

**SHIPS PARTNERSHIP: *THE ECONOMIC AND SOCIAL  
IMPACTS OF INVESTMENT IN CULTURE***

**PRELIMINARY STATISTICAL REPORT AND OVERVIEW**

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**CONFIDENTIAL AND NOT FOR DISTRIBUTION BEYOND  
THE PROJECT STEERING GROUP**

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## 1.0 OVERVIEW: THE SHIPS CULTURAL SECTOR IN FIGURES

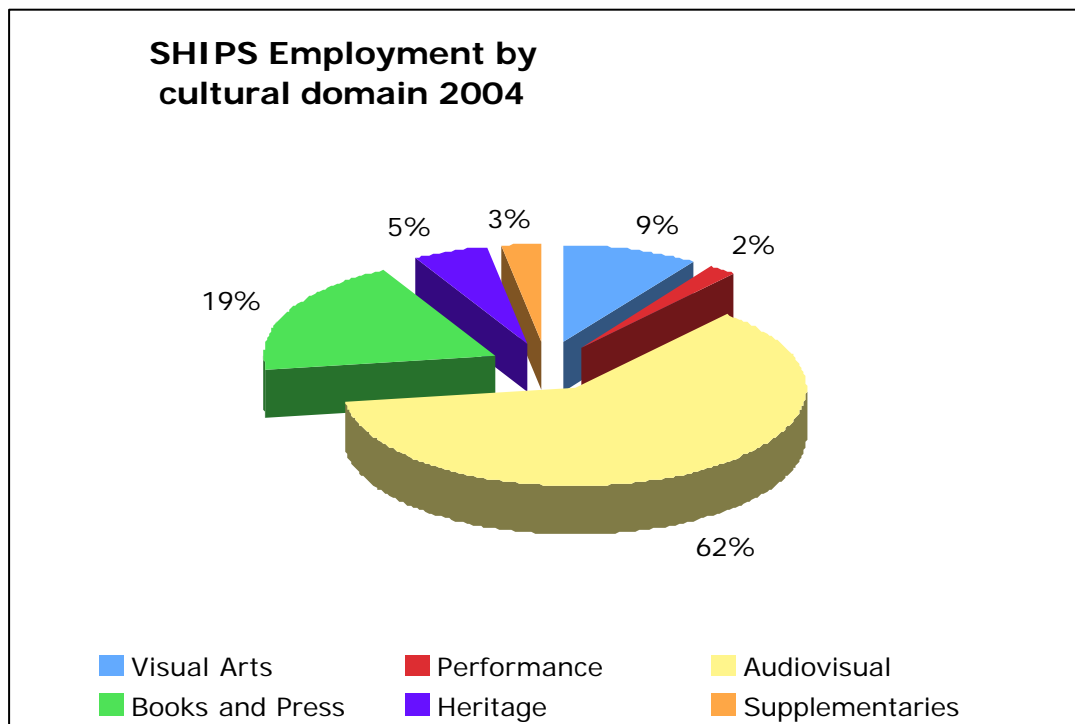
### 1.1 SHIPS Statistically Visible Cultural Sector Employment in 2004

Statistically visible employment in the cultural sector, as defined for this project, and excluding sport and tourism, in the SHIPS area, was 54,550 in 2004. This is 6.8% of total employment in the SHIPS area.

The distribution of this employment for the SHIPS local authorities of Hampshire, Isle of Wight, Portsmouth and Southampton and as a percentage of the total employed in each area is shown in the following table.

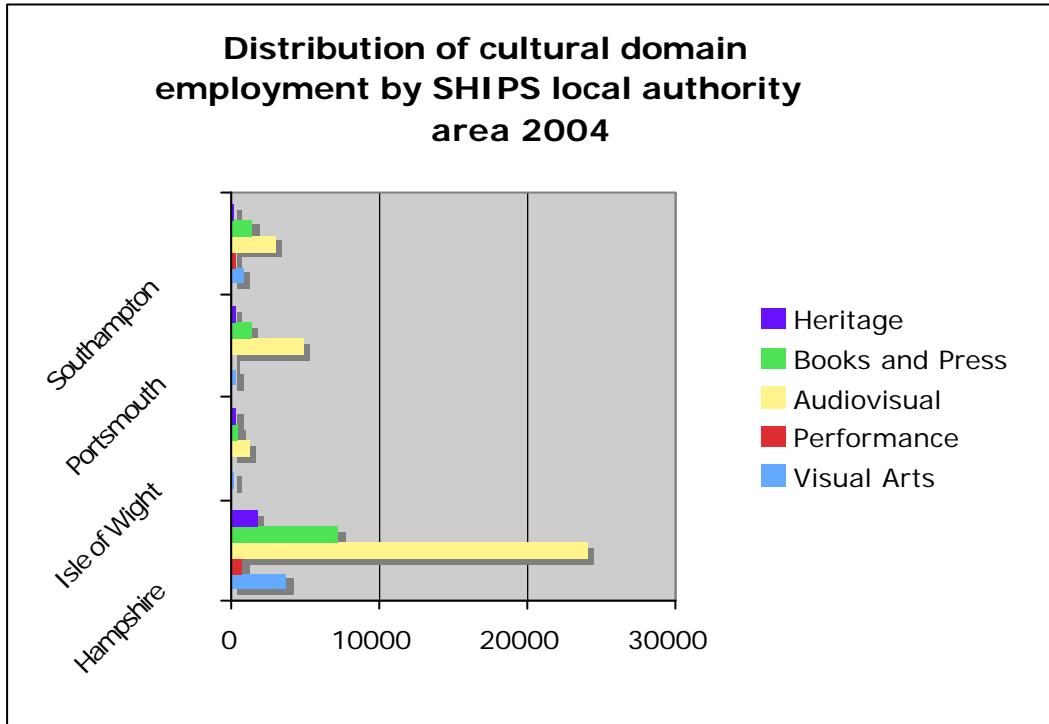
Local Authority	Cultural Sector Employment	As % of total employed in the area
Hampshire	38,243	7.1%
Isle of Wight	2,404	5.2%
Portsmouth	7,472	7.2%
Southampton	6,150	5.3%
<b>SHIPS total</b>	<b>54,550</b>	<b>6.8%</b>

