The Power of Creativity

Growing Welsh Creative Businesses

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About FSB

The Federation of Small Businesses (FSB) is the UK's leading business organisation. Established almost 50 years ago to help our members succeed in business, we are a non-profit making and non-party political organisation that is led by our members, for our members. Our mission is to help smaller businesses achieve their ambitions. As experts in business, we offer our members a wide range of vital business services, including advice, financial expertise, support, and a powerful voice in government.

FSB is also the UK's leading business campaigner, focused on delivering change which supports smaller businesses to grow and succeed. Our expert team in Cardiff works with a variety of organisations, using research to lobby the governments, elected politicians, and decision-makers in Wales.

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Contents

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'Culture is one of the two or three most complicated words in the English language'

Raymond Williams, 'Culture'

Introduction

To many ears, the terms 'creative industry' and 'creative economy' may have an awkward feel, with the sector often trapped between the two stereotypes of the materialist economist bean counter and the airy idealist artist. One's attempt to put a monetary value on the other is seen as cynicism, while for the other the idea of funding creative 'art for art's sake' is seen as a luxury.

The data is clear, creative industries is a growth industry and an astoundingly successful UK product, generating £126bn in gross value added to the economy and employing 2.4 million people in 2022.[1] Excluding freelancers, the creative industries in Wales generated a £3.8bn turnover in 2022, making 5.3% of total Welsh GDP.[2]

Creative Wales's break down by size of the businesses in this sector shows that it is dominated by micro businesses (even more so than wider economy):

- 1% of creative industries businesses were medium and large (50+ employees)
- 6% small (10-49 employees)
- 80% micro (1-9 employees)
- 14% had zero employees.[3]

Public investment in the sector has also created substantial returns. According to UKRI, the results of its £55 million investment in the first round of the Creative Clusters programme to grow creative sectors in 47 key urban clusters were "far exceeding what was thought possible".[4] The sector's ability to demonstrate return on investment has resulted in both the UK and Welsh governments developing strategies for the creative industries and identifying creative industries as a key priority for growth, however, this has been inconsistent– while the last UK Government often stated it was a key growth area, it was not part of the last Chancellor's 5 'priority

[1] *House of Lords Library, 'Contribution of the arts to society and the economy' (Jan 2024)*
[2] *M M Fodor, M Komarowski, J Lewis , 'Report update: The size and composition of the creative industries in Wales in 2022' (July 2023); figures exclude freelancers as difficult to get an accurate figure (due to this analysis of workforce is put in range of 68,000-90,000 in Wales)*
[3] *Welsh Government, 'Creative Industry Figures 2017-22 (Nov 2023), available at https://www.gov.wales/sites/default/files/statistics-and-research/2023-11/welsh-creative-industries-sector-economic-and-labour-market-statistics-2017-to-2022.ods*
[4] *'A model for research, development and innovation in the creative industries' (Clwstwr: 2023), p 7*

areas' for growth in his first Autumn Statement, although this has been somewhat rectified with action since.[5] The research for this report was conducted during the Spring and Summer of 2024. As we were finalising the report, the UK Government unveiled its Green Paper, 'Invest 2035: The UK's Modern Industrial Strategy', for consultation, outlining plans for a "modern, targeted Industrial Strategy with the objective of long-term, sustainable, inclusive, and resilient growth." Notably, the creative industries has been identified as one of the eight key growth-driving sectors. The final Industrial Strategy, alongside Sector Plans for the growth-driving sectors, will be published in Spring 2025, aligned with the multi-year Spending Review. A key test for this process will be how the UK and Welsh Governments leverage their policies to support and drive growth across our communities. FSB Wales hope that the recommendations made in this report will contribute to developing and delivering a successful strategy for the creative industries.

Despite this, Arts and Culture are often the first areas to face cuts in a tough fiscal landscape and have at times been subject to derision by political figures, dismissing arts qualifications as 'low value'. This stems from a lack of clarity about creativity itself as a concept.

The result is that the creative sector is often seen as an add on rather than a driver in discussions about economic growth (a similar approach is sometimes taken to the Welsh language). Unfortunately, such views can act as a barrier to young people considering career opportunities within the sector.

It is clear that the question of what we mean by 'value' when discussing creativity and the creative industries must go beyond simply measuring raw economic data. Our lived experiences during Covid demonstrated that many depend on creative outlets to help navigate difficult periods, making this sector vital to mental health and quality of life.

Arts and culture have a key part to play in tackling isolation and loneliness, driving active lifestyles, improving cognitive function, strengthening social cohesion and addressing the root causes of crime.

Everyday activities including the Eisteddfod, the local gig venue, the reading group and E sports competitions help individuals develop connections, improve creative and critical thinking, performing, reading and comprehension skills, and build confidence and leadership skills. In other words, they bring added economic benefits by developing creative, confident citizens.

In this context, it is significant that the Future Generations Commissioner has noted that 'Arts and Culture' is doing worst of all wellbeing goals and is not embedded across different sectors.[6]

NESTA's comprehensive research on the creative economy notes that scaling up SMEs is a prerequisite driver for growth in the sector. In this context, we believe that FSB Wales's Missing Middle approach – looking at the areas for intervention that can help small firms grow and develop across Wales – can be a useful approach to test and to look at how it may apply to the creative industries SMEs in Wales. In supporting local SMEs in creative clusters, we are creating skills incubators and networks that benefit creatives and other local firms too.

Rooted in testimony from SMEs across Wales, this report will look at how a strategy for the creative industries can look to build a foundation for SME creatives, building a sector that has room and opportunity to grow. It will outline why and how, done correctly, this would be well targeted use of resources with significant benefits in terms of economic development. If aligned with SME growth, this would provide for impact across many areas of Wales, in both urban and rural economies, and bring in investment for a purpose, providing opportunities for education and employment for young people so supporting the young person's guarantee. In supporting SMEs in the creative industries, we can increase prosperity and boost wider health and wellbeing benefits, helping our communities to thrive.

[5] 'At Risk: Our Creative Future' recommended that 'The Government should commit to placing the creative industries at the heart of its growth plans. It should explain its rationale for omitting the creative industries from its Autumn Statement priority growth sectors.'

[6] In this context 'Arts and Culture' tend to be differentiated from 'Creative industries' by being based less around economic activity and more around publicly funded activity and spaces (e.g. art centres and venues, libraries, museum). It should be noted that these spaces are important to creative industries – many clusters form around them (e.g. publishing around National Library in west Wales; artists around arts centres) and provide for skills' and artist development. As such they form part of a support ecology for creatives, creative SMEs and industry. They are distinct here, but should not be viewed as separate.

Recommendations

As a key priority sector for growth, creative industries should have parity of esteem with other key industry sectors, meaning that policy intervention around skills and education, finance, and growth match those of other 'hard' industry sectors, such as manufacturing and engineering.

Access to Finance

- UK Government should mitigate what investors sometimes perceive as the intangibility of creative work through government guarantees and/or incentives for loans and investment, such as Singapore and South Korea's state-backed venture capital funds, which add capital injection and de-risk investment.
- The British Business Bank's Investment Fund for Wales should ensure its work benefits creatives.
- Where there is room to do so, Welsh Government should look at guaranteeing loans (or a % of loans) in this sector. The Development Bank for Wales should explore expansion of its role as a Venture Capital bank provider for SMEs within creative industries and what impact it could have to derisk investment, and this role should be explored in any future Welsh Government tailored review.

Procurement, Tendering and Contracts

- SMEs and freelancers see tender processes as unclear as there is a perceived lack of understanding by contractors on how to describe and place value on 'intangible' creative work expected by suppliers, so that expectations and understanding are not matched by both contractors and suppliers at the tender stage.
  - Creative Wales or a similar appropriate body should review these processes and codesign with SMEs a framework and guidelines to support contractors on creative industry contracts to ensure clarity on:
    - A shared language and measures for consistency and shared understanding of expectations in contracts.
    - Encouraging conversation with possible suppliers at Expression of Interest stage to better ascertain the goals of the project and identify the best approach to answer contractor needs.
- As with SMEs generally, creative businesses and freelancers struggle with administrative time and costs, and often do not have the HR capacity to respond in ways that best show their skills:
    - Initiatives such as 'Help to Grow' should include training on finding and winning contracts, and be targeted at micro businesses and the self-employed, including within creative industries as a priority sector.
    - Use of AI should be encouraged to ease up administrative time and costs, with training provided on best practice. Creative Wales should develop networks of expert advice provision within its hubs and regional networks. Focus should be on practical use and business application.

