CLWSTWR CREATIVE INDUSTRIES REPORT NO 1.2

# *REPORT UPDATE: THE SIZE AND COMPOSITION OF THE CREATIVE INDUSTRIES IN WALES IN 2019*

A baseline for measuring the impact of COVID-19 on the creative industries in Wales

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January 2021

## ABOUT THE REPORT

This report is part of the Clwstwr programme, a five-year project that aims to put innovation at the core of media production in South Wales. Clwstwr wants to build on South Wales' success in making creative content by putting research and development (R&D) at the core of production.

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# KEY FINDINGS

***Based on the most recent data available in 2021 (giving insights for 2019, before the COVID-19 pandemic), we found a clear positive development of the creative industries in Wales and Cardiff.***

## Wales

8,600 enterprises

are active in Wales' creative industries in 2019. This represents an 8% increase compared to 2017.

500 new enterprises

enter the creative industries in Wales every year.

84,500 people

are working in the creative industries in Wales (as employees and freelancers), an increase of about 5.6% compared to 2017.

99% of companies

in the creative industries in Wales are small, employing less that 50 people.

## Cardiff and the Cardiff Capital Region

60%

of all creative companies are concentrated in the Cardiff Capital Region.

37%

of all Welsh creative industries turnover is generated in Cardiff alone, as opposed to 32% in 2017 showing that creative activities are increasingly concentrating in Cardiff.

**There are roughly**

**3,900**

employees in Cardiff's film, TV, video, radio and photography sector;

**5,300**

employees in Cardiff's IT, software and computer services sector; and

**2,500**

employees in Cardiff's music, performing and visual arts sectors.

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## Introduction

**This report provides insights into the creative industries in Wales based on the latest data available for 2019. Importantly, it details the size and composition of the sector in Wales immediately before the disruption caused by COVID-19. It will therefore serve as baseline that will allow us to give accurate and detailed assessments of the impact of Covid-19 on creative enterprises in Wales in the upcoming study to be conducted in summer 2022, when accurate data from 2020 is available.**

The main purpose of this report is therefore twofold. Firstly, it updates an earlier report[1] on the size and composition of the Welsh creative industries, based on data from 2009 to 2017. This report uses the most recent data looking at 2018 and 2019 and therefore gives insights for the state-of-play pre-COVID.

Find the full report on the size and composition of the creative industries in Wales from 2020 via https://clwstwr.org.uk/clwstwr-creative-industries-report-no-1-size-and-composition-creative-industries-wales.

Secondly, it provides an additional focus on the Cardiff Capital Region as well as Wales and Cardiff, given that the municipalities surrounding Cardiff have significant creative industries activity.

### Methodological note

To provide consistent data to the 2020 report, we adopted the same methodological principles used in our previous study, and a detailed description about the methodology can be found in the previous report.

For this study we used information about 18,643 businesses extracted from ORBIS (a global database on companies' financial data published by Bureau van Dijk).[2] Empty data fields on numbers of employees and turnover were harmonized by applying the median and average values of the applicable

[1] Komorowski, M. & Lewis, J. (2020). Clwstwr creative industries report no 1 - the size and composition of the creative industries in Wales. Clwstwr publication series, Cardiff, Clwstwr. Access via https://clwstwr.org.uk/clwstwr-creative-industries-report-no-1-size-and-composition-creative-industries-wales

[2] See bvdinfo.com/en-gb/our-products/data/international/orbis.

years.[3] The data downloaded for 2018 and 2019 from the Orbis dataset has been fully harmonised to be perfectly compatible with the data used in our previous report. While small discrepancies in a few metrics may still persist, we estimate that they will not exceed a statistical margin of 1%. The data was analysed with Tableau and Stata 16. **The data represents figures from 2019 (the most recent available data in 2021 due to the filing requirements of companies)**.

Standard Industrial Classification (SIC 2007) codes that the UK Government's Department of Culture Media and Sport (DCMS) use to describe the creative industries have been used to extract data about businesses registered in Wales, with the creative industries being categorised in 9 main sectors, as follows:[4] advertising and marketing; architecture; crafts; design and designer fashion; film, TV, video, radio and photography; IT, software and computer services; publishing; museums, galleries and libraries; and music, performing and visual arts.