Employment in the five sub sectors or domains – Visual Arts, Performance, Audiovisual, Books and Press, and Heritage – which are the subject of this study, is shown in percentages in the following chart.



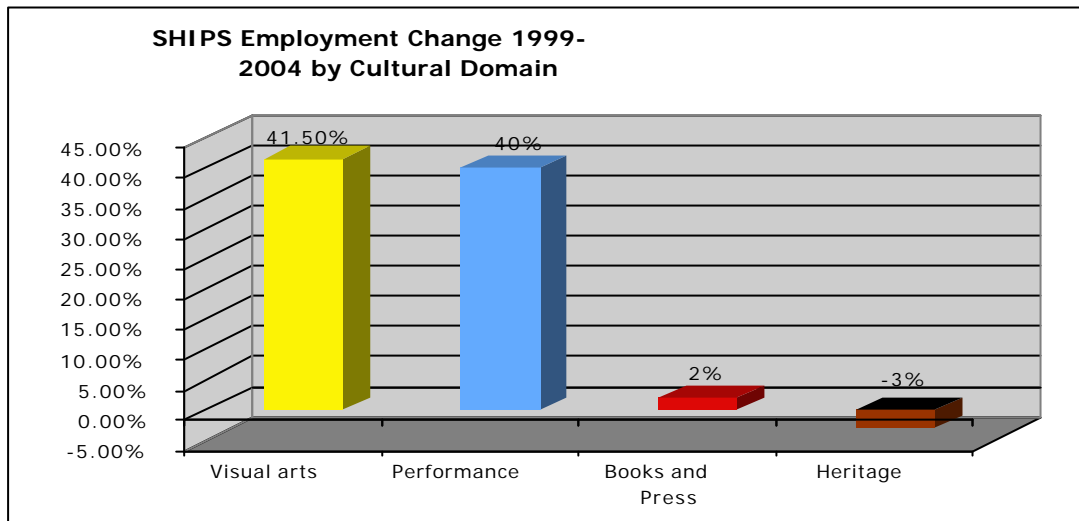
(‘Supplementaries’ in the above chart comprises 2.5% of those working in telecommunications and 5% of those working in Further, Higher and Adult education)

Distribution of employment by SHIPS local authorities and cultural domain is shown in the following chart.



## 1.2 Employment change 1999-2004

Probably more important than the raw employment numbers are the growth trends of the sector over a 5 year period. There has been steady growth in employment in the SHIPS cultural sector in the 1999-2004 period of an average of 20% across all domains. The change by domain is shown in the following chart and *excludes the audiovisual sector*.

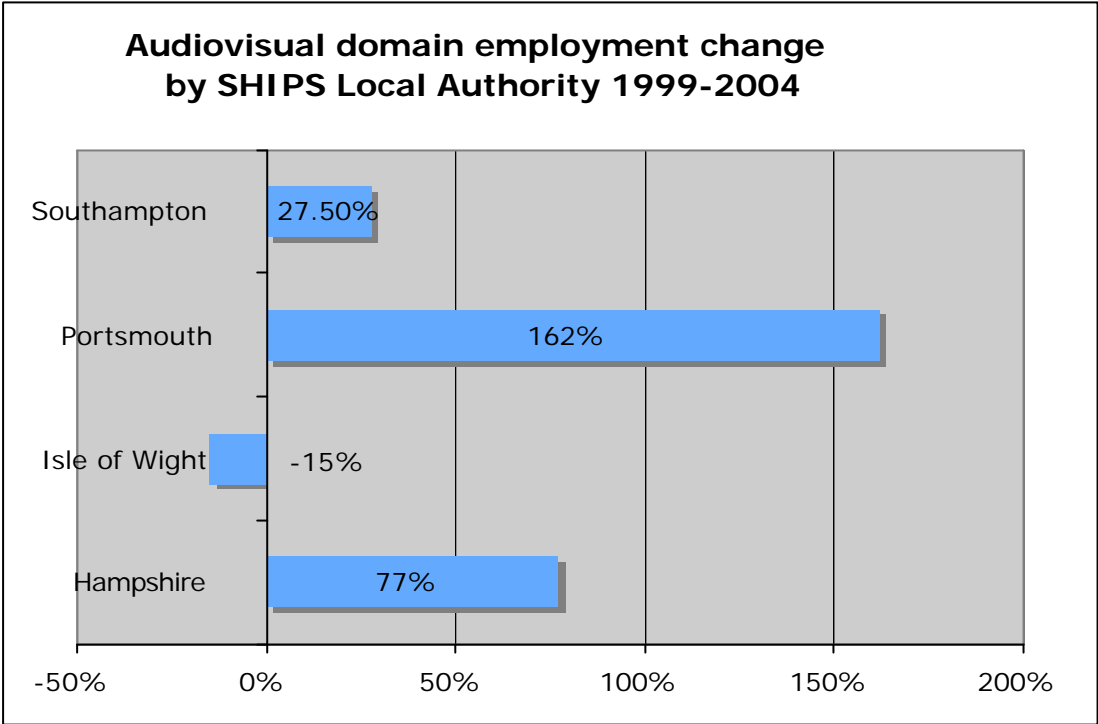


The audiovisual domain is not shown in the above chart because changes to the structure of the Standard Industrial Classification (SIC) code in a 2003 revision mean that certain important industry groups such as 7221: Publishing of Software, 7222: Other Software Consultancy and Supply, and 7481: Photographic Activities have no totals for 1999. Cross-domain historical comparison is therefore not possible on a reliable basis.