The Wales Brand

- Creative industries are a huge part of the Welsh brand and are a competitive advantage. Creative Wales should work with Visit Wales to ensure maximum value. In the longer term, FSB Wales's policy has been to have an arm's length Wales Trade and Investment body to look to develop investment opportunities and the Welsh brand and opportunities from overseas. Any such body should align the creative industry sector with other Wales brand needs (such as tourism, wider investment etc) to be mutually reinforcing.

- Welsh language is a competitive advantage, providing skills development opportunities within the creative sector in particular, and products that can be marketed globally in an environment where minority languages are consumed more. Any creative industry strategy needs to view the Welsh Language in this economic framework of growth, not as an add-on.

Trade and Inward Investment

- The UK Government should look to further develop and expand R&D tax reliefs and incentives for creative industries, as those already in place – such as the Audio-Visual Expenditure Credit (AVEC) and Video Games Expenditure Credit (VGEC) - have been highly successful.
- UK Government should explore how a larger % of R&D funding can be targeted at creative industries by ensuring humanities and social sciences are no longer excluded from UK's R&D definition, following OECD best practice, and ensuring IP for design and copyright is given parity of esteem with patents.
- UK Government should adopt FSB's call to spend the equivalent of at least 10% of the overall R&D budget on the diffusion and adoption of innovation and set a target that at least half of all direct R&D funding goes to SMEs. This should also apply to Wales.
- UK Government should follow FSB's UK policy asks to boost international trade. FSB's recent Export Taskforce has called on the new UK Government to take a more strategic approach to exports and SMEs, including: a cross-Whitehall approach to policy, including better working across governments, a robust export support offering that meets SME needs, tackling attitudinal barriers to trade, and improving SME access to trade finance.

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Creative Wales and Creative Networks

- Creative Wales seems to be a success and an evaluation should be made of progress, viewing this as successful proof of concept to develop further and provide adequate resource to drive networks and relationships at the regional level.
- Many still felt the institutional environment was too complicated therefore detailed mapping of the system, roles and remits, and how bodies relate to one another should be undertaken.

Public Funding

- The post EU funding environment is fragmentary and mitigates against strategic long-term projects and regional working. The next round of Shared Prosperity Funding (SPF) needs to be shaped to address these issues.
- Areas of good practice in shaping projects so subcontracts are geared toward SMEs within current SPF should be retained, standardised, and encouraged in future.

Microclusters

- The next round of the Creative Clusters programme should look to provide a new focus on microclusters outside the urban agglomeration clusters, including the 15 microclusters in Wales (12 of which are outside the Cardiff Clwstwr area).
- Welsh Government should support research to better understand the impact of creative microclusters on the local economy. These projects should be geared at understanding rural/urban economic factors, and more granular understanding of interaction between Welsh language and economy.
- The new Bus Bill and its implementation must address business needs as a matter of priority, including:
    - Transport for Wales and Local Authorities should ensure regular and reliable services to business hubs and parks, including creative microclusters.
    - Innovative solutions such as Fflecsi style door-to-door services to ameliorate traffic and nudge away from private car use should be explored.
    - Business should have a direct input, providing feedback on how timetabling impacts on access to arts, culture and the local economy.

Local Authorities

- Local Authorities with creative clusters in their area – or those hoping to develop such clusters – should develop a full local creative industries strategy setting out:
    - Steps to build a strong skills base to support any productions in the area.
    - How to ensure the industry provides local employment and contracts.
    - Alignment with general regional policy to ensure wider economic impact.
- Best practice on strategies should be shared across local government through the Welsh Local Government Association and similar forums.
- Central support and expertise should be provided through Creative Wales or a similar body to local economy departments to ensure that Local Authorities have the necessary support to develop creative strategies and microclusters in their area.

Skills

- Welsh Government should look to its work experience and careers advice in schools and launch a campaign to:
    - o Share information of its view of creative industries as a key growth and employment sector for the future, and its role in developing significant transferable art, humanities, technical and design skills.
    - o Outline the benefits of courses in these areas as pathways into thriving industry throughout Wales and in young people's local areas.
    - o Outline the range of transferable skills both in terms of creativity but also the link to technical skills that provide a strong technical background.
- This campaign should target schools, parents, and careers advisors. This should fit in with the ongoing development of introducing the world of work at an earlier age in schools.
- In the short-term, the Welsh Government should support undersubscribed courses while addressing perceptions about the viability of creative industry careers.
- In implementing the new curriculum, schools should be mandated to engage with hubs and creative businesses should take part in schools careers advice.
- The Cardiff Capital Region (CCR) should develop a strategy for providing networks of creative SMEs and engagement processes.

Freelance Economy & Self-Employed

- UK and Welsh governments should develop a specific self-employment strategy – including freelancers and with a particular emphasis on the creative industries - which is placed under direct Ministerial responsibility.

AI

- UK and Welsh government should include AI information and training across support programmes, emphasising its practical and creative use at the firm level.
- Creative Wales should work with the clusters to proactively develop networks of AI experts that other creatives can access to explore new ways of using tech in creative products and events for creative SMEs in a way that levels the playing field.
- FSB's 'Redefining Intelligence' report's recommendations on AI should be adopted, including:
    - Legislation that ensures that all AI created output clearly outlines that the content has been AI generated and a review into the use of AI and copyright and establishing auditing of AI use.
    - AI skills and tech adoption should be encouraged among SMEs through an independent UK body that provides policy recommendations, an Automation Fund, and a section on the successful use of AI within businesses within management courses (such as Help to Grow).

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Policy Drivers

Government Strategy

Both UK and Welsh governments have a creative industry strategy and have identified this as a key growth area, in which the UK has competitive advantage internationally, and that is ripe for skills development and good employment. Growth in the sector has been higher relative to the wider economy for the last 25 years, in the UK and especially in Wales.

In 2023, the UK Government launched its first creative industries sector vision.[7] In Wales, creative industries has been identified as a key priority sector by Welsh Government who in 2020 followed through on a 2016 pledge to create Creative Wales as an autonomous department within government to coordinate and steer policy intervention in the sector.

The new UK Government has yet to outline its creative industries strategy in detail. Labour's UK election manifesto and arts and culture plans focused on "creating good jobs and accelerating growth" within the film, music, gaming, and other creative markets as part of their creative industries Sector Plan, with a focus on education (England only, as education is devolved in Wales).

The Creative Missing Middle and Foundational Economy

As a key area for growth, investment in the creative industries has the potential to lead to wide benefits. However, success is also dependent on the wider creative ecology in Wales and supporting creative SMEs to grow across our communities.

Discussion about the UK creative industries has focused on the 47 urban clusters (with Cardiff being the only one in Wales), which have been highly successful. It has been found in Senedd and Westminster inquiries that the impact of investment and the creative industry strategy for SMEs has been less clear.[8]

[7] Policy Paper: Creative industries sector vision' (DCMS: June 2023), available at: https://www.gov.uk/government/publications/creative-industries-sector-vision
[8] 'Inquiry into Film and Major Television Production in Wales' (2019); 'At Risk: Our Creative Future' (2023)

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FSB Wales's 'missing middle' agenda looks to build smaller businesses toward medium sized businesses and provides a useful starting point to view this issue in creative industries, taking into account the specific issues of the sector. As a key part of the creative sector, embedded in their local communities, focusing on developing SMEs will help secure benefits for communities across Wales, and a legacy of local economic development.

Varied Covid Effects

Covid impacted on all industries, but within the creative industries it had varying effects.

For example, sectors dependent on live performance such as music and theatre, were particularly impacted. On the other hand, where people enjoyed entertainment at home, such as gaming and books, those industries thrived.

