot shows correlation between log change in non-tradable jobs (x-axis) and creative industries jobs (y-axis).



Q2: What are the urban non-tradable jobs and workplace multipliers from CIs?

- Moretti 2010
 - Shock to tradable activities
- Shock to creative industries
 - Multipliers on non-tradables
 - intensive margin (more jobs in existing businesses)
 - extensive margin (more businesses creating jobs)
 - Multipliers on other tradables
 - +ve cross-industry spillovers (supply-chain, knowledge spillovers etc)
 - -ve competition for inputs



Q2: What are the urban non-tradable jobs and workplace multipliers from CIs?

- Adapting Moretti 2010

- $\ln NT_{it} = a + b1 \ln CI_{it} + b2 \ln OT_{it} + \mathbf{Xc}_{it-n} + I_i + T_t + e_{it} \quad (1)$

- $\Delta \ln NT_{it-tbase} = a + b1 \Delta \ln CI_{it-tbase} + b2 \Delta \ln OT_{it-tbase} + \Delta \mathbf{Xc}_{it-tbase} + T_t + e_{it} \quad (2)$

- $M = b1_hat * (NT_{2007} / CI_{2007})$ (Moretti)

- $M = b1_hat * (NT_{1998} / CI_{1998})$ (Van Dijk)

Van Dijk (2018) critique
on multiplier calculation

Q2: What are the urban non-tradable jobs and workplace multipliers from CIs?

A. Fixed effects		B. Long differences	
Employment		Employment	
Creative, all years	2.844	Creative, all years	2.126
Creative, 1998-2006	4.526	Creative, 1998-2006	
Creative, 2007-2018	0.798	Creative, 2007-2018	
Tradables, all years	0.996	Tradables, all years	0.709
Workplaces		Workplaces	
Creative, all years	1.158	Creative, all years	2.516
Creative, 1998-2006	1.027	Creative, 1998-2006	
Creative, 2007-2018	1.429	Creative, 2007-2018	
Tradables, all years	1.632	Tradables, all years	2.365

Robustness tests

- Alternative time splits
- Alternative controls
- First-differences

Source: authors' elaboration from BSD, LFS/APS, ONS. Multipliers calculated using van Dijk (2018) specification of base years. Blank field indicates point estimate is non-significant.



Q2: What are the urban non-tradable jobs and workplace multipliers from CIs?

- **Problem 1:** some unobserved factor might drive both non-tradable and creative industries job growth. We need to instrument CIs with a variable that relates to it but is not affected by the potential unobserved factors
- **Problem 2: the typical shift-share IV may also not work,**
 - CIs are highly & persistently clustered across space without large national shock
 - Weak and/or under-identified



Q2: What are the urban non-tradable jobs and workplace multipliers from CIs?

- **We use a TTWA's distance to C19 coalfields as an instrument**
- Cities closer to coalfields more likely to develop as single-industry towns => less small-firm entrepreneurial and creative activity (Chinitz 1961, Glaeser et al 2015, Stuetzler et al 2016)
 - Distance should positively predict creative industries jobs/workplaces
 - Distance should have no link to non-tradables
- **We use a TTWA's count of historic Art Schools (1837-1914)**
- Historical cultural institutions => creative activity today (Lee and Clarke, 2019)
 - Counts should positively predict creative industries jobs/workplaces
 - Counts should have no link to non-tradables

[\[results\]](#)



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Q2: What are the urban non-tradable jobs and workplace multipliers from CIs?

[\[results table\]](#)

- 10% increase in CI jobs -> 1.12% - 6.2% increase in non-tradable jobs
- An extra CI job -> 2 extra non-tradable jobs
- Multiplier effects 3x larger before 2007
- Workplace coefficients largely non-significant -> impacts come from more jobs in non-tradable businesses rather than more non-tradable businesses



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Q3: Are there differences between the impact of arts and creative services?

- A few more tables later... [[results](#)]
- Non-causal results (cannot use IV approach) – Impacts arise more from creative worker spending rather than amenities channels.
 - Creative services (architecture; design; film/TV/radio and; publishing) rather than arts (libraries and museums) have the largest and most robust multipliers pre-2007
 - Post-2007 only design, film/TV/radio and the visual/other arts have significant multipliers



Q4: What is the impact of CIs on other tradable jobs and workplaces?

- We estimate
- $$\Delta \ln OT_{it-tbase} = a + b1\Delta \ln CI_{it-tbase} + b2\Delta \ln NT_{it-tbase} + \Delta \mathbf{Xc}_{it-tbase} + T_t + e_{it}$$
- A few more tables later... [[results table](#)]



Q4: What is the impact of CIs on other tradable jobs and workplaces?