The research focuses on Wales, with data further broken down for the Cardiff Capital Region and Cardiff. The Cardiff Capital Region (CCR) represents the ten local authorities in Southeast Wales (Bridgend, Vale of Glamorgan, Rhondda Cynon Taff, Merthyr Tydfil, Caerphilly, Blaenau Gwent, Torfaen, Monmouthshire, Newport, and Cardiff). The Cardiff data is based on postal areas within the city.

[3] The missing information on the number of employees was calculated as the median of employment at the companies, which did report a number. This is indeed highly cautious, because it does not allow for the larger enterprises that have statutory requirements to report on the number of their employees to drag estimates upwards (which would be the case, if we had employed the mean instead of the median). Given that there is much more variation in turnover reported (and, as opposed to the number of employees, turnover figures are not natural numbers), we have used a different, albeit equally cautious methodology. We have taken the turnover of the bottom 85% of the firms that had reported this information and we have taken the average across them. This again allows for us to eliminate the skew that the large IT firms, studios and broadcast companies would exert on a simple mean.

[4] It is important to stress that this doesn't include all creative work (there are many creatives working in other sectors) or non-market creative activities and output. It is therefore likely that our figures on the number of creative workers is conservative. For more details about how the creative industries and creative economy in the UK is defined and what it includes and excludes in terms of activities see: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/499683/CIEE_Methodology.pdf

# Findings

## Creative industries enterprises in Wales and Cardiff

### Key numbers

There are a total of about 8,600 enterprises active in the creative industries in Wales. Most creative enterprises in Wales are in three sectors with 3,205 enterprises in the IT, software and computer services sector, 1,571 enterprises in the film, TV, video, radio and photography sector and 1,443 enterprises in the music, performing and visual arts sector. These are the three biggest sectors (in terms of number of enterprises) across Wales, the Cardiff Capital Region and Cardiff. Cardiff, itself, however, is a powerhouse for film, TV, video, radio and photography (see below for more on sector sizes).

### Company size

The UK's creative industries are typically made up of small and micro enterprises – estimated to be 95% of creative businesses overall.[5] This is especially true in Wales, where more than 99% of companies in the creative industries employ less than 50 employees. Only 34 enterprises employ more than 50 employees (medium-sized enterprises), and only very few are large (employing more than 250 employees).

### Turnover and GDP contribution

The estimated total turnover of Wales' creative industries is £4bn in 2019, 5% of the total GDP in Wales. The GDP contribution of the sector is also likely to be around this level.[6] Around 58% of this is concentrated in the Cardiff Capital Region, whose enterprises generated an estimated £2.3bn (see Figure 1), representing 23% growth since 2017, and accounts for much of the overall growth across Wales.

[5] See https://www.creativeindustriesfederation.com/sites/default/files/2018-12/Creative%20Industries%20Federation%20-%20Growing%20the%20UK%27s%20Creative%20Industries.pdf

[6] GDP contribution includes direct value added and indirect value creation (costs of inputs, salaries spent locally, etc.).