TV and film home consumption increased whilst at the same time production of TV and film was curtailed dramatically, exposing the reliance US production companies had on filming in the UK. As elsewhere, Covid illustrated starkly where the vulnerabilities were by industry, and served as an accelerator for trends often already in motion.

On the value of creative work, it was clearly a vital part of our well-being and health during the crisis, perhaps pointing to the Well-Being of Future Generations Act's ideal of looking at interrelated measures of value cutting across policy areas of economy, health, culture etc, and indicating this may need to be brought into focus in 'normal times'.

Skills

A skills gap and a lack of an effective pipeline of talent are issues across many sectors and this is no different for the creative industries, albeit with specific challenges.

One huge issue is that arts and culture courses are too often dismissed without context as 'second-rate', and are stereotyped in this way among parents, teachers and pupils. For a 'key priority sector', it is vital that creative industry skills are seen as enabling a viable and rewarding career and that wider educational policy is aligned with that goal.

Freelancers remain a large part of the skills ecology, with the reasons for self-employment differing to other contexts in terms of balancing pay and conditions and flexibility. This can also have an impact on access to skills for SMEs in the sector, but also provides flexibility for those who choose to operate as freelancers. It also makes for a disparate sector to develop skills and address pay and conditions.

Wales Brand

Creative industries are a huge export industry for the UK and Wales and as such play a key role in carrying awareness of Wales and a Welsh brand telling the stories of Wales across the world.

This also serves to highlight our distinctiveness in both languages. In an era where the consumption of music, tv and film in minority languages is on the rise – seen for example in the popularity of 'world music', in 'Scandi noir', or in a Korean language film winning an Oscar for best picture – a global market for Welsh creativity provides for huge opportunities and must be aligned with wider brand activity and key areas such as tourism.

Chapter 1

What Creative SMEs told us

To understand the ambitions, aspirations, challenges and concerns of SMEs and self-employed working in the creative sector in Wales, FSB conducted a series of four roundtables. These were held in different parts of Wales and different contexts (e.g. rural and urban, more Welsh speaking areas, different demographic creative strengths etc) with businesses from across the creative economy spectrum. The roundtables were conducted with local partners in their respective areas so as to access wider local networks of creatives.[9] To ensure openness during discussions, respondents will not be identifiable from the quotes used.

Aspirations: Growing and developing your business

We asked the question 'what does growing or developing your business look like to you?'

Almost all businesses in our roundtable wanted to grow their business and expand their customer base. For most a core aim of their business strategy was to grow their workforce, and an aspiration to support young people to stay in the area and be empowered to work creatively. This was pronounced in the north west and south west roundtables. This aspiration was not just a material concern, but many expressed a sense of responsibility to support their local area and had a stake in their localities.

"I think it'd be growing the team and be able to support their young talent in the region. Even myself I had to go to Manchester to work for BBC and stuff. If I could create a company that brings that and develops skills and means that they don't necessarily have to go out to get those skills. It's not so skills are 'kept in Wales', but that we can then export skills from Wales to other companies in places like Manchester. I think that gives a great opportunity. That's my end goal with my whole company."

Design & Tech Company, north west Wales

So, growth and a wish to support local community are intertwined in this economic outlook. This indicates a strong will and ethic for sustainable growth, but as we shall see there are some barriers to this aspiration.

[9] *Our key partners were: Theatre Clwyd, S4C Yr Egin, Creative South West Wales, MSparc, Gogledd Creadigol, and Cardiff University/Tramshed Tech.*

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Business Confidence

We asked an open question to ascertain levels of business confidence, 'what is going well and less well for your business at the moment?'

The current **economic climate** was keenly felt with costs having gone up (energy, materials, wages) but also contracts and opportunities for work were fewer, with a squeeze from funders in public and private sectors having an effect across the supply chain. This in turn is a barrier to growing their workforce.

"Our overheads have gone up, rents up, cost of living crisis, salaries going up all these aspects all impacted on the fee that we can offer our clients. And then their clients are squeezed as well."

Design & Tech Company, north west Wales

In terms of current economics, there was little said that was positive in outlook, although there was a feeling that things were getting a little better in the last few months. This reflects findings in FSB's latest general UK Small Business Index.[10]

Brexit and the subsequent changes to funding was attributed as one of the reasons for the decrease in funding opportunities:

"All of those [Welsh language] successful TV series (Y Gwyll, Byw Celwydd) were funded by Creative Europe, so that's how Brexit has changed things from EU funding."

TV company, south west Wales

"Contracts are not as widely accessible from the EU due to competition clauses. We missed something called the 'Narrative Games Fund' from the EU as it came in around Brexit."

Gaming Company, south Wales

For others, Brexit had hugely disrupted the import/export opportunities, both in terms of touring but also in accessing markets that used to be frictionless:

"As a touring musician Brexit destroyed my career in terms of being able to tour... The infrastructure we had in place pre-Brexit has all gone for touring companies in UK – it was massive for touring, the infrastructure we had in place where global artists would come to UK, use the tour bus, rigs etc., and then use that to then go to Europe, you've lost all of that. The UK is completely bypassed now. In my industry it's decimated it."

Musician, west Wales

"It has an impact on routes to market. Our consumer market in Europe was considerable from our website for the size business we are. That basically ended so we can't ship books...We've really struggled to stock into Ireland. A number of Irish authors are interested in us. But it's a risk working with them as the key selling market is Ireland."

Publisher, south west Wales

By global region, Europe is the top export and import partner for UK SMEs. Increasing the numbers who can choose to export should be a central priority for UK Government, as should building stronger trade relations with the UK's major trade partners, including the EU.[11]

[10] *See analysis of SBI at same period as roundtables here, UK Figures: https://www.fsb.org.uk/resources-page/rise-in-small-business-confidence-could-signal-end-of-recession-new-report-finds.html*

[11] *FSB UK General Election Manifesto 2024, available at https://www.fsb.org.uk/resources-page/fsb-general-election-manifesto-2024.html*

Skills

Since before Covid, FSB surveys have always placed skills and access to skills in the top 3 concerns for small businesses. Given the severity of the cost of doing business crisis, it is remarkable that it has remained such a salient issue.

Skills was similarly a key issue for creative businesses, in particular accessing skills in their vicinity. Many businesses felt that providing opportunities to nurture skills was a core aim of their business, both in order to support their business but also to give back and support their local community.

<u>Awareness of opportunities and creative sector locally</u>

Away from Cardiff, it was felt that there is a lack of awareness about the thriving creative businesses and innovation taking place in rural areas. There was concern that young people in particular often aren't aware of the creative businesses and so the options for work that is available to them locally.

"I don't think a lot of them [young people] knew what's going on in Caernarfon. Where I am, there is another studio, there's then an S4C studio all in this one little cluster. And then you've got Cibyn industrial estate, there's actually two VR studios in there!! Young people keep saying 'there's nothing here' – well, THERE IS! If Gogledd Creadigol had more funding they'd be able to bring that network together a bit better."

Tech Freelancer, north west Wales

"When I talk to people about what I do they are like, 'oh I didn't know there was a company where you could do that around here'. I feel there's a perception you have to go out to do it. That also comes back to the university, to the colleges and what they see on TV..."

TV Studio, north Wales

Similarly, it was felt that young people were not aware of many educational opportunities in terms of creative courses (FE or HE) that would fit their interests within Wales and people felt they needed to leave Wales to pursue their interests or qualifications for a career in creative industries.

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Education and pipeline

Reflecting criticism made in a Westminster Committee report on creative industries, a point made repeatedly was that the rhetoric around arts and culture courses as a 'soft option' from the UK Government was unhelpful and worked against the idea of building creative industries as a key priority sector, placing it at a disadvantage. The traditional view of 'media studies' as a 'soft option' was no longer felt to be true by respondents, but the rhetoric remains:

"We have an issue with how creative industry degrees are viewed. A lot of noise is made of these qualifications not being able to give people a job which means we see a drop in demand and then a drop in offering - even though the creative industries are the fastest growing economic sector in the UK. We need more awareness of the value of creative industry courses. We need to communicate in the education sector the importance of these subjects and how they can be transferable. There's a real lack of awareness on the variety of roles on offer in the creative industries."