- Suggestive positive effects but no causal link



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Conclusions

- What is the wider economic impact of creative industries in UK cities?
- Microdata on 22 years
- Robust research design
- Answer 4 relevant questions



Conclusions

Q1: How has the UK creative industry system evolved across cities since the 1990s?

- Concentration in clusters & diffusion within top performers

Q2: What are the urban non-tradable jobs and workplace multipliers from CIs?

- 2 NT jobs per CI worker, mostly pre-2007
- No workplace effect

Q3: Are there differences between the impact of arts and creative services?

- Most impacts from creative services

Q4: What is the impact of CIs on other tradable jobs and workplaces?

- No causal link to OT



Policy implication

- ‘Creative city’ policies -> positive local economic impacts with two constraints:
 - Spatially-blind policies will benefit existing urban clusters
 - Policies more effective when they focus on creative services



Next Steps

- Occupational/wage effects
- Neighbourhood level impacts
- Housing/business space impacts
- Pre- vs post-2007 multiplier differences



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****[WP available](#)****

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Thank you



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Appendix

Defining cities

- We focus on urban economies, so define cities using Travel to Work Areas (TTWAs)
- TTWAs represent self-contained labour markets in which at least 75% of an area's residents work in the area and vice versa (ONS 2016)
- Best tractable approximation to the functional city
- The latest TTWAs were defined in 2011: 228 areas
- Within these, we use work by Gibbons et al (2011) to isolate a set of 78 'primary urban' TTWAs with an urban core of at least 125,000 people
- We define cities as these 'primary urban' TTWAs

Defining creative industries

- In the UK, creative industries are officially defined by the Department of Culture, Media and Sport (DCMS 2018)
- DCMS' definition uses SIC2007 codes [= NACE rev2]
- We need to convert these to SIC2003 codes to work with the full time dimension of our data
- We use ONS 2003-2007 crosswalks to do this:
 - In most cases there is a 1:1 match from a creative industries SIC2007 code to a SIC2003 equivalent
 - When this doesn't happen, we use crosswalk weights to allocate the SIC2007 bin to the SIC2003 bins
 - We cross-check for years after 2007, where we have both SIC2003 and SIC2007 info. Crosswalked CIs are slightly smaller than original CIs in firm and job counts, but are highly correlated

Defining industry blocs

- Locational Gini indices (0 = dispersed ~ 1 = concentrated) are commonly used to define an industry's degree of tradability. The intuition is that the more spatially concentrated an industry, the bigger its economies of scale, reflecting higher/wider levels of demand (Jensen and Kletzer 2004, Faggio and Overman 2014, Kemeny and Osman 2018, Lee and Clarke 2019)
- For industry j across i TTWAs in year t , the employment Gini is given by:

$$G_{it} = \sum_i [(E_i / E) - (E_{ij} / E_j)]^2 \quad (3)$$

- Recent UK studies use Jensen and Kletzer's 1999-vintage Ginis for US industries. Some risks in doing that: different country, different decade!
- We calculate new measures of G using 2018 BSD data on 4-digit UK industries. We identify 'most', 'intermediate' and 'least' tradable groups
- We test the accuracy of our classifier on UK manufacturing sectors. Over 95% of SIC4 bins are classified correctly as most or intermediate tradable