However, in 2004 these groups accounted for total employment of nearly 15,000 and include some high growth industry sub groups. Overall employment growth for these industry sub-groups in the period in which they can be measured – 2003-2004 – was 7.3% for the one year alone.

Excluding the sub groups for which 1999-2004 comparisons cannot be made, the overall percentage change in employment in the audiovisual domain in the 1999-2004 period in the SHIPS area was 63%. This clearly indicates high growth across this domain notwithstanding the problems of historical comparison.

The audiovisual employment change rates for the remaining sub groups for each of the SHIPS local authorities is shown in the following chart.

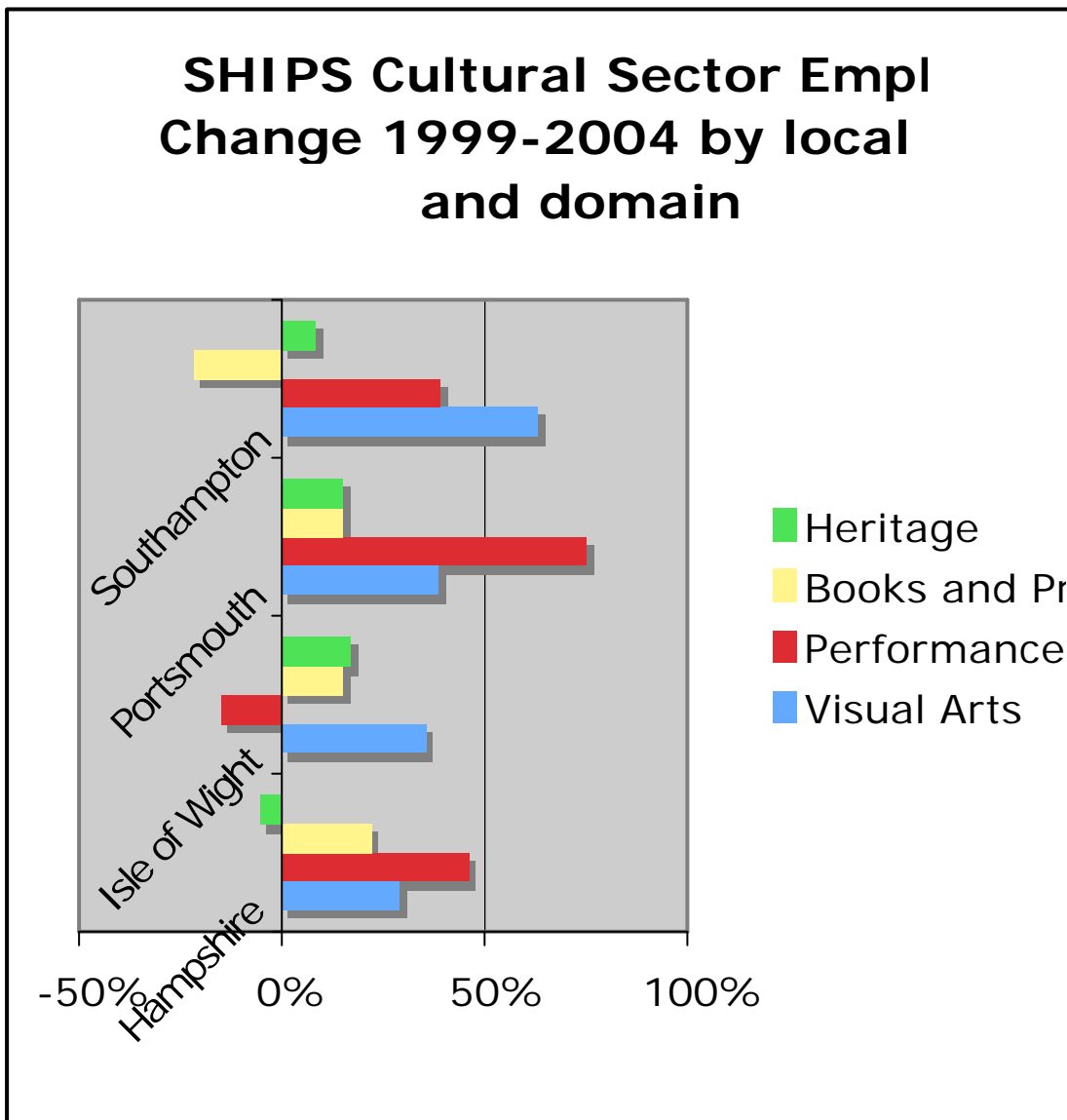


This is a high growth and high value added domain which, as well as having the largest share of employment of all the cultural domains, often acts as a key driver for creative industries and cultural sector development. It is a domain which is 'content hungry' often for the more traditional outputs of the cultural sector – words, narrative, images, sounds – and there are important synergies to be established between this largely commercial sub sector and subsidized forms of cultural activity.

