

## Study on British Creative Industry and Its Effects

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**Abstract:** British people first proposed the concept of "Creative Industry" in the world, and it was also the first country in the world to promote the development of creative industries. Creative industry contributed more to the UK's GDP than financial services.

This paper analyzes the British creative industry mainly in aspect of its achievements, reasons, advantages and disadvantages and effects by taking Manchester as an example to further explain the accomplishments which England has achieved, aiming to help people better understand the potential of developing creative industry.

Traditionally, Englishmen are regarded as a group of conservative and stubborn people, who are unwilling to change and accept new things. However, England was the first country to put up a clear definition of creative industry and made it a real success. Because of the recession of the manufacturing industry, creative industry has an opportunity to develop and shoulder the responsibility of the optimum industrial structure. Along with the government's support and its unique combination of strength in media, culture and education which enable it to create trends and transmit its influence. Nowadays British creative industry has become second-to-none in the world. In terms of employment and output, the importance of creative industry has exceeded its financial industry, which has been providing directly or indirectly nearly half jobs for UK and generating over a staggering £8 million pounds an hour. Up to now, creative industry has become one of the main motivations for the growth of the British economy. Although creative industry in England still has some problems, it is still a huge successful history, generating lots of fortune and job opportunities for the British economy, and helping Manchester perfectly adopt its industrial structure. At present, Manchester is the distribution center of the creative industry in northeast, possessing well-established universities, culture and media institutions to drive the booming of the local creative economy. The success of Manchester is the epitome of British creative industry. Just as Francis Bacon said "knowledge is power". Nowadays, the correctness of this well-known saying is proved by the success of creative industry.

### 1. Creative Industry

#### 1.1 Origin and Definition of Creative Industry

In the 1980s, England began to lose the status as the world largest manufacturing country and faced the problem whether to insist on the manufacturing industry or change the developing direction to other fields. In the meantime, countries like America, Australia were putting great emphasis on intellectual property. As a result, after Tony Blair taking office, he proposed to set up a special creative industry task force to re-energize the British economy in 1997. He also formulated several policies on how to define and develop the creative industry.

Generally speaking, creative industries have a broad and narrow sense. In terms of broad sense, it refers to cultural creative industries. While the narrow sense refers to the sum of all kinds of industries and sectors such as research, development, production and trading, which are accomplished by using intelligence. However, the UK Creative Industries Mapping Document defined the creative industries as 'those activities which have their origin in individual creativity, skill and talent and which have the potential for wealth and job creation through the generation and exploitation of intellectual property'<sup>[1]</sup> The Creative Industries Mapping Document identified 13

sectors as constituting the creative industries: advertising and marketing; architecture; Crafts; design: product, graphic and fashion design ,film, TV, video, radio and photography; IT, software and computer services; publishing, museums, galleries and libraries music; performing and visual arts.

## **1.2 Features of Creative Industry**

According to the *Creative Industry Economics* written by Richard E Caves, 7 features of creative industry from the economics perspective are concluded as follows:

- 1) The uncertainty of demand for creative products.
- 2) The creators are very concerned about their own products.
- 3) Creative industries is not a single element of the product, its completion requires a variety of skills.
- 4) The uniqueness and difference of creative products are concerned.
- 5) Creative products focus on longitudinal distinguish skills.
- 6) Time has great significance for the dissemination and sales of a creative product.
- 7) The subsistence of creative products has durability and long-term profitability.

## **1.3 Significance of Developing Creative Industry**

The creative industry, germinated in Western developed countries in the late 20th century, set off a new wave in recent years around the world. Especially after the global financial crisis in 2008, the creative industry stood out as the leading industry. It has great effects for a country to develop its creative industry.

Firstly, Creative Industry can promote the development of economies. It is not only one of the most rapidly growing sectors of the world economy, but also a highly transforming one in terms of income generation, job creation and export earnings. Between 2002 and 2011, developing-countries averaged 12.1 per cent annual growth in exports of creative goods. Besides creative industry in Argentina, for example, employed some 300,000 people and represented 3.5 per cent of the country's GDP. In Morocco, publishing and printing employ 1.8 per cent of the labor force, with a turnover of more than US\$ 370 million.