Summary statistics

	A. All years		B. 1997		C. 2018	
Variable	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
TTWA all workplaces	23898	50492	19006	36180	28790	61437
TTWA all jobs	263924	505570	220630	407733	307218	586922
TTWA CI workplaces	2374	7852	1595	4862	3153	9961
TTWA CI jobs	12181	42730	8849	27837	15513	53646
TTWA % CI workplaces	0.075	0.032	0.064	0.028	0.085	0.033
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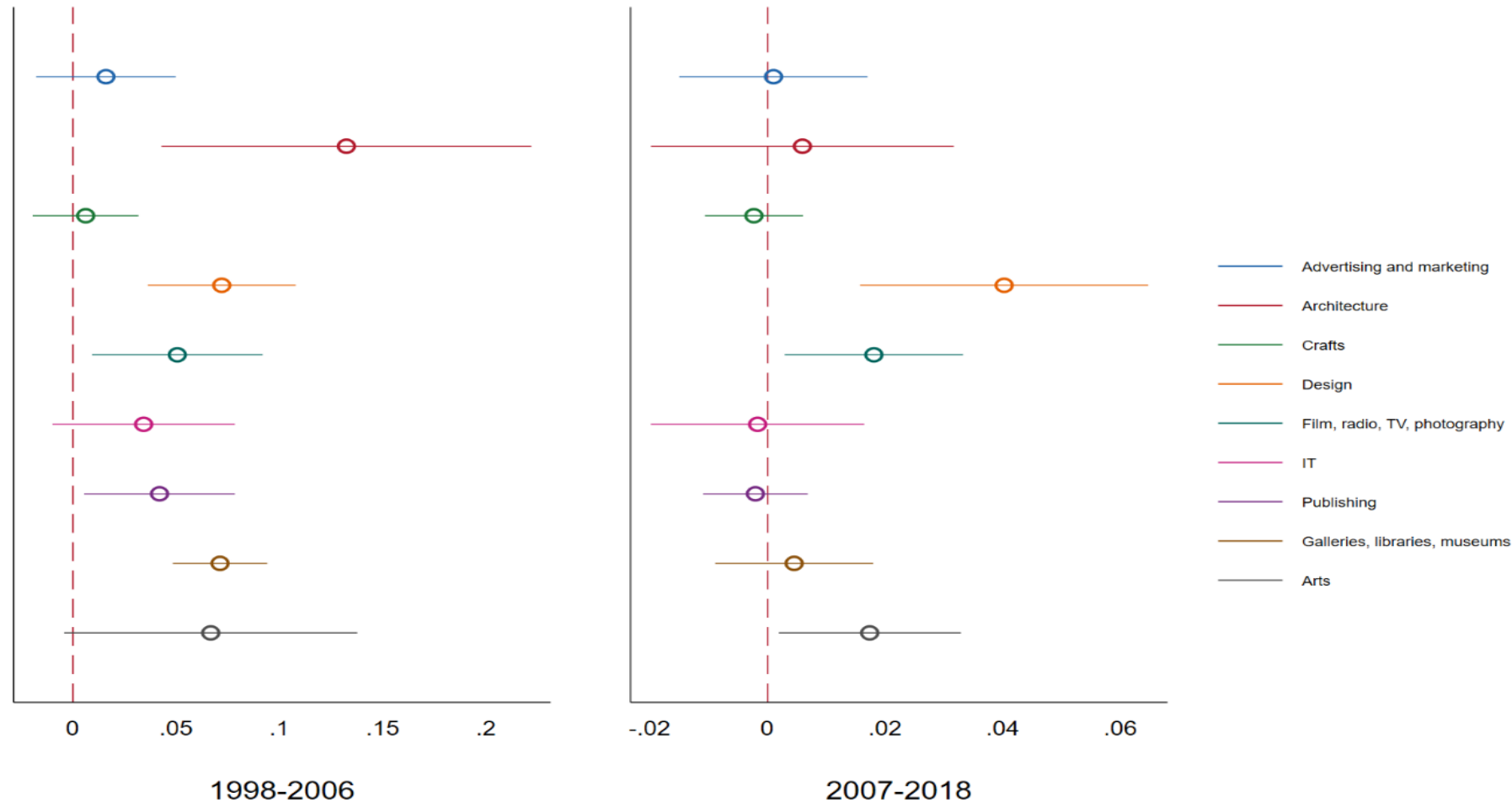
Source: BSD. 78 urban TTWAs in 1997 and 2018. Table shows descriptive statistics of all workplaces and employment, those of creative industries workplaces (individual plants) and employment as well as shares and LQs in 1997 and 2018.

Top-20 LQ firms and jobs

A. 1997-2018			B. 1997			C. 2018		
2011 TTWA	LQ firms	LQ jobs	2011 TTWA	LQ firms	LQ jobs	2011 TTWA	LQ firms	LQ jobs
Reading	1.639	1.968	Reading	1.786	1.753	Reading	1.646	2.269
London	1.559	1.814	London	1.605	1.714	Slough and Heathrow	1.516	1.456
Slough and Heathrow	1.535	1.603	Slough and Heathrow	1.59	1.699	Milton Keynes	1.513	1.104
Guildford & Aldershot	1.396	1.612	High Wycombe & Aylesbury	1.486	1.592	London	1.486	1.833
High Wycombe & Aylesbury	1.37	1.499	Guildford & Aldershot	1.45	1.62	Brighton	1.447	1.13
Brighton	1.352	1.077	Luton	1.313	1.058	Guildford & Aldershot	1.317	1.374
Luton	1.341	1.051	Milton Keynes	1.298	1.191	High Wycombe & Aylesbury	1.286	1.24
Milton Keynes	1.303	1.172	Stevenage & Welwyn Garden City	1.27	0.92	Luton	1.207	0.907
Stevenage and Welwyn Garden City	1.178	0.936	Crawley	1.23	1.04	Tunbridge Wells	1.174	0.938
Tunbridge Wells	1.156	1.062	Brighton	1.212	0.832	Edinburgh	1.156	0.93
Oxford	1.147	1.607	Tunbridge Wells	1.199	1.039	Stevenage & Welwyn Garden City	1.142	0.779
Crawley	1.137	1.041	Oxford	1.164	1.733	Crawley	1.098	0.907
Swindon	1.07	0.814	Cheltenham	1.114	0.942	Oxford	1.075	1.342
Cambridge	1.067	1.163	Swindon	1.09	0.779	Cheltenham	1.07	1.088
Bristol	1.019	0.961	Cambridge	1.08	1.081	Bristol	1.064	1.025
Cheltenham	1.013	1.076	Southampton	1.06	0.841	Swindon	1.058	0.729
Edinburgh	0.974	0.852	Bristol	0.977	0.936	Cambridge	1.009	1.151
Bedford	0.945	0.693	Bedford	0.976	0.726	Worthing	0.921	0.61
Worthing	0.882	0.872	Worthing	0.947	0.681	Bedford	0.904	0.637
Chelmsford	0.88	0.73	Chelmsford	0.927	0.698	Chelmsford	0.901	0.751