Stakeholder, north east Wales

The danger of this rhetoric is that it gives a signal to parents, teachers, career advisors and ultimately to young people that these are less-desirable pathways, which likely disincentivizes take up of these courses. This leads to another problem identified, that low take up could lead to courses – and therefore essential skills for the creative economy – being lost. One example was theatre technology courses being closed in Wrexham:

"It's because of drop offs. If we were in manufacturing, we could go to FE providers and say this is what we're doing, this is how many people we need this year but because we don't have the level of certainty because of funding and other constraints, we can't offer enough of an economy of scale to secure these courses."

Theatre, north Wales

It is important to note that many businesses have excellent links with their local HE and FE colleges. In MSparc many had sourced their skills through the open day for graduates. Coleg Menai Llandrillo were noted as being excellent in outreach, and personal contacts were clearly appreciated.

As we have found with SMEs generally when accessing support (whether skills, but also business support, access to finance, advice etc) personal relationships are highly valued and appreciated, and the relationship is important for success. The links in Cardiff between education and SME businesses were felt to be – with exceptions cited such as Bridgend College – generally poor. With a larger more complex environment, the personal relationships seen elsewhere may not be as possible and so need a different coordinated approach from the centre.

Another area of interest within a discussion on creative skills and those working in the sector in Wales is there were some views that economics of city rents meant that there was an opportunity for creative communities to thrive in more rural and town settings.

"For Artistic communities, we've got some of the finest surroundings around, you know, you think about the National Park and the coastlines and there's so much to offer here for Creatives... Wouldn't it be amazing that rather than expecting to be losing a lot of our creatives to Bristol and Cardiff there's a real role for Rural-based artists?"

Musician, south west Wales

Such a view of the attractiveness (economically and in terms of well-being) also aligns with the aims of some economic interventions such as Arfor to retain or attract back young people in their communities. Creative industries can provide a sector that can provide for aspiration and build economic development at the local level across different parts of Wales and any research and evaluation geared to an understanding of its economic impact should bear this in mind (a point to which we will return).

Access to Finance

SMEs across the board struggle with fair access to finance. This appears to be exacerbated in creative industries, especially when there is a fear of substantial early outlay for work developed over long periods of time. In addition, the 'intangibility' of creative work is often seen as a problem for private investors who at times find it difficult to pin down the economic value in terms of outputs. This can make access to finance difficult as the 'product' is difficult for investors to identify and so place value and take risk on. As will be seen, that they are largely based on copyright rather than patents (as in other innovation and growth areas) makes for trickier regulatory and finance terrain.

Businesses told us about the large outlay for production required over a long period:

"In creating your first video game you are making product over long timelines. So, our production time is six years. So we started this one in 2020. We're not going to finish until 2026. We're going to need to survive. We've got to pay everybody... we get funding in chunks... It would be really good if the government will take to that idea of artists using long royalty-based grants or loans. So that the Welsh Government could say 'we'll take a percentage of your end sales to keep you going."

Gaming company, south Wales

Access to finance was an issue particularly emphasised in the Cardiff roundtable, with lack of access geared toward creative SMEs being seen as a significant barrier to growth.

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Access to Public Funding and Contracts

For others however, access to funding and contract opportunities (often within public sector) were seen as the most important barrier to growth. In our north east Wales roundtable, the recent announcement of Levelling Up funding for Venue Cymru and Theatr Clwyd was mentioned as key to creatives in the area as hubs for creativity and talent.

Whilst individual grants issued via the SPF (Shared Prosperity Fund) have of course been welcomed and made a huge difference locally, the scheme as a whole was criticised for its fragmentary nature. Funding for spaces for creatives was seen as a priority, especially for musicians and artists, allowing for development as well as wider community benefits. It was pointed out that key venues in other parts of Wales (Maldwyn One, Aberystwyth Arts Centre) had not received the same amount of centralised funding, partially due to different approaches taken to the SPF by different Local Authorities.

"[It's] working with three different locations, to fill in the same form, on the same project. It's in three different ways, and because its accounting is in different ways as well, and all the expectations from the different local authorities. So, it's gone from national to hyper local so that then makes it even more difficult....and they were just expected to get it out by September as well. ...I think it's really difficult for businesses to plan ahead and know where we're going."

Stakeholder, south west Wales

Due to the fragmentary approach to SPF, it does not support the delivery of a stable and consistent creative industries policy across Wales. FSB anticipated that the piecemeal approach to the SPF would be an issue in our report 'Building Business'[12] and we will continue to work on pushing governments to provide a better approach for businesses in the next round of SPF, including aligning with a Welsh creative industries strategy.

Pockets of good practice were noted in the current system. Some big projects led by public sector were shaped to subcontract smaller businesses and creatives and were shaped to mitigate the fragmentary system and short timeframes involved.

Access and availability of contracts was an issue highlighted repeatedly. Many noted across different parts of the industry that due to the economic climate, there were fewer contracts – public and private sector – than had been the case before, with all parts of the chain squeezed.

"For animation it is quite tough at the moment because where we would pick up jobs from public services and create animation, or a little bit of AR work here and there that's just not there at all anymore, there's definitely a section of our business that has completely gone."

Design and tech, north west Wales

Another issue highlighted was that at times businesses lacked clarity about the work that was being tendered for, in particular knowing whether it was suitable for their business. This was raised by SMEs particularly in design and technology, with the feeling that contractors were advertising without being clear what their own expectations were, and this meant a lack of clarity for potential bidders.

With both public funding and contracts, self-employed and smaller SMEs struggled with administration, in terms of the weight of paperwork required and the time and costs involved in processes that may not be successful. Effective signposting and improved delivery of support, including training and advice on how AI can be utilised, could help ease this burden. It is also important that those issuing tenders or funding opportunities, ensure that their processes are simple, that they use consistent language, are clear about their expectations and that relationships are built (including feedback for unsuccessful tenders or funding) to ensure businesses are steered toward suitable opportunities.

[12] L ap Gareth, 'Building Business: Building communities through business support in Wales' (FSB Wales: 2022), available at https://www.fsb.org.uk/resource-report/building-business.html

Institutions and Creative Wales

It was striking how much praise we heard for Creative Wales. This was in terms of the personal connection SMEs valued with Creative Wales, but also in terms of the funding, the marketing push and the other opportunities created. This was seen across different sub sectors:

"The new eco system in north Wales works well meaning we're more agile to tap into funding streams and support leavers. Creative Wales have helped with deficit funding. A recent grant by Media Cymru to develop an online library has been hugely helpful."

TV/Film Studio, north Wales

"Creative Wales have been hugely supportive for us. It's taken us to international conventions twice. It's helped us build a global audience."

Gaming Company, south Wales

"I've worked with Creative Wales on accessing revenue and capital funding to get a studio with some really good equipment...It's really taken off, taken our work to the next level. It's allowed us to have world class recording studio."

Musician, south west Wales

It is worth noting that the networks we had access to in terms of distributing invites to the focus groups were more likely to have encountered and used Creative Wales. Nevertheless, this does not discount that it appears to have made a difference among those it has worked with. This supports the recent Creative Wales survey 2023[13], which found that 61% of respondents have heard of Creative Wales, suggesting substantial awareness.

[13] *Creative Wales Industry survey (2024), available at https://www.gov.wales/sites/default/files/statistics-and-research/2024-05/creative-wales-industry-survey-2023.pdf p 21*

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Creative Wales has made a difference to Wales's creative ecology and provided a single point of coordination that was lacking. As the model appears to work well with the hubs and networks, it should be adequately resourced to develop the sector further.

In terms of growing their business, it is notable how those we spoke to saw the Creative Hubs as key to that success, and developing networks such as Gogledd Creadigol and Creative West Wales were seen as important.

In practical terms, many businesses attributed much of the work they had found directly to the existence of these hubs and networks. Some had been able to use the relationships developed via the clusters to collaborate for larger or different types of contracts or funding bids.

Again, we must acknowledge that this is likely reflective of the fact that the roundtables were based in those cluster areas, however, it suggests those hubs are successful for the businesses within them. The model of the regional networks and clusters created around physical hubs has been successful.