Secondly, the development of creative industry can make great contribution to a country's adjustment of industrial structure, promote innovation and transformation of economic growth mode. In addition, it also can improve a country's overall strength and competitiveness. The average annual output value of UK creative industries is close to 60 billion US dollars which accounts for about 8% of GDP and exceeds any other kind of traditional manufacturing sectors.

Finally, Creative Industry can promote the development of cultures. The more developed a country's economy is, the more important a role of culture played in profits. The reason why developed countries and areas have the right to speak in the world is essentially due to the cultural influence and penetration. The outstanding cultural creative product can not only spread and popularize cultural knowledge, but also influence people's thinking, judgment and moral value. America spreads its spirits and values to the world via Hollywood movies and thus become a cultural powerhouse. Take 3D movies "Avatar" for example, it made a very good box office which made profits of \$ 130 million and its DVD sales reached 6.7 million for four days. The reason why the audience willing to watch is that the theme of "protecting the ecological environment" is a common problem faced by mankind. But the audience virtually accepted American values by watching the movies. Likewise, South Korea also propagates its products and values through movies, TV series and so on.

## **2. Development of Creative Industry in the UK**

Creative industry appeared when the output of industries and manufacturing sectors was declining. As is known to all, Britain is the home of the Industrial Revolution and was once a manufacturing-based "world factory". In 19th century its manufacturing ranked first in the world. But from the beginning of the 20th century, especially after World War II, the output of British

traditional industries, such as manufacturing, processing, and other industries continued to decline because of the fierce competition in the domestic and abroad markets, the constraints of population and the lack of innovation. In addition, Government did not have well-developed industrial policy and did not attach much attention on commercial applications of technological achievements, education and personnel training. Therefore, the output of industries declined further.

In quite a long time after the war, Britain was in a state of serious recession with high inflation, high unemployment and low economic growth. The political unrest, labor disputes and strikes were triggered in Britain because of the decline of economy. It was under this circumstance that the British government started to develop creative industries in 1991. After Tony Blair took office in 1997, he proposed to set up a special creative industry task force to re-energize the British economy. Meanwhile, the British government advocated that the creativeness and culture should play an important role in promoting the economic development. This approach, on the one hand, broke the situation of the economic decline, on the other hand also made good use of its diverse cultures.

## (2) Achievements of Creative Industry

The leader of Labor Party Tony Blair said that: "Our aim must be to create a nation where the creative talents of all the people are used to build a true enterprise economy for the 21st century – where we compete on brains, not brawn." And England made it. The role of creative enterprise and cultural contribution is a key economic issue. "The creative industries that rely on creativity and imaginative intellectual property are becoming the most rapidly growing and important part of our national economy. They are where the jobs and the wealth of the future are going to be generated" said Chris Smith, the Minister for Culture and Heritage.

According to the *Creative Industry Mapping Document* published by DCMS in 2001, the creative industry generated an estimated £112.5 billion a year in economic value added, or about 5 percent of total UK national income, exceeding any contribution from other manufacturing sectors. During the period of 1997-2007, the growth of macroeconomic increased by 70%, while the creative industry increased by 93% tremendously, which reveals that England is shifting from manufacturing industry to creative service. The creative industry has been a large and growing component of the UK economy, employing 1.4 million people and accounting directly or indirectly for about 500,000 jobs and for one in every five new jobs created.

In all of these achievements, the success of Manchester is the epitome of British creative industry.

Manchester, the fourth largest city in England, is a model of urban renewal. It is one of the origins of the industrial revolution, but now it has developed into the political and cultural center of the northwest area. The poor life in Manchester described by Charles Dickens in his work has already passed away. Creative industry perhaps is the most important factor in promoting the development. Nowadays, Manchester is the distribution center of the creative industry in northeast, possessing well-established universities, culture and media institutions to drive the booming of the local creative economy. For example, the University of Manchester, ranking 26 among the top 50 in the world and having 25 winners of the Nobel Prizes, offers a lot of talents for creative industry. Having realized the importance of creativity, the government enacts the Manchester Science City Program to motivate innovation and efficiency. The program includes three aspects. First, it aims to share the latest science and innovative product, involving more people to discuss and make decision. Second, it aims to build a comprehensive innovative environment which includes governmental support, reconstruction of the infrastructural facilities, financing schemes and many other aspects. Third, innovative relations among experts, institutions and other factors should be developed. Under the umbrella of the governmental support, the healthy environment promotes the blossom of the creative industry.