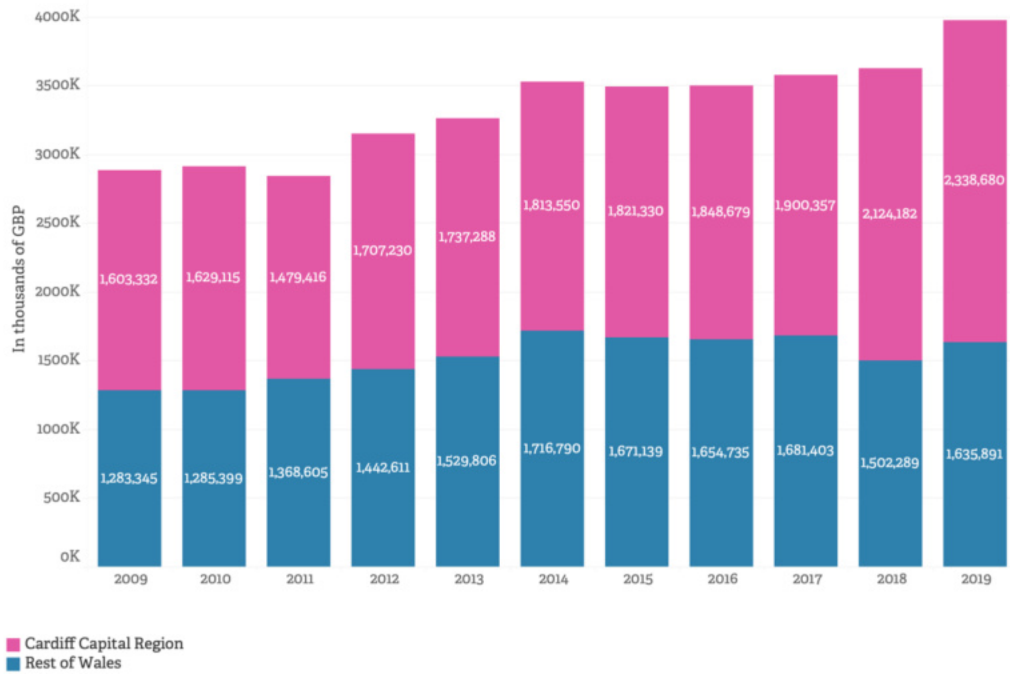


Figure 1: Turnover generated by the creative industries in Wales and the Cardiff Capital Region over time.

Of this, £1.5 billion - 37% of all national turnover from creative industries - is generated in Cardiff (see Figure 2). This represents a 30% growth since 2017, far outpacing total national growth of roughly 8%growth in the rest of Wales (excluding Cardiff), which amounted to 1.8%.

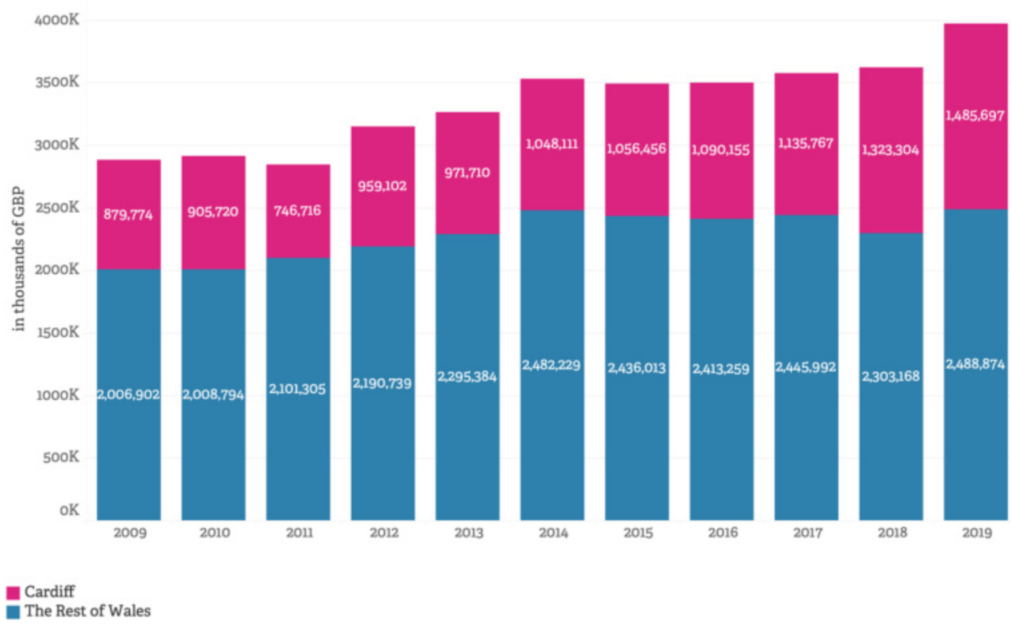


Figure 2: Turnover generated by the creative industries in Wales and in Cardiff over time.

## The creative industries workforce in Wales and Cardiff

### Key numbers

We estimate that the 8,600 enterprises in Wales *directly* employ more than 42,200 employees, roughly 3% of total employment in Wales.