"When S4C hub relocated, there were people saying things like there's no such thing as creative industries in west Wales. So, I think over the last six years we've proven that there are! These businesses have then been able to develop. We have also had people appointed to S4C [when relocation to Carmarthen happened], developed their own skills and then have gone off to build up their own companies. So, I think that's really interesting in terms of how that can change the local economy."

Stakeholder, south west Wales

It is worth noting that Creative Wales's survey found that creative businesses felt that the most important support they could supply was through finance (47%) and networking opportunities (42%).[14]

Local Government Strategy & Funding

The strategies developed at Local Authority level were seen as a mixed bag.

Our north east Wales roundtable singled out Conwy Local Authority, praising its strategy as being 'streets ahead' of others they dealt with. Conwy have built on opportunities following 'I'm a Celebrity Get Me Out of Here...', developing strategies to maximise value and employment locally from such productions. The ongoing development of Kinmel Studios is seen as an extension of this process building on the creative microcluster in Colwyn Bay.

It was felt however, that this example was an outlier, and that where Local Authorities had fully fleshed out strategies it was largely due to having senior officials with experience of the sector able to drive the necessary strategies. It was felt the capacity of departments in local authorities had been hollowed out following over a decade of cuts.

In south west Wales, similar views were aired on this patchiness and dependency on individuals. It was felt that in general in local government there was a lack of understanding of the economic strategy around culture and creative industries, and that this was a barrier.

"It's probably only this year that County Councils are looking at a creative industries strategy, And I was like 'finally! it's on your radar!'. So, it's really taken time to look at that and, but I think we are finding that the network is being created - the six LAs we're working with are actually talking to each other about what they're doing and what they're struggling with, just getting to know what's actually there."

Stakeholder, south west Wales

[14] *ibid*

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This respondent felt that Creative Wales alongside the hub as a coordinator was important in bringing the different actors together. This suggests that regional or national mechanisms to share good practice, and to provide a template to build local strategies that incorporate local strengths, can have an impact. For west Wales, future Arfor programmes could perhaps be aligned with such strategies, alongside Creative Wales and developing local creative networks.

In north east Wales a particular concern was raised regarding Wrexham and Flintshire's ability to capitalise on Disney's 'Welcome to Wrexham' series' huge success. It was felt that creative industries were not given parity of esteem with more established areas such as manufacturing, and so Wrexham Local Authority was being denied tools to support growth in the sector through investment zones strategy. If this is the case, it is short sighted given the current window to build an industry with room to grow, compared to (still vital) manufacturing hubs already established in north east Wales.

Inward investment

Many thought the reduction of public funding post-Brexit necessitated a renewed focus on inward investment, as the money lost needed to be gained from elsewhere. Ideas discussed were areas such as utilising tax credits (which are not currently devolved), alongside what level of conditionalities on (for example) use of Welsh producers and production companies would be proportionate to ensure investment is harnessed to develop the sector in Wales, and so what the balance of attracting investment and conditions in contracts should be. It was generally accepted that this should follow international practice.

"The big thing we need is to make Wales as attractive a place that you can for inward investment... so if we could have localised tax credits through Welsh Government as they do elsewhere, so if you work with majority Welsh owned or Welsh HQ company, you get tax credit, if there's large Welsh language part to it, add tax credit, so you can pile up credits... That offers to international investors that you can get money back coming in to Wales."

Film and TV studio, south east Wales

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It was noted that ‘Welcome to Wrexham’ provided a unique opportunity to showcase Welsh talent in this area, and that creative industry strategies at the local level, and use of ideas such as investment zones should take advantage of this unique opportunity in areas ripe for growth.

Another point raised was that outside of S4C, the feature film funding from other broadcasters in Wales (BBC Wales, ITV Wales) was lacking, suggesting that a creative industries strategy may also gain from a Welsh approach from within the broadcasters in Wales, and it would be worth exploring how devolution of broadcasting may provide a stronger impetus to provide for other UK broadcasters develop more Wales focused strategies.

Freelancer economy

While freelancers weren’t a large proportion of the respondents, we did gain some useful insights, which does appear to fit with wider research on freelancers within the creative industries. For businesses looking to recruit, they found it difficult to have people on a fixed contract, as candidates preferred the flexibility of freelance work:

“there’s a lot of people now that don’t want to be tied into the contract. They want the freedom to pick their own hours…. I think it’s a post COVID thing..”

Design and tech company, north west Wales

This view of a preference for flexibility was supported by a freelancer in the discussion, noting that the economy had changed significantly and that for her, the stability she enjoyed as a freelancer was more than were she to work in a firm:

“Being a freelancer, I am finding that I can find work easier just being one person…as freelancer I feel like I could go from project to project, work 3 months for a studio and then with another, get studios to work with each other, get a lot of collaboration …I could go to a big studio, work for them full time. But in this economy, that’s no longer the stable option. I feel more stability now than I ever have in my entire life, as a freelancer.”

Tech freelancer, north west Wales

What we heard on freelancers appears to be supported by wider research noting that creative industries has higher rates of self-employment, 32% of the creative industries workforce as a whole is self-employed (including freelancers), compared with 16% of the UK workforce. In March 2020, 76% of creative industries companies in the survey had worked with a freelancer in the past year, with 41% of companies having worked with as many or more freelancers than they had employees and 47% of supermicro (1-5 employees) companies worked with more freelancers than they had employees.[15]

Others noted some of the problems within the sector in terms of pay and conditions, and how this was also a drag on recruitment and retention:

“The industry has real issues with long hours, and people don’t get to see their families.”

Stakeholder, north west Wales

The freelancer economy – like the wider self-employed economy – is not well understood and policy development has been limited in this field.

[15] *Easton, E., Beckett, B. (2021) Freelancers in the creative industries. Creative industries Policy & Evidence Centre, Available from: https://pec.ac.uk/policy-briefings/freelancers-in-the-creative-industries*

Welsh Language

It was clear that most businesses gaining work from the public sector and charities provided bilingual services as a matter of course. Moreover, many felt it gave them a competitive edge and new opportunities to build their portfolio. One business in our north east roundtable felt that being able to tender for work in both languages was a particular advantage as they were providing for Welsh language material in Clwyd, outside the usual heartlands and Welsh Language clusters. They thought this was looked at as an advantage by contractors such as S4C, who would wish to expand their procurement to all parts of Wales, while also helping attract a high skills pool across north Wales.

Hubs were described as important in ensuring that the Welsh language is seen as a natural language in which to do business.

In Cardiff, some attendees recommended that others look to promote a Welsh language offer to access funding otherwise not as available.

There is clearly a general support for use of the language and a will to use it in creative industries as a norm, which can be harnessed. We will discuss where there may be opportunities on this in the next chapter.

Net Zero and Public Transport

We included a specific question on net-zero, however, time constraints did not allow for an in-depth discussion of this question.

In general, when asked about net-zero, the impact of large film production was the main issue raised as the largest producer of emissions, and policies to mitigate these effects such as studios' use of LED screens or net-zero conditions in funding was then the focus. Generally therefore, these discussions stood outside what SMEs could do themselves. Understandably, they viewed the large problems as the first issue to address.

In general, this also reflects the general issue for SMEs – our surveys have noted a will and sense of responsibility to take action, but a lack of clarity of what that entails, and a lack of understanding of Welsh Government strategy and how they fit within it.[16]

Where SMEs had conducted a carbon audit and taken steps to be carbon neutral, this had been through hubs connections to HE departments and so we can tentatively note that hubs and networks provide for better access to expertise. This suggests developing engagement points through hubs and networks are an important step in improving touch points for net zero (as well as other interventions) across the SME community,

A respondent also noted that one step to reach net-zero was use of EVs, and noted this was expensive, but also that the lack of EV charging in north Wales and from north to south Wales made this less realistic in their area.

Indeed, while net-zero was not raised directly, the linked issue of transport was raised repeatedly in all roundtables outside Cardiff. It was noted that creative hub centres and business parks are situated in areas that are difficult to reach without a car. For young people, the cost of learning to drive, buying a car, and insurance is prohibitive, especially on entry level jobs. This impacted firms' access to those skills too. Moreover, public transport is not available or reliable for these business centres.