Arts vs creative services

OLS regression of creative industries subgroup iobs on non-tradable iobs. Fixed effect estimator.



Source: BSD, LFS/APS, ONS. Travel To Work Area by year cells.
Each point shows OLS coefficient and 95% confidence interval for subgroup, controlling for the rest of the creative industries. All models use TTWA dummies, plus controls from our main specification.

CI on OT

IV regression of creative and other tradable activity. Long difference, 1998-2018.

	OLS	IV	IV	IV
A. Employment	(1)	(2)	(3)	(4)
Log creative industries jobs	0.20*	-0.29	4.93	-0.32
	(0.110)	(1.776)	(102.09)	(2.559)
Log non-tradable jobs	0.95***	1.30	-4.73	1.38
	(0.232)	(1.994)	(118.33)	(2.832)
<i>TTWA frequency of art schools</i>		<i>0.02</i>	<i>-0.00</i>	<i>0.01</i>
		<i>(0.076)</i>	<i>(0.073)</i>	<i>(0.067)</i>
Observations	156	156	156	156
R ²	0.47	0.93	-3.10	0.93
Kleibergen-Paap F-statistic		0.06	0.00	0.05
Montiel Olea-Pflueger Effective F		0.06	0.003	0.05
Anderson-Rubin Chi ²		0.0237	0.222	0.0176
Anderson-Rubin confidence set		[.,.]	[.,.]	[.,.]

IVs on main variables

	A. Employment			B. Workplaces		
	(1)	(2)	(3)	(1)	(2)	(3)
log TTWA-coalfield distance	0.17*** (0.051)	0.01 (0.020)	-0.11*** (0.027)	0.12*** (0.038)	0.01 (0.014)	-0.03*** (0.012)
TTWA frequency of art schools	0.10 (0.069)	0.02 (0.028)	-0.06* (0.038)	0.02 (0.062)	0.01 (0.023)	-0.01 (0.025)
Log other tradable jobs	0.13 (0.147)	0.60*** (0.045)		1.39*** (0.189)	0.96*** (0.071)	
Log non-tradable jobs	1.06*** (0.165)		0.93*** (0.096)	-0.21 (0.197)		0.72*** (0.049)
Log creative industries jobs		0.26*** (0.040)	0.05 (0.054)		-0.05 (0.049)	0.26*** (0.030)
Observations	1638	1638	1638	1638	1638	1638
R ²	0.91	0.96	0.95	0.94	0.97	0.98
F-statistic	403.41	1067.61	987.32	977.97	1568.95	1926.00

Source: BSD, LFS/APS, ONS. All specifications include year dummies, controls per main specification. Standard errors clustered on TTWA. Constant not shown.

Q2: What are the urban non-tradable jobs and workplace multipliers from CIs?

	OLS	IV			
	(1)	(2)	(3)	(4)	(5)
Log creative industries jobs	0.12** (0.051)	0.36*** (0.081)	0.37*** (0.071)	0.24*** (0.079)	0.13 (0.225)
Log other tradable jobs	0.25*** (0.066)	0.53*** (0.074)	0.50*** (0.068)	0.62*** (0.078)	
Log tradable jobs					
<i>log TTWA-coalfield distance</i>		0.24*** (0.061)	0.26*** (0.061)	0.23*** (0.057)	
<i>TTWA frequency of art schools</i>		0.19** (0.093)	0.19** (0.093)	0.18** (0.081)	
<i>Log Bartik tradable employment</i>					1.42*** (0.366)
Observations	156	156	156	156	156
R ²	0.94	0.96	0.96	0.96	0.70
Kleibergen-Paap F-statistic		9.52	11.33	9.66	15.15
Montiel Olea-Pflueger Effective F		7.465	8.710	8.944	15.15
Anderson-Rubin confidence set		[0.112, 0.620]	[0.141, 0.557]	[0.046, 0.437]	
Multiplier - Van Dijk	2.126	[1.961, 10.888]	[2.476, 9.784]	[0.797, 7.568]	0.287