However, the figure of direct employment under-estimates the number of people working in the creative industries, which is particularly dependent on a freelance workforce. On average almost 50% of the creative workforce are self-employed in the UK. We can therefore estimate a total of around 84,500 people working in the creative industries in Wales (including employees and freelancers).

The Welsh capital has the highest concentration of employees working in the creative industries - about 1 in 7 company jobs in Cardiff are in the creative industries. This is a significant increase since 2017, when the ratio was 1 in 10.

### Sector distribution

The distribution of employees in the different sectors of the creative industries in Wales show a broadly similar distribution, with three sectors representing most employees (see Figure 3):

- The IT, software and computer services sector has more than 14,700 employees across Wales (a 5% increase since 2017).
- The film, TV, video, radio and photography sector employs more than 9,000 people across Wales (a 13% increase since 2017).
- The music, performing and visual arts sector employs more than 7,500 people across Wales (a 7% increase since 2017).

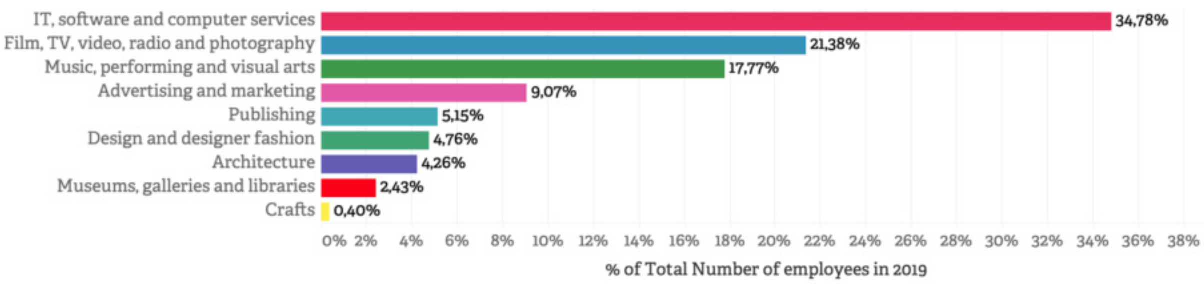


Figure 3: The size of the creative sectors in Wales based on number of employees.

The distribution of creative employment In the Cardiff Capital Region is broadly in line with Wales as a whole. Cardiff, on the other hand shows particular strength in the film, TV, video, radio and photography sector, which makes up around a quarter of employment of the city's creative enterprises.

## Growth rates

The number of employees in Wales' creative industries grew at an average annual compound rate of 2.0% between 2009 and 2019. Cardiff showed a stronger growth rate of 2.7% until 2017, with a growth rate of more than twice the Welsh average (4.3%) in 2018 and 2019. These growth rates are higher than the increase in the number of enterprises, reaching an annual compound average of 1.2% in Wales and 3.6% in Cardiff for the period between 2009 and 2019. This indicates that growth continues to come from both the *creation of new* businesses and the *growth of the size* of existing enterprises. Many creative sectors have seen above average employment growth rates. For example, we found an average yearly growth rate in Wales of (see Figure 4):

- 5.4% in the museums, galleries and libraries sector;
- 4.4% in the design sector;
- 2.5% in the music, performing and visual arts sector;
- 2.7% in the film, TV, video, radio and photography sector;
- 2.4% in the architecture sector;
- 1.8% in the advertising and marketing sector.

With the exception of music, performing and visual arts, the Cardiff Capital Region has seen substantially faster average annual compound employment growth on a sectoral level than Wales as a whole. The difference is especially visible in the IT and film, TV, video, radio and photography sectors (see Figure 4).


Figure 4: The growth of the Welsh creative economy per sector, in number of employees.

The high growth rates in the CCR are due to Cardiff, where most creative sectors by far exceeded national averages. In terms of sectoral employment growth, Cardiff's advantage is mainly accounted by high employment growth in the film, TV, video, radio and photography sector, as well as in design and designer fashion (and, to some degree in the relatively small museums, galleries and libraries sector).

These asymmetric growth rates increased Cardiff's importance as a catalyst for growth in the UK's creative industries. Cardiff's annual growth rates have accelerated (compared to the period spanning 2009-2017) in all creative sectors (with the exception of architecture and the museums, galleries and libraries sectors).