We explore these actual and potential synergies later in this report.

### 1.3 Employment Change by SHIPS Local Authority area

The growth/decline trends for each domain and each SHIPS local authority are shown in the following chart.



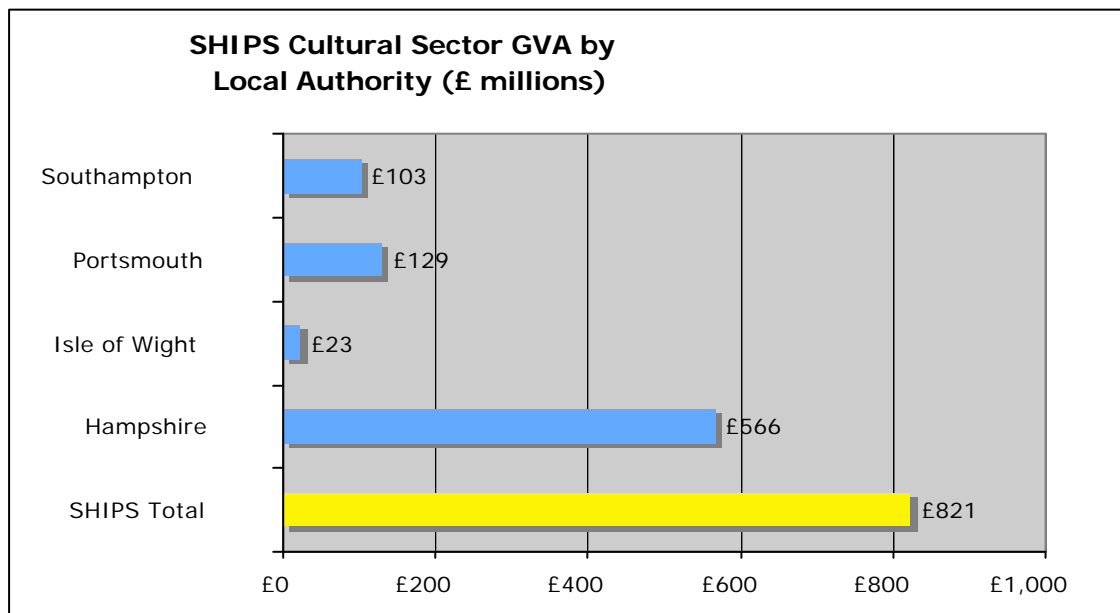
## 1.4 Turnover and GVA

**(THIS ANALYSIS PROVISIONAL UNTIL WE RECEIVE MORE PRECISE IDBR DATA)**

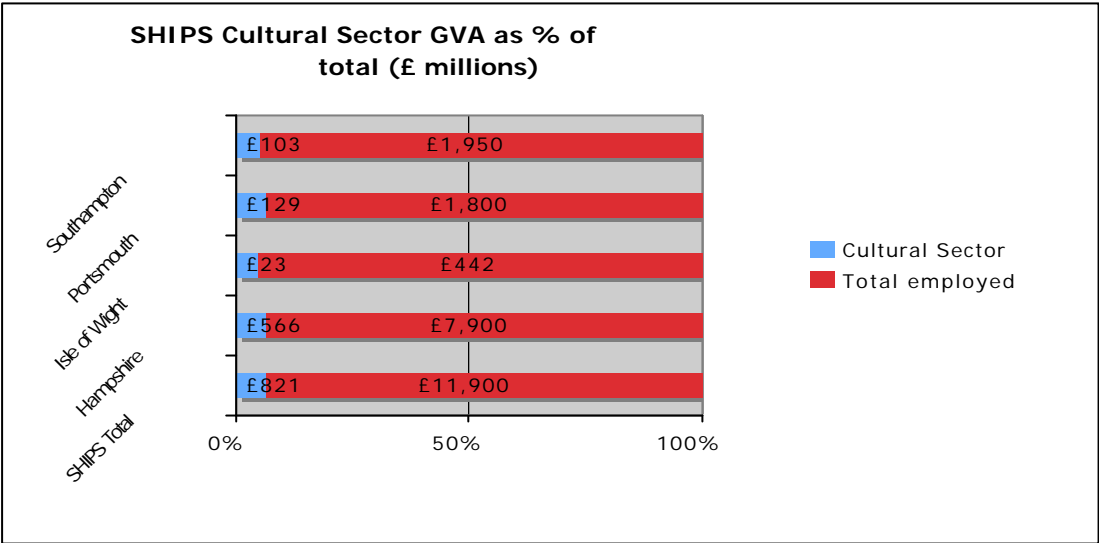
The core economic impact indicator for the economy as a whole and for each of the sub sectors is Gross Value Added (GVA) in both gross and per capita terms. This is basically new money/wealth created by economic activity. At this stage, and using 2004/2005 GVA figures provided by the Office for National Statistics for the SHIPS area as a whole the gross and per capita figures for **all** economic activity are as follows.

AREA	GROSS GVA	PER CAPITA GVA
SHIPS	£26.7 billion	£14,920
Hampshire	£18.4 billion	£14,800
Isle of Wight	£1.3 billion	£9,520
Portsmouth	£3.3 billion	£17,440
Southampton	£3.7 billion	£16,720

Based on these average GVA figures, the contribution of the SHIPS cultural sector to this overall picture is shown in the following chart.