[16] *Survey results in L ap Gareth 'What We Value' (FSB Wales: 2021), available at: https://www.fsb.org.uk/resource-report/what-we-value.html*

It was noted that some hubs were in areas that had poor public transportation:

"Our head of Operations lives in [withheld], not far, but he doesn't drive. Two weeks ago, the buses just got cancelled."

"I live in Bangor, if you drive to MSparc it takes 10 or 12 minutes. Go on the bus, it takes an hour plus and is unreliable."

Design and Tech company, north west Wales

Other creative sectors were part of the night-time economy, and dependent on later buses and trains for their audience to be able to travel home.

The upcoming Bus Bill is vitally important to businesses across the sector, but particularly for those sited at one of the hub parks.

AI

Given the uncertainty around its significance and potential for exploitation, it's perhaps unsurprising that it was the question on 'what AI means for your business' that drew the most varied response, with a spectrum of techno pessimists through to optimists and most places in between (and some openly saying they were veering between the two poles). This reflects the recent findings of FSB's Redefining Intelligence report for the wider SME community, with 55% seeing opportunities for their business whilst 73% of SMEs expressed concerns.

It was notable that those most concerned were those in the music industry who feared the potential impact on the market for their skills

This section of the conversation broadly reflected the general uncertainty and confirms what FSB have found in our report on AI and SMEs which is that an AI strategy is needed which looks at how its practical use for firms and good practice can be disseminated.

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Chapter 2

Analysis and Recommendations

It is useful to see how creative industries are defined and then operationalised in policy by UK and Welsh Government.

As defined in the UK Government's 2001 creative industries Mapping Document, creative industries are "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property".

In their definition of creative industries, the Department for Culture Media and Sport use a list of 31 occupations spread across 9 SIC Code areas.[17] These creative industry groups cover 'Advertising and Marketing' to 'Crafts' to 'IT', reflecting how the industry encompasses different parts of the economy. The more granular activity underneath those headings are more disparate still.[18]

The term 'creative economy' is defined as distinct from 'creative industries' in government usage. Creative economy includes both creative and non-creative occupations within the creative industries, as well as those working in creative occupations in other non-creative sectors (for example a marketing professional working in financial services).

Within this definition, DCMS also provide a typology of 'creative occupations', based on NESTA's work in this area. Again, in granular detail, this encompasses 31 further occupations across the 9 'creative industries groups'.[19]

While these appear very tightly defined, it is important to note that NESTA's subsequent work notes examples of other occupations with similar skillsets that sit outside the definition of Creative. For example, 'Architecture occupations' have similar skills to (among others) 'chartered surveyors', craft occupations have skills like 'Manufacturing occupations (e.g. footwear and leather working trades)'.[20]

The key take away is that creative industries are disparate and have transferable skills, and the outlines of the border around the definition of creative industries are necessarily blurred. NESTA research finds that this blurred distinction explains its potential for growth, and for catalysing development – including better skills for businesses NOT in creative industries – in the areas where it has clustered. This reflects a dynamism to the sector that has spillover effects, as these roles provide for creativity elsewhere:

[17] *https://assets.publishing.service.gov.uk/media/5a8039af40f0b62302692413/CIEE_Methodology.pdf*
[18] *For the full list see https://assets.publishing.service.gov.uk/media/5a8039af40f0b62302692413/CIEE_Methodology.pdf; NESTA https://www.nesta.org.uk/report/a-dynamic-mapping-of-the-uks-creative-industries/ (2013)*
[19] *'Creative Nation' (Nesta: 2018)*
[20] *ibid*

"Companies in non-creative industry sectors operating in creative clusters tend to be more creative too. More than two thirds of the locations specialising in the creative industries also have a tendency to embed creativity more widely in other sectors. By contrast, only 13 per cent of places without a creative specialisation do the same... Those places with strong creative specialisms see those strengths spread into other industries, potentially making them more innovative and productive. Policymakers should take this into account and seek to enhance these creative spillovers when they develop new policies to strengthen creative clusters."[21]

So, the intangible elements of 'creative industries' – while making tight definitions difficult – are also the reasons why clusters have been so successful and have a disproportionately positive impact on the economy in their areas. Intervention on creative growth therefore can spread the creative skills - and so capacity and capabilities - to innovate throughout the local economies both in and outside creative industries.

This is a lesson that should underpin economic strategy, and crucially be viewed through a lens that looks at more localised development across locations in Wales. As such, FSB Wales take NESTA's findings as a starting point that underpins a missing middle approach, especially as they also advocate a need to align a creative industry strategy with a focus on creative SMEs growth:

"Although creative businesses are more productive than comparably sized businesses, they will not materially contribute to addressing the UK's productivity problems unless they scale-up significantly. For example, creative businesses with fewer than ten employees have a Gross Value Added (GVA) per worker of £46,000, 20 per cent higher than similarly sized businesses in other sectors. Ninety-four per cent of the companies in the sector are, however, micro-businesses (10 percent more than in other sectors), which limits the sector's ability to lift regional productivity. ***Growth in the sector will have the biggest economic impact if it is accompanied by an increase in the number of scale-up businesses with higher productivity growth."***[22]

[21] *ibid*
[22] *Ibid, my emphasis*

Welsh Government Policy

The UK Government definition (and lists of occupations) is in practice that used by Welsh Government and across institutions supporting the sector.

A 2019 Senedd Culture Committee inquiry suggested that when it came to the creative industries in Wales, the Welsh Government were playing catch-up by the fact that there was a UK level strategy in place already, and that there was an 'urgent need to set out a strategic direction for Wales's screen industry'.[23]

Progress has been made with the Welsh Government including the creative industries as one of its four key priority areas for growth and establishing Creative Wales in 2020 as a discrete function within Welsh Government. They have also committed to prioritising skills development, promoting diversity, simplifying funding and taking a lead role in the marketing and promotion of the creative industries in Wales to the world, via a new Creative Wales brand.

Following its establishment in 2020, Creative Wales has aimed to drive growth of the creative industries sector in Wales with a more targeted regional and sector focus and to work with key partners to promote joint goals. Their primary measure of success is in economic terms, including increased turnover, number of workers, business births, retained intellectual property and spend in the Welsh economy. Broader benefits are expected to include a stronger supply chain, improved skills and talent pathways, as well as substantial cultural and social benefits.

Welsh Government see Creative Wales as its main coordinating institutional driver for policy, and has links to regional creative networks (such as Creative North, Creative West Wales).

In its own assessment, Creative Wales noted that it *"will not proactively cover all subsectors equally and in the short-term there are clear areas of priority, looking at developing the subsectors of Film and TV, areas of technology exploitation such as animation and games, and supporting viable careers in music industry."*

We acknowledge that Creative Wales cannot prioritise targeted support everywhere however, it is important that those sectors not currently prioritised by Creative Wales are able to access other forms of business support - for example Covid support by the Books Council of Wales ensured that schools were procuring children's books from Welsh publishers where appropriate.

Our fieldwork indicates that those who have worked with Creative Wales are generally happy with the service (although as previously caveated the networks we accessed were probably the most likely to be linked to Creative Wales). However, this in itself points to the strength of the hub and networks across Wales.

Indeed, the regional creative networks appear to be developing well in north Wales and south west Wales but will require more resources to grow and service the entire network effectively. We would suggest that evaluation be made, and that its initial stages be taken as proof of concept that is worth developing further.