## The geography

The following maps (see Figure 5) visualizes the geographical distribution of Wales' creative industries. Each circle in the first map is a postal code area in Wales. The size of the circle is proportional to the number of employees in the creative industries in that area. The second map shows the number of employees in the creative industries located in the different postal code areas in the Cardiff Capital Region.

- Overall, the maps underline show a high density of employees in the creative industries in the South, with Cardiff at its core.
- While Cardiff and the Cardiff Capital Region are core areas for creative industries, there is also significant employment in Swansea.
- There are key pockets of (albeit more limited) activity in North Wales.
- Within the Cardiff Capital Region, Cardiff is not the only municipality with significant employment in creative sectors, with significant activity in Bridgend, Newport the Vale of Glamorgan and Torfaen.
- The highest concentration of employees of creative enterprises is in Cardiff city centre (including Cardiff Bay) thanks in large part to the presence of BBC Cymru Wales, the Roath Lock Drama Village, and a number of other, major creative firms and workspaces.
- Despite this concentration, there is significant employment in other parts of the city. So, for example, *total* creative industry employment in Mynachdy, Heath, Birchgrove, Llanishen, Rhydypenau, or Rhiwbina (CF14) is greater than in the city centre.

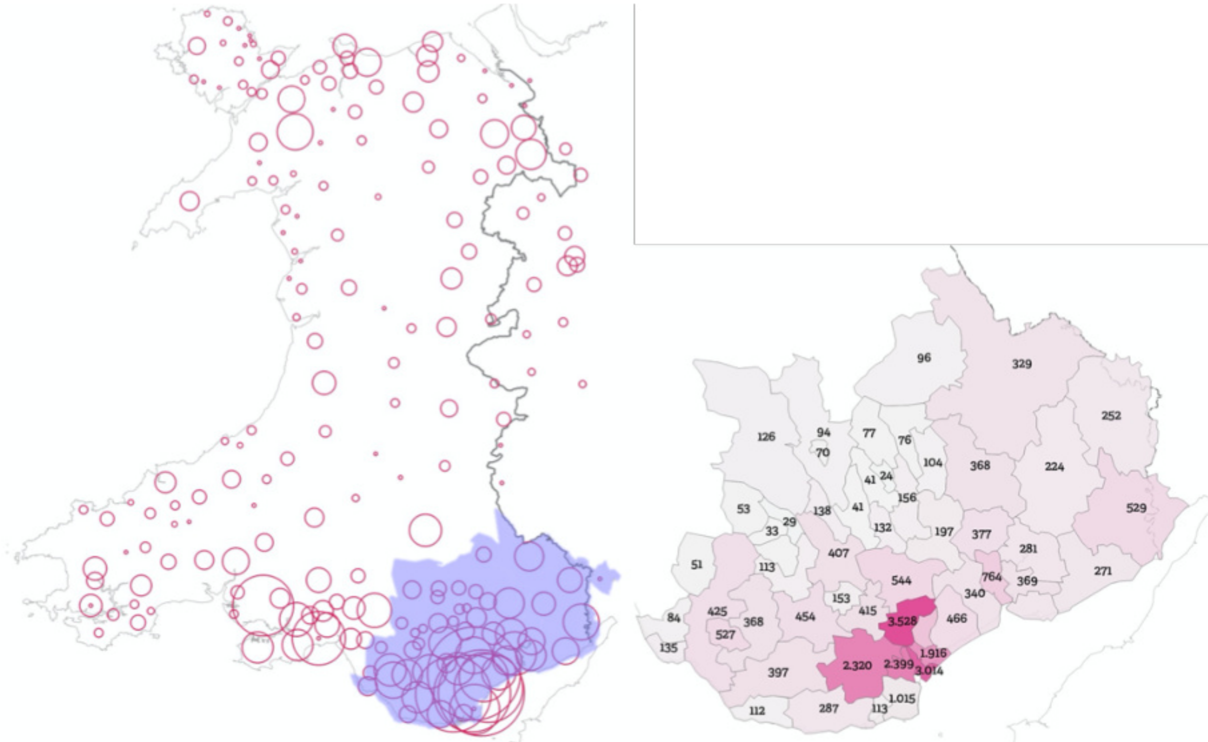

Figure 5: The distribution of employees in the creative industries in Wales

# CONCLUSION

OUR FINDINGS CONFIRM THAT THE CREATIVE INDUSTRIES CONTINUE TO BE AN IMPORTANT AND GROWING PART OF THE WELSH ECONOMY. WITH A CONCENTRATION OF CREATIVE ACTIVITIES IN CARDIFF AND THE CARDIFF CAPITAL REGION.