In 2003, the creative industry in Manchester contributed 2.7 billion pounds, occupying the total value brought by northwest industry 63%. In 2004, the creative industry employed approximately 77100 people. In the early 1960s, the manufacturing industry accounted for 70% of the total value, which has decreased to 20%. Compared with the recession of the traditional steel industry, textile industry and shipping sector, the creative center is developing at a quick speed. In

other words, creative industry has helped the Manchester successfully readjust its industrial structure and generate a lot wealth, making it become the second important creative industries in England.

### **3. Reasons for the Rapid Development of Creative Industry**

The development of creative industry has a lot of connections with the support of government and its own strength of education, media and cultivated culture. However, before success, British creative ideas were used to make profit by other countries. For example, Jonathon Ive, regarded as the second important influential person to the Apples, was a talented designer who participated in the designing of iPod, iMac. However, his creative design was not accepted by the British big company at first. So instead of developing career in his homeland, he accepted the invitation of Steve and went to America to bring out his potentials and talents. The producer of the creative ideas didn't benefit from them, but the manufacturer did. This embarrassing situation and the declining of the traditional industry forced England to make changes.

#### **3.1 Government Sector's Encouraging to Develop Creative Industry**

England is not only the first country to put up the idea of creative industry, but also the first one to take advantage of the government to help the development of creative industry. When Blair government took power in 1997, the new government took the opportunity provided by its election mandate and a large parliamentary majority to reorganize policy institutions. In this case, it took what had been the Department of National Heritage and reorganized it as the Department of Culture, Media and Sport, bringing the arts, broadcast media and (somewhat oddly in retrospect) sport together within the one administrative domain. The Creative Industries Task Force (CITF), as a central activity of its new Department of Culture, Media and Sport (DCMS), set about mapping current activity in those sectors deemed to be a part of the UK creative industries, measuring their contribution to Britain's overall economic performance and identifying policy measures that would promote their further development. And Blair was the chairman of the CITF. All these government sectors have an important role in promoting the creative industry.

#### **3.2 Britain's Opening to the Outside World**

UK creativity is defined by its openness to outside influences and collaborations. There are an estimated 1.2bn people on the planet either speaking or learning to speak English, and the UK has both a long history of international trading and a vibrant, stable multicultural population. These factors make the country well-equipped to work with foreign traditions and partners, and underpin the UK's accessibility to overseas clients and investors.

#### **3.3 Financial Incentives**

Creative industries in England are mainly small and medium-sized enterprises, which will always face the problem like the shortage of capital and insufficient investment of scientific research. As a result, the government, along with powerful private investors, funds the company and people that have creative abilities. Furthermore, there are specific financial incentives to invest in the UK's creative sector. For example, there are tax reliefs which allow productions to access a rebate of up to 25% of qualifying expenditure in the film, high-end television and animation sectors [6].

#### **3.4 The Most Complete Policy in the World**

Up to now, the policy made by the British government has been the most complete creative industry policy in the world. However, the government only aims to create a healthy good environment to develop the industry in the future rather than interfere in all aspects. Consequently, the measures taken by the government concentrate on three aspects: first, the government will enhance the institutional building on management, cultivation of talents, support of capital and production etc. Government set a series of legislation to protect the creative industry. For example,

in order to fight against digital piracy, the government passed the *The Digital Economy Act 2010*, in which it rules that broadband carriers should warn users when they download pirated software. If the warning is always neglected, they will face the punishment of unavailable Internet for a certain time or forever.<sup>[7]</sup> From this, it can be concluded the British government spare no efforts to protect the development of creative industry. Besides, the government offers systematically assistance for research, production, selling and export. Second, all the scientific works offer the policy of creative industry theoretic support and statics, ensuring the policies' consistency, conformity, such as "Exports: Our Hidden Potential" studying the export policy of creative industry and "The Next 10 Years" published in 2000 which studies how to cultivate the cultural awareness of citizens and let them enjoy the creative life. Third, they advocate the cooperation between the local government and folks, making the creative ideas familiar to everyone. In this way, they can not only make the best use of everyone's potential, but also make the creation a national notion and strength.