- **Creative Wales seems to be a success and an evaluation should be made of progress, viewing this as successful proof of concept to develop further and provide adequate resource to drive networks and relationships at the regional level.**

Our fieldwork also suggests that the institutional ecology supporting creatives in Wales has improved since 2020 and that Creative Wales has provided effective steering on limited resource but that more can be done to ensure there is policy coherence and that support is simplified. Creative Wales's own survey supports these findings:

[23] *Culture, Welsh Language and Communications Committee 'Inquiry into Film and Major Television Production in Wales' (Senedd: 2019)*

"When asked about how Creative Wales can better support the sectors, as with the 2022 survey the top three areas that stand out are finance, networking, and business support and advice. In this survey, finance is still a top priority for almost half (47%) highlighting the need for financial help within the creative sector. Networking is another crucial aspect post-Covid with 42% expressing a desire for support in building connections. Additionally, 30% are interested in business support and advice." [24]

- **Many still felt the institutional environment was too complicated therefore detailed mapping of the system, roles and remits, and how bodies relate to one another should be undertaken.**

FSB Wales's 'Missing Middle' Economic Strategy for SME Growth

FSB Wales's economic strategy for sustainable SME growth is based around our work on Wales's missing middle. In terms of employment, it is a country dominated by micro-business and multi-national business. On the one hand Wales has a thriving and entrepreneurial micro-business scene with firms employing fewer than 10 people making up 94.6% of all businesses, and SMEs 60.3% of private sector employment. The missing middle - those employing between 50-250 people - make up 0.9% per cent of businesses and 13.1% of employment.[25]

A model of sustainable growth that focuses on increasing the number of small (10-49 employees) and medium size (50+) firms would have strong benefits, providing for better local employment, more skilled jobs, and building firms' capacity and capabilities to innovate, develop and diversify, as well as more means with which to increase their production and exports. In ensuring succession planning and that firms are incentivised to remain locally owned and embedded in communities, it would also ensure capital for local economic development.

International examples illustrate the importance:

"The Japanese even have a term for them: chuken kigyo (strong, medium-sized firms). It doesn't matter if the brand on the casing says Apple, Nokia or Samsung: the innards are stuffed with Japanese wares... Germany's

[24] *Creative Wales Industry survey (2024)*
[25] *Welsh Government 'Size and Structure of Businesses in Wales' (Nov 2023) https://www.gov.wales/size-analysis-businesses-2023#:~:text=Main%20points,enterprises%20in%20Wales%20in%202023.*

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Mittelstand, the closest Western equivalent of the chuken kigyo, also boasts many smallish world-beaters. In much the same way as the Mittelstand, Japan's chuken kigyo is not simply a part of the national economy, but the core of its industrial structure."[26]

To support micro businesses looking to grow, FSB have suggested the following policy solutions:

- Business Support: both Expertise and Access to Funding shaped to SME needs (budget cycles, accessibility).
- Better Access to finance: whilst there is a range of services available for SMEs from grants to guarantee schemes, from sources including UK Export Finance (UKEF), the British Business Bank and the private sector, the current landscape is fragmented. A joined up approach between providers is important to increase SMEs awareness and uptake. Moreover, ensuring this meets the needs of creative sector as a key priority for growth with access to a global market is important in this context.
- Building Capacity and Capabilities: building the skills base within smaller firms, including leadership and management.
- Better regulation: recognising that for SMEs time means cost, so unnecessary regulation prevents opportunities to focus elsewhere.
- Disincentives to exit: often Wales's existing medium-sized firms face a choice around whether to sell their business to larger multi-national entities or to pursue sustainable domestic growth, but the latter is often far less attractive due to unnecessary barriers, or lack of alternative succession plans.
- Building our assets: a shift in emphasis from inward investment at all costs towards the growth of domestic firms and their supply chains. Procurement being used to develop our community wealth in SMEs.
- Economies of place: recognising the spatial impact of decisions and seeking to build a range of economic development policies that are relevant to the different economies of different places.

These policies are particularly important given changes to global trade, the transition to net zero models and uncertainty in relation to foreign direct investment. This is not to dismiss the importance of FDI, but rather to recognise that employment measures alone do not indicate sustainable growth. We must look to develop our own Welsh brands that can compete globally whilst being rooted in their communities and improve alignment between inward investment and wider value measurements (supply chain development, local procurement and employment). It is this approach that FSB Wales used to develop 'Wales's missing middle'.

Many of the policy solutions outlined above are pertinent to the creative industries in Wales. Indeed, the creative industries has a higher propensity for growth than the general economy, and it is crucial that those businesses who want to and have the capacity to grow can access the support, networks and opportunities needed to enable them to do so in their local communities.

It is useful in this context to consider the 2023 report produced by the House of Lords Culture Committee looking at the needs of creative industries which identified 'policy incoherence' as an issue and recommended the following interventions:

- strengthening intellectual property law and artists' rights;
- adapting research and development to creatives' innovation which is based more on copyright than patents;
- fiscal incentives and improved access to finance;
- improved business support;

[26] *House of Lords Communications and Digital Committee 'At risk: our creative future' (Jan 2023)*

- better data collection;
- changing the narrative which paints education provision geared towards the arts as less ‘useful’, particularly when related to design and technology; and
- implementing skills development schemes.

Whilst the report looked at the UK landscape (and in terms of education and skills development, implicitly England only) the Welsh Government has a role to play across many of these areas and they match up with those policy interventions critical to our missing middle approach.

Of course, not all firms are geared for growth (and nor should they all be). In addition, some businesses in the creative sectors may not themselves be geared towards growth but are vital to the development of the industry – music venues, cultural centres, and so on.

Funding

The need to ensure a rounded and coherent approach is vital, particularly given Equity’s findings that Wales has had a 30% cut in arts funding since 2017, far more substantial than cuts in other nations. This is likely a result of Wales’s dependence on EU funding, and within that, the creative and arts sectors relative dependence. This was reflected in many comments we heard during the roundtables which identified the impact of losing EU funding. In particular, losing access to long-term funding was a having a substantial impact. As noted in the previous chapter, many had been grateful for SPF funding but found it fragmentary, lacking in strategy and that it made regional and long-term thinking more difficult, although organisations had tried to shape their projects to mitigate this.

- **The post EU funding environment is fragmentary and mitigates against strategic long-term projects and regional working. The next round of Shared Prosperity Funding (SPF) needs to be shaped to address these issues.**
- **Areas of good practice in shaping projects so subcontracts are geared toward SMEs within current SPF should be retained, standardised, and encouraged in future.**

This fragmented nature was also seen in the patchiness of local authorities’ strategies on creative industries as identified in our roundtable with respondents suggesting that they range from excellent to embryonic. This is probably unsurprising given the lack of capacity within LAs following a decade of cuts. The result is that understanding and strategic plans developed are dependent on having people in senior positions with an understanding and experience of the sector. This suggests that support and expertise need to be pooled to ensure LAs have the support to make the most of opportunities:

- **Local Authorities with creative clusters in their area – or those hoping to develop such clusters – should develop a full local creative industries strategy setting out:**
    - **Steps to build a strong skills base to support any productions in the area.**
    - **How to ensure the industry provides local employment and contracts.**
    - **Alignment with general regional policy to ensure wider economic impact.**
- **Best practice on strategies should be shared across local government through the Welsh Local Government Association and similar forums.**
- **Central support and expertise should be provided through Creative Wales or a similar body to local economy departments to ensure that Local Authorities have the necessary support to develop creative strategies and microclusters in their area.**

Inward Investment

It is important not only to attract inward investment by ensuring the right incentives are in place but also to maximise its value for Wales with proportionate conditions to ensure it builds local skills and firms.

The Senedd Culture, Welsh Language and Communications Committee's 2019 inquiry into Film and Tv in Wales noted the need to balance the value of inward investment with developing capacity and capabilities in Wales. They suggested that ensuring SMEs can access funding opportunities and boosting skills were critical to maintaining this balance.

The Committee also looked at the Welsh Government's funding model for film and tv and its Media Investment Budget, noting in 2019 that:

- The Welsh Government was struggling to spend it.
- The decision-making process was opaque.
- Its focus on financial return, and demands for a high return-on investment, made it unlikely to provide funding for small independent producers

Indeed the latter point was echoed by many experts contributing to the inquiry, including the then Chief Executive of Ffilm Cymru, Pauline Burt, who told the Committee that the "commercially geared" Media Investment Budget "is more naturally geared at large-scale and long running productions and inward investments" rather than building Wales's screen sector from the ground up.