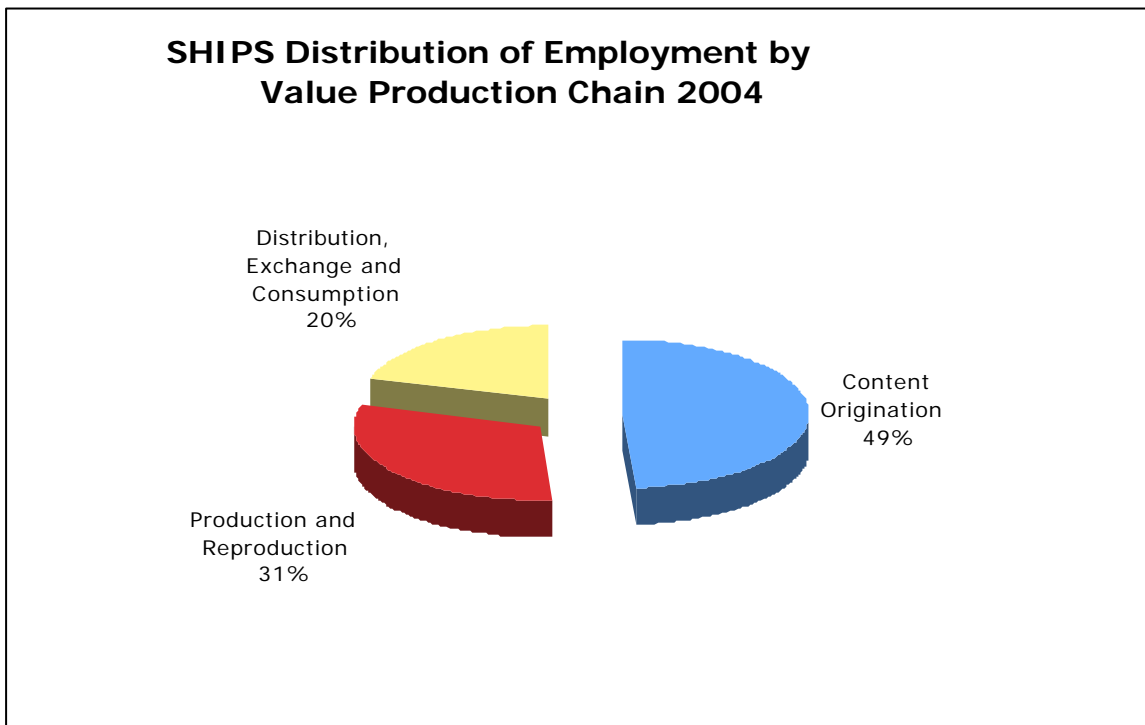
The relative percentage contribution of the cultural sector to total GVA is shown in the following chart.



Each of the SHIPS local authority areas is contributing, through its cultural sector, from 5.2% to 7.3% of GVA which is broadly in line with national figures for the creative industries and, given the actual and projected growth trends of the sector as a whole, this percentage will steadily increase.

### 1.6 Value Production Chain Analysis: strengths and weaknesses

Applying Value Production Chain or ‘culture cycle’ analysis as used in the *DCMS Evidence Toolkit*, and grouping all of the industries that make up the cultural sector into the three functional categories of (i) *Content Origination*, (ii) *Production and Reproduction*, and (iii) *Distribution, Exchange and Consumption*, an illustrative picture emerges which demonstrates some of the strengths and weaknesses of the cultural sector in the area as shown in the following chart.



This is an unusually well-balanced picture with many cultural sector economies often suffering from ‘creation skew’ (too much created, not enough consumers or venues for consumption), ‘consumption skew’ (not enough created/opportunities for creation, emphasis on consumption and venues, normally in heavily tourism-based economies), or significantly weakened Production and Reproduction sectors due to the decline in more traditional publishing, reproduction and manufacturing jobs with the progressive digitalization of the cultural economy.

This is the SHIPS picture as a whole but there are some significant variations at local authority level as we indicate below.

Change in employment by value production chain by SHIPS local authority and cultural domain in the 1999-2004 period is shown in the following table.