### **3.5 Emphasis on Education and the Export of Creative Products**

England has the advantage of education. According to World University Rankings produced by Times Higher Education and Thomson Reuters, the UK has seven out of the top 50 universities in the world. Its creative and performance education system is much imitated. The UK has a network of admired art schools; architecture is taught at more than 40 UK centers and the country is an early leader in developing dedicated digital design and games development courses. The UK is ranked second-globally for industry-university collaboration. Apart from the strength of education, the creative benefits a lot from the emphasis put on education by government. In order to cultivate innovative talents to satisfy the needs of the creative industry, the DCMS established Creative Higher Education Forum which helps to combine the school's education with the requirements of creative business.<sup>[8]</sup> In this way, the employers cooperate with universities, offer training and ensure that the graduates can adapt to the work quickly. In addition to this forum, Film Council, Joined up design for schools and Creative Partnerships are all established by the government to fund the young talents and encourage them to devote themselves into the building of the creative industry.

Moreover, British government founded the CIEPAG in 1998, to explore international market. This advisory group not only provides various suggestions for the company, but also coordinates different opinions on the policy of export of the creative industry. Under the guidance of the government, the total value of the creative industry was 16.6 billion pounds in 2007, accounting for 4.5% of the overall British export.<sup>[3]</sup> The value of the exported music was higher compared with the steel industry. The internationalization of the creative product has helped England build many international brands, such as Harry Potter, Edinburgh International Festival and so on.

## **4. Advantages and Disadvantages of Developing Creative Industry in UK**

### **4.1 Advantages of Developing Creative Industry**

Firstly, developing creative industry helped to focusing on the basic research about it. British people have done a lot of basic researches on creative industries. For example, the "Exports: *Our Hidden Potential*" published in 1998 studied the export policies and practices of creative industries. "The Regional Dimension" released in 1999 explored the development of creative industries in the region. "The Next 10 Years" published in 2000 researched how to help citizens enjoy creativeness from 3 aspects: educational training, the support of individual creativity and creative life. "Creative Industries Economics Estimates" published in 2004 announced the output and export of creative industries and employment statistics, introducing the development of the creative industry. These studies provide complete informational support for the British government to formulate policies to develop creative industries. Therefore, the effectiveness, coherence, consistency of the government's industrial policies is ensured.

Secondly, developing creative industry has trained a large number of creative talents. The development of creative industries requires a lot of talents. British government has made many efforts to meet the needs. For instance, they provide opportunities for all children to receive creative

education and teach students working skills to adapt to the needs of creative industries. They also provide opportunities for young people to work in the creative sector and encourage more universities students to major in creative professions.

Thirdly, developing creative industry impuled people to attaching importance to the digital technology. In recent years, the rapid development of digital technology has had a profound impact on creative industries. The making processes and costs of creative industries are reduced, while the quality of creative products is improved by the using of digital technology. In addition, the sales channels of creative products and the spending habits of consumers are changed profoundly. (Such as: online sales, online payment and consumption, etc.).

Finally, developing creative industry led to actively exploring international cooperation and exchanges. The practitioners of creative industry in UK are mostly small and medium enterprises (SMEs). They may often encounter the lack of funds and don't have ability to open up overseas markets and other issues during their development. Therefore, the government actively provides funds for those who have creative ability to develop creative industry so as not to bury a lot of creative ideas and opportunities.

#### **4.2 Disadvantages of Developing Creative Industry**

The advantages of Britain's industries have also been challenged. Take the industry of game software for example, the ranking of British game industry declined in the world because of the joint attack between Canada and South Korea. As for advertising sector, at least eight countries and regions follow its way. The development of creative industry in UK faced a lot of pressure and challenges. Therefore, Britain needs to strengthen the construction of unique advantages of their own, adjust policies according to the development of creative industries and seek the rational and scientific development direction.