We have estimated that there are more than 8,600 active enterprises and 84,500 people working in the creative industries in Wales. This number is likely to grow on the long run, particularly in those creative sectors – such as film and TV - where we have tracked higher than average growth rates.

Overall, in 2018 and 2019, there was an acceleration of growth in creative industries, in terms of both turnover and employment (both on the aggregate and on the sectoral level).

In Wales the creative industries have been and continue to be dominated by three sectors: IT, software and computer services; film, TV, video, radio and photography; and the music, performing and visual arts sector. In Cardiff, companies in the film, TV, video, radio and photography sector employ more than 3,800 people (up by almost 27% since 2017).

The Cardiff Capital Region boasts most of Wales' creative enterprises and Cardiff produces most of the Cardiff Capital Region's turnover. Cardiff's employment growth in nearly all creative sectors have outpaced its levels in the rest of Wales. These findings confirm and amplify the trends identified in our previous report[7] suggesting even more growth potential in the creative industries in Wales and specifically in the Cardiff Capital Region.

This report provides data into the Welsh creative industries before the disruption caused by COVID-19, which has had a profound impact on many creative businesses and freelancers. Additionally, the increasing international

[7] Komorowski, M. & Lewis, J. (2020). Clwstwr creative industries report no 1 - the size and composition of the creative industries in Wales. Clwstwr publication series, Cardiff, Clwstwr. Access via https://clwstwr.org.uk/clwstwr-creative-industries-report-no-1-size-and-composition-creative-industries-wales

competition in the market and digitization challenges have been identified as disruptors for growth in the creative industries.

We aim with initiatives like Clwstwr and Media.Cymru to make important steps in providing the support needed in the creative industries in Wales and the Cardiff Capital Region to enable sustainable and long-term growth and make the sectors future-proof in the eye of crisis and other disruptions.

We invite the reader to consult our website on ongoing and finished projects that Clwstwr (https://clwstwr.org.uk/) has supported to date and to get in contact with us to engage with us on the upcoming Media.Cymru programme that will start in 2022.

## About the authors

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Mate is an Associate Professor of Economics at the New School of Economics at Satbayev University in Almaty and a Research Associate at Clwstwr. Mate performs econometric and statistical analyses to evaluate key policy areas of the creative economy in Cardiff and beyond. Mate's research interests reside in labour and development economics and he teaches a wide range of subjects at the New School of Economics, including econometrics and labour economics.

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Marlen performs the impact analysis of Clwstwr's interventions in the screen sector (and creative industries more generally) in South Wales. She is also associated with the research centre imec-SMIT-VUB (Studies on Media, Innovation & Technology) in Brussels and Guest Professor at Vrije Universiteit Brussel. As a researcher, her work focuses on media and creative industries-related projects, impact analysis, industry clustering, ecosystem and value network analysis, new business models and the impact of the digitisation and innovation on industries and firms.

### Prof Dr Justin Lewis, Clwstwr Director

Justin is Professor of Communication and Creative Industries at Cardiff University's School of Journalism, Media and Culture. He has conducted research with many different creative organisations, including the BBC, the BBC Trust, Channel 4, the Guardian, as well as UK and European Research councils. He has published over 100 books, journal articles and chapters about a wide range of media and cultural issues.

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## Acknowledgement

This publication was produced with the financial support of the AHRC and the Welsh Government. Its content is the sole responsibility of the authors.



## Suggested citation

Fodor, M. M., Komorowski, M. & Lewis, J. (2021). Clwstwr creative industries report no 3 – An updated glance at the size and composition of the creative industries in Wales. Clwstwr publication series, Cardiff, Clwstwr.