**SHIPS: PERCENTAGE CHANGE IN EMPLOYMENT BY VALUE PRODUCTION CHAIN, DOMAIN, AND LOCAL AUTHORITY 1999-2004**

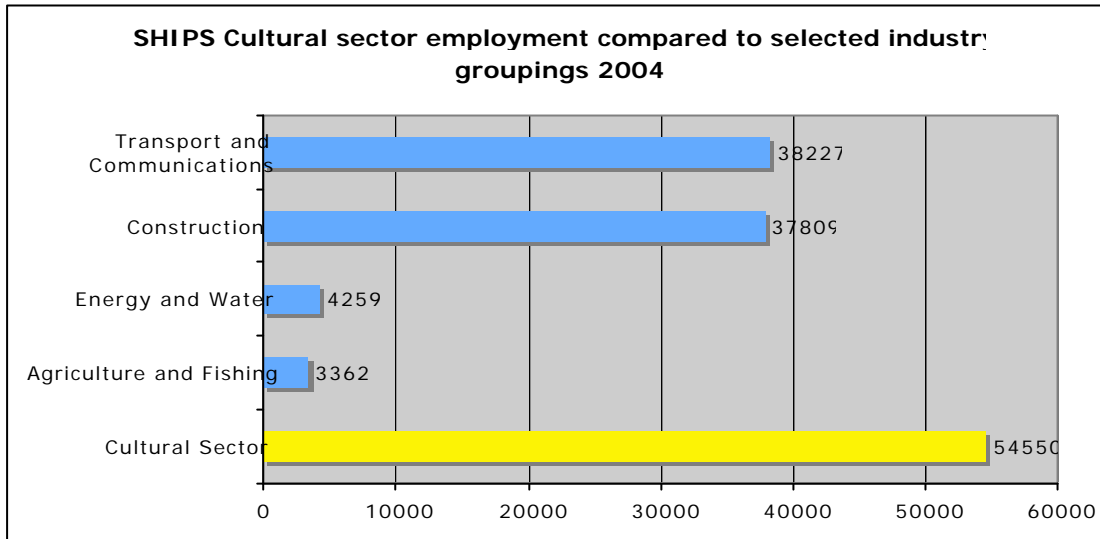
	VISUAL ARTS	PERFORMANCE	BOOKS AND PRESS	HERITAGE	AUDIOVISUAL
<b>HAMPSHIRE</b>					
Content Origination	12%	35%	N/A	N/A	N/A
Production and Reproduction	48%	N/A	28%	N/A	N/A
Distribution, Exchange and Consumption	38%	46%	-16%	2.8%	N/A
<b>ISLE OF WIGHT</b>					
Content Origination	28%	-5%	N/A	N/A	N/A
Production and Reproduction	160%	N/A	-35%	N/A	N/A
Distribution, Exchange and Consumption	-13%	75%	150%	26%	N/A
<b>PORTSMOUTH</b>					
Content Origination	28%	-5%	N/A	N/A	N/A
Production and Reproduction	166%	N/A	18%	N/A	N/A
Distribution, Exchange and Consumption	3.6%	9.6%	-16%	33.3%	N/A
<b>SOUTHAMPTON</b>					
Content Origination	59%	19%	N/A	N/A	N/A
Production and Reproduction	166%	N/A	-26%	N/A	N/A
Distribution, Exchange and Consumption	69%	9.6%	-12%	-12%	N/A

(**Note:** N/A indicates either that there are no SIC codes which correspond to these value chain functions in the specific domain or that historical data is not available – as with the audiovisual sector – for the entire 1999-2004 period.)

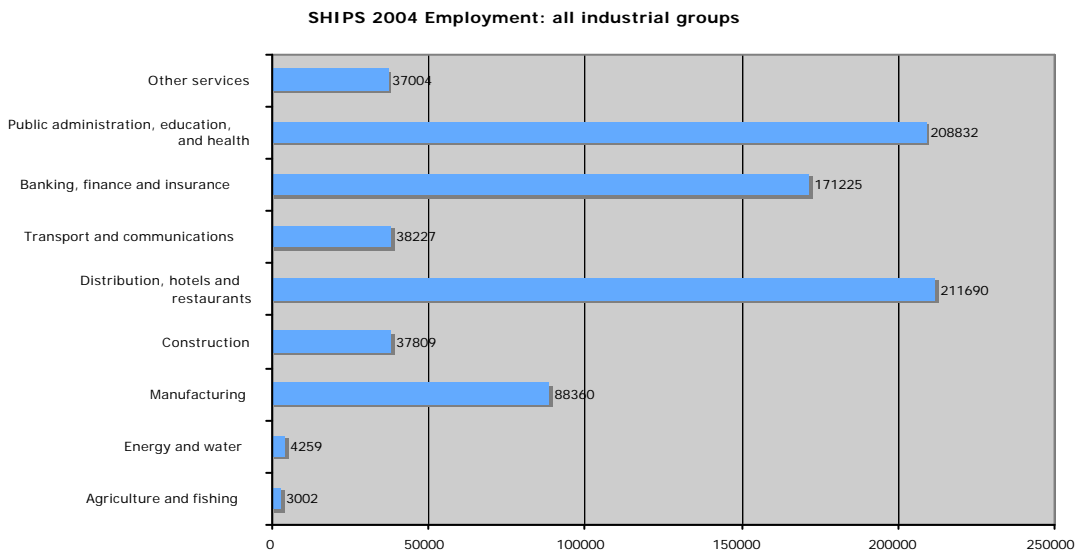
This is a balanced picture and situation overall. It shows that content origination – a crucial function of the cultural sector and creative industries and an indicator of their health – is strong and growing while the middle and end stages are also comparatively strong. Where there are negative figures in the above table in specific local authorities and domains, this may be an indicator that certain policy and funding measures will be necessary to remedy, for example, opportunities for creativity or opportunities and venues for cultural consumption. The negative figures in the Books and Press column, especially in the context of Production and Reproduction, should not give cause for undue concern as this is an historical feature of an industry which is undergoing significant ‘digital re-engineering’ and where traditional trades such as printing are now being replaced by new ICTs.

### 1.7 Comparators : the cultural sector and other industries

How does the SHIPS cultural sector compare with other major areas of the economy in both absolute numbers and comparative growth trends? A comparison with other selected industry sectors in the SHIPS area is shown in the following chart.