Although the government provides funds for SMEs, the financial support is not enough. According to traditional practice, the British government does not interfere in the cultural market with the actual operations. Therefore, the funds provided by the government only take up about 30% in the income of these institutions, and the rest are by their own income and social sponsorship. All in all, the financial support is not enough to meet the needs of enterprise development.

#### **5. Effects of Creative Industry**

British Government attaches importance to the role of policy guidance for the creative industry and successfully turned UK into a great nation of creative industries. The principles and policies of creative industry's development in the UK have influenced other countries.

Take Japan for example, it is well known that the value of its fashion, animation and gaming market is incalculable in the world. Recently, the Japanese government has introduced a series of new measures about the development of cultural creative industries to promote the export of creative products. With the advent of digital technology, the Japanese also invented a kind of technology to protect the property rights from duplicating. People can pay to watch video products in the Internet but can not replicate. So the copyrights are protected in the era of Internet.

The United States is not an exception. Influenced by the UK, it has become one of the best countries to develop creative industries in the world. From the beginning of the 1970s, the US government has been fully implementing the copyright strategy to strengthen the protection of copyright and has formed the most extensive and detailed legal system in the world. In addition, the US government has actively implemented the strategy of digital copyright protection and the "cross-century digital copyright law" was approved in October 1998.

The development of British creative industry has also exerted great influence on China. As a new emerging industry, the creative industry has attracted much attention in China. Especially in these metropolises with faster development and higher degree of internationalization, the development of creative industries is gradually shaped and forms a distinctive creative industry park. However, compared with other developed countries and regions, there is still has a large gap. From the development experience of advanced countries, we get the following revelations:

Firstly, it helps to enhance the rational understanding and theoretical study of the creative industries. The creative industry has just emerged in China and the concept of developing creative industries is not well accepted among people. The whole community, especially the decision-making levels does not have a correct understanding and foresight about the position and role of creative industries, as well as its future trends. The government, as an important force in developing creative industries, still has neither upgraded the creative industry to the level of national strategy, nor built favorable environment for the development of creative industries, which, to some extent, is not conducive to the rapid development of creative industries. Therefore, we should thoroughly study and understand the abroad theories about the creative industries. However, we can not copy the existing theoretical models but to form our own theories about the creative industries.

Secondly, it helps to establish a sound system of intellectual property protection. The protection of intellectual property rights is essential to the survival and the development of creative industries. And the development of it will lose its power source if there is no intellectual property protection. So, in order to develop the creative industries, there should be a sound system of the intellectual property protection. The government should put the protection of intellectual property rights up to the national strategic level and make efforts to protect intellectual property rights through a variety of laws and regulations. Only in this way can China create a standard, perfect and orderly environment for the development of creative industries. Meanwhile, the good environment of protecting intellectual property rights is built in the whole society.

Thirdly, it encouraged people to provide enough fund for the development of creative industries. The development of creative industries requires a lot of financial support and the capital investment plays an important role in developing it. The government should increase the capital investment, we also need to further broaden the investment and financing channels, reduce the market access barriers, encourage individuals and social groups to invest in creative industries and establish a variety of foundations to achieve the diversification and socialization of the investment and attract more foreigners to invest in China.

Finally, it helped to actively train creative talents to adapt to the needs of various levels. Talent is a prerequisite and also the most important condition to ensure the sustainable development of the creative industry. The successful development of creative industries in developed countries, without exception, is relying on talents who have innovative thinking. Therefore, we must pay much attention to the training of professionals.

## **6. Conclusion**

Nowadays creative industry is not just a concept, but has huge economic benefits. It is an industry with high value-added and less pollution. In the long run, it especially meets the needs of long-term development of global human society. And it plays a major role in promoting the overall strength and international competitiveness of a country. Britain was the first country to propose to develop its creative industry. And it helps England adjust the industrial structure, shifting England from “The factory of the world” to “the creative center of the world”. Besides, It helps England generate great fortunes, create job opportunities and present the image of a well-developed country to the world.

This paper analyzed the development status, causes and the advantages and disadvantages of the UK creative industry to further understand the creative industry. Meanwhile the successful development of the UK creative industry affected many other countries especially China, which benefits a lot from developing creative industry.

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