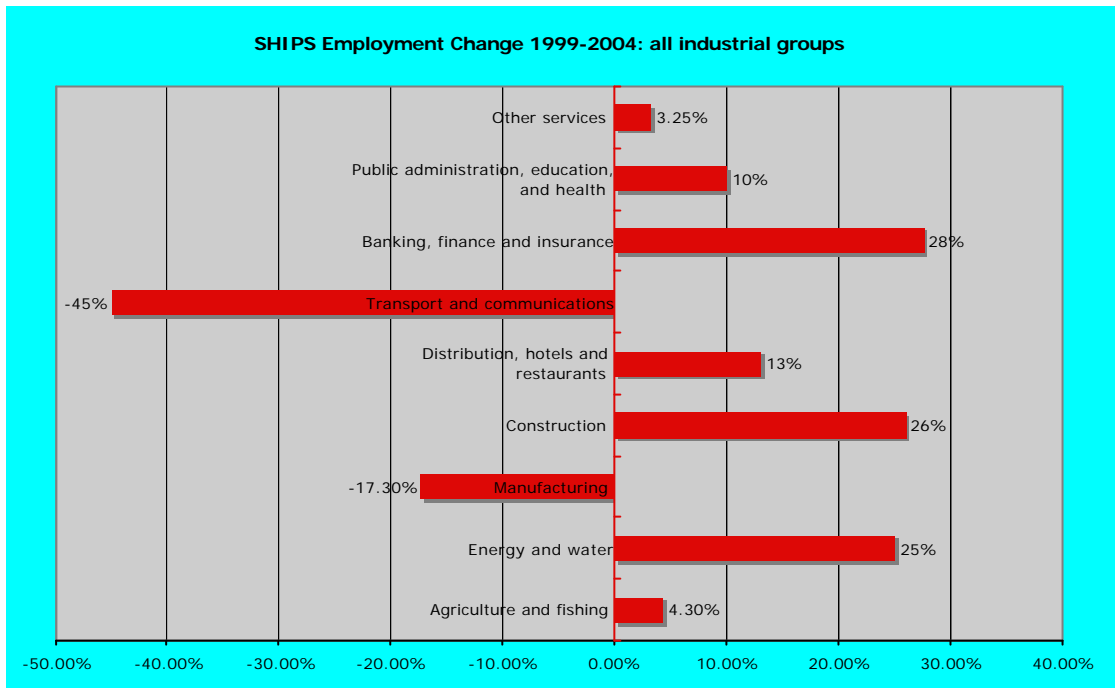


This chart only shows those major industry groups where there are no SIC code overlaps with the cultural sector. The fuller picture of total employment and percentage growth is shown in the following chart to which cultural sector total employment for 2004 and employment change 1999-2004 can be compared.



Employment growth across all major industry groups in the SHIPS area in the 1999-2004 period was 7.7%. Employment growth for the cultural sector was at least 20%.

The employment change pattern for the major industrial groups is shown in the following chart.



With at least 20% growth in the same period (noting that some of the high growth audiovisual industry sub-sectors cannot be included in this historical comparison) the cultural sector is clearly well-positioned in terms of both size and growth rates, to be treated as a serious object of policy.

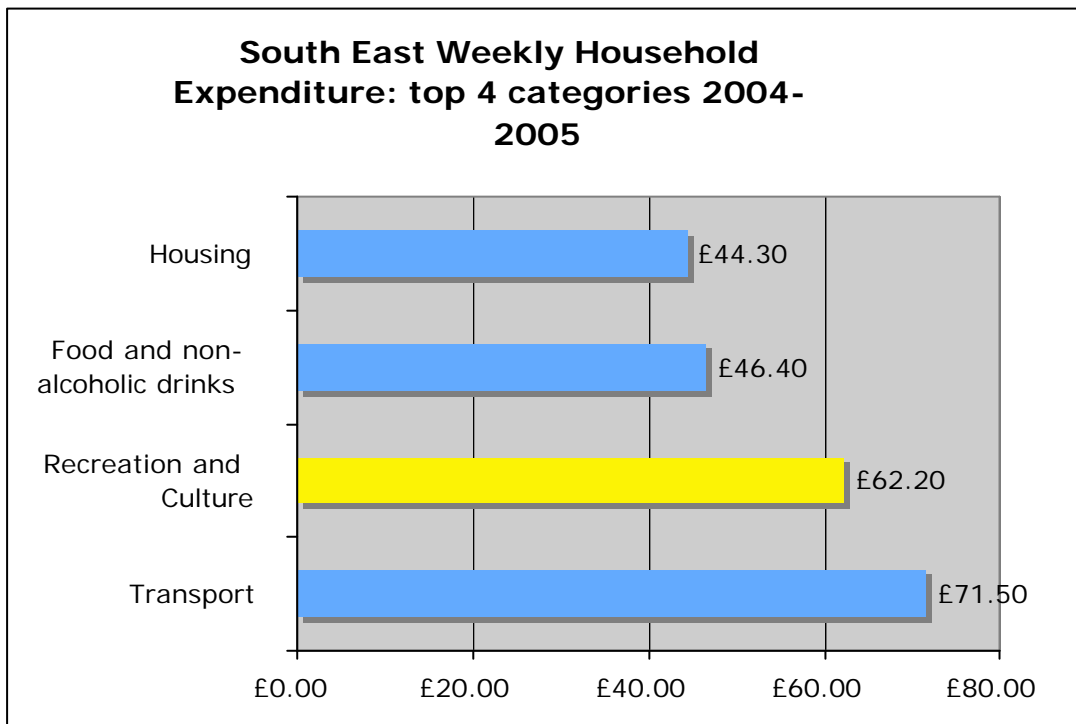
This is even more emphatically the case if, to the cultural and creative industries identified and analysed above, we add the ‘lifestyle industries’ of sport and tourism which make up the rest of the DCMS-defined cultural sector.

Total employment in this full DCMS cultural sector in the SHIPS area in 2004 was nearly 123,000 or 14.5% of the total workforce and experienced an overall growth rate of 14.5% in the 1999-2004 period. While these sub sectors are not within the remit of this project we note, at this point, their strategic leverage potential for both creation and consumption of cultural sector products and the overall health and robustness of the cultural sector. On the demand side of the chain, in terms of demand for cultural product and experience, this is especially true of tourism where it is calculated that, in the EU, more than 50% of holiday choices are culturally motivated.

### 1.8 The 'Demand Side': cultural spend in the South East

On the domestic 'demand side' of the equation we have analysed the actual level of spending on culture, leisure and recreation in the South East region. As the following chart drawing on data from the ONS *Family Expenditure Survey 2004-2005*, shows, 'Recreation and Culture' constitutes the second largest category of weekly household expenditure in the South East ahead of the essentials of housing and food.

With each household spending £62.20 on Recreation and Culture, the total annual spend in the SHIPS area (744,000 dwellings x 52 weeks x £62.20) is **£2.4 billion**. This is domestic spend and does not include tourist expenditure on local cultural product or other 'exports' of cultural product outside the SHIPS area. Nor does it identify which proportion of spend goes to the local area. It simply identifies a high regional demand propensity for cultural goods and services. This is important in policy terms.



Households in the South East are second only to London of all the English regions in the amount of weekly 'cultural spend'.

We can be fairly confident, on the basis of the above statistical indicators, that the cultural sector in the SHIPS area and the wider region, merits serious policy consideration in terms of its dynamics in economic and wider policy terms. But a finer grained picture is needed and it is important to be aware of statistical gaps and absences

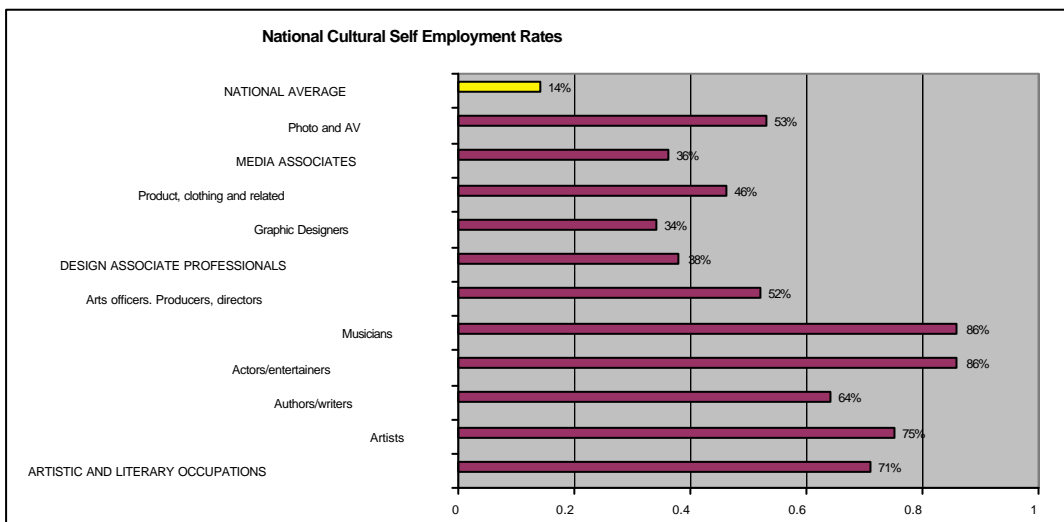
in the above pictures. What we have presented above is statistically visible employment, growth and expenditure. We now turn to the problem of 'statistical invisibility'.

### 1.7 The problem of statistical invisibility and reliability

The above data are derived from the *Annual Business Inquiry* (ABI) conducted annually by the Office for National Statistics (ONS) and held on the NOMIS database at the University of Durham. These are the latest available figures from 2004. There are issues and problems of reliability with these data however.

The *Annual Business Inquiry* (ABI) is undertaken on a national 'grossing sample'<sup>1</sup> basis for companies with less than 50 employees which means, quite simply, that the smaller the area of study, the less accurate the figures are likely to be, especially in the cultural sector where the great majority of companies have fewer than 50 employees. The ABI uses the available Standard Industrial Classification (SIC) codes to collect data on industry activity. But, as is well-known, the cultural sector is not well-recognised in this statistical framework. It does not include a category for Design, for example, or for Crafts. While it does include a category for 'Artistic and Literary Creation', there is little differentiation within this category for music, literature, performance, writing, etc. Equally new high growth and high value added industries such as web design, computer games, leisure software, etc., are not well captured or represented in the available SIC codes.

There are very many people working in the cultural sector who are 'statistically invisible' because they are self-employed, because their principal job is in another area (teaching, for example), or because they do not produce VAT returns (the compulsory threshold for which is a turnover of more than £56,000 per annum). In some areas it has been calculated that the number of people of this type can comprise between 30%-50% of the total workforce. We have not included any estimates on the statistically invisible at this stage but, as the following chart derived from the national *Labour Force Survey* for cultural occupations shows, in some cultural professions the self-employment rate can be as high as 86%.



<sup>1</sup> A 'grossing sample' means that one business in a given area can be taken to represent 400 businesses based on an average regional or national distribution of industries.

Thus, while our analysis is as focussed as possible on the officially available data and supplementary sources, this can only capture some of the dynamics and trends of the cultural sector. A more fine-grained analysis, as part of a process of *cultural mapping*, is presented in the next section of this report.