Skills was another key focus for the committee, echoed in a more recent inquiry into the workforce of Wales's creative industry[27], identifying a clear need to focus on building indigenous capacity within Wales. This suggests that a missing middle approach could be useful in addressing the issues for SMEs in Wales.

- **Creative industries are a huge part of the Welsh brand and are a competitive advantage. Creative Wales should work with Visit Wales to ensure maximum value.**

[27] Culture, Communications, Welsh Language, Sport, and International Relations Committee 'Behind the scenes: The creative industries workforce' (October 2023)

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In the longer term, FSB Wales's policy has been to have an arm's length Wales Trade and Investment body to look to develop investment opportunities and the Welsh brand and opportunities from overseas. Any such body should align the creative industry sector with other Wales brand needs (such as tourism, wider investment etc) to be mutually reinforcing.

- **Welsh language is a competitive advantage, providing skills development opportunities within the creative sector in particular, and products that can be marketed globally in an environment where minority languages are consumed more. Any creative industry strategy needs to view the Welsh Language in this economic framework of growth, not as an add-on.**
- **UK Government should follow FSB's UK policy asks to boost international trade. FSB's recent Export Taskforce has called on the new UK Government to take a more strategic approach to exports and SMEs, including: a cross-Whitehall approach to policy, including better working across governments, a robust export support offering that meets SME needs, tackling attitudinal barriers to trade, and improving SME access to trade finance.** [28]

Procurement, Tendering and Contracts – opening opportunities

While some were animated by the need to bring inward investment, for other smaller companies aiming at public tenders and contracts, there was almost universal criticism of the tendering processes. The criticism related both to the lack of proportionality in the paperwork and tests for SMEs and the lack of clarity in tenders by contractors about what they wanted and level of quality expected.

The latter point mirrors some of the difficulties in access to finance that creative activity and work tends toward the 'intangible' and is difficult for non-specialists to communicate. This suggests that a common framework and language needs to be developed in conjunction with practitioners, so that the process is clear, and that contractors get the best outcome possible.

Ensuring procurement policy is accessible, implementing a better approach to tendering and reducing the time spent on unsuitable contracts will help build strong small businesses, which in turn enables them to compete for inward investment opportunities. In doing so this addresses the question of the missing middle by helping firms grow and provides a boost to the wider Welsh economy.

It was also noted that improving the accessibility of these processes, possibly through co-design with stakeholders, would be particularly useful for freelancers, particularly for those who are neurodivergent. It is worth noting that it was suggested during two roundtables that the creative industry has a proportionately high share of neurodivergent people working in the sector which is something policy makers should take into consideration.

- **SMEs and freelancers see tender processes as unclear as there is a perceived lack of understanding by contractors on how to describe and place value on 'intangible' creative work expected by suppliers, so that expectations and understanding are not matched by both contractors and suppliers at the tender stage.**
    - **Creative Wales or a similar appropriate body should review these processes and codesign with SMEs a framework and guidelines to support contractors on creative industry contracts to ensure clarity on:**
        - **A shared language and measures for consistency and shared understanding of expectations in contracts.**

[28] FSB SME EXPORT Taskforce (2024), available at https://www.fsb.org.uk/resource-report/fsb-sme-export-taskforce-recommendations.html

    - **Encouraging conversation with possible suppliers at Expression of Interest stage to better ascertain the goals of the project and identify the best approach to answer contractor needs.**

- **As with SMEs generally, creative businesses and freelancers struggle with administrative time and costs, and often do not have the HR capacity to respond in ways that best show their skills:**

    - **Initiatives such as 'Help to Grow' should include training on finding and winning contracts, and be targeted at micro and self-employed, including within creative industries as a priority sector.**

    - **Use of AI should be encouraged to ease up administrative time and costs, with training provided on best practice. Creative Wales should develop networks of expert advice provision within its hubs and regional networks. Focus should be on practical use and business application.**

- **UK and Welsh governments should develop a specific self-employment strategy – including freelancers and with a particular emphasis on the creative industries - which is placed under direct Ministerial responsibility.**

Access to Finance

"The open-ended nature of creative projects and intangible nature of their outputs hinders access to finance and puts a premium on adaptability - an attribute more often found in smaller organisations."[29]

Access to finance is a perennial issue for SMEs and the evidence suggests that this, alongside other SME inhibitors of growth, is also a prevalent issue in the creative economy. NESTA note that the intangibles of cultural outputs incentivise micro business and freelancers as it encourages adaptability and agility but these same attributes make it more difficult to access finance, and this has an impact on the ability of businesses to grow and take on larger projects, which are often themselves seen as risky by prospective investors. This suggests that an SME led approach to economic development that takes into account the sector's specific needs can provide a useful framework to look

[29] *Creative Nation (Nesta: 2018)*

at the creative economy in Wales. In particular, improving access to finance could make a big difference to SMEs and help boost growth.

One area that should be explored is loan guarantees by governments for creative industries in order to de-risk investment. South Korea and Singapore –hugely successful creative industry challengers – have such policies. South Korea developed along these lines to compete internationally, including in Film (including a best picture Oscar), TV (with multiple series in Korean produced through partnership such as Netflix), music such as K-Pop being a cultural phenomenon including increasing the number of Korean language learners (especially in the USA).

These cultural and economic benefits were also built on investment and the South Korean model of Government backing loans, appreciating that an innovation based on less tangible IP such as copyright, and not elements such as patents found in wider tech and manufacturing firms, required derisking to attract investment. As the UK House of Lords committee Inquiry stated:

"Other jurisdictions have taken a variety of approaches to de-risk investment. The European Union launched a Cultural and Creative Sectors Guarantee Facility in 2016, which provided guarantees for bank loans to creative industries firms. Singapore and the Republic of Korea created state-backed venture capital funds. "The attitude of South Korean policymakers is very different. They acknowledge cultural businesses' lack of access to finance and try to address that by actively engaging with financial markets."[30]

The committee noted that early exit was also a problem in an ecology that disincentivised investment:

"Access to finance remains a problem for SMEs in the creative industries. A lack of data, investor wariness and overlong processes present barriers to progress. It is not surprising that businesses turn to overseas investors, sell up or move abroad."[31]

Whether or not this is pursued at the UK level, Wales should explore this possibility, through the creative support institutions working with DBW on a suitable product to derisk investment. In mainstreaming creative industries focus on support and initiatives such as Arfor it should also develop and collect live data on the industry to sell to inward investors.

- **UK Government should mitigate what investors sometimes perceive as the intangibility of creative work through government guarantees and/or incentives for loans and investment, such as Singapore and South Korea's state-backed venture capital funds, which add capital injection and de-risk investment.**
- **The British Business Bank's Investment Fund for Wales should ensure its work benefits creatives.**
- **Where there is room to do so, Welsh Government should look at guaranteeing loans (or a % of loans) in this sector. The Development Bank for Wales should explore expansion of its role as a Venture Capital bank provider for SMEs within creative industries and what impact it could have to derisk investment, and this role should be explored in any future Welsh Government tailored review.**

[30] *House of Lords Communications and Digital Committee 'At risk: our creative future' (Jan 2023)*
[31] *ibid*

Skills

A concern raised was that creative industries were not given parity of esteem with other industries, and that this was operationalised in policy and in terms of disparity of support, despite its status as a key sector for growth. Different roundtables compared its perceived importance against other sectors, such as manufacturing and engineering negatively.

- **As a key priority sector for growth, creative industries should have parity of esteem with other key industry sectors, meaning that policy intervention around skills and education, finance, and growth match those of other 'hard' industry sectors, such as manufacturing and engineering.**

There was concern regarding some of the UK discourse on 'arts and culture' courses as often seen as second class. This was having an impact on careers advice, teachers, and parents' perceptions of their children's prospects in the field. This concern was noted in the UK Committee inquiry.

This also undermines the claim that creative industries is a key priority sector as well as its underpinning strategy. Politicians should refrain from this damaging and misleading claim, as has been advised in the House of Lords' committee inquiry.

- **Welsh Government should look to its work experience and careers advice in schools and launch a campaign to:**
    - **Share information of its view of creative industries as a key growth and employment sector for the future, and its role in developing significant transferable art, humanities, technical and design skills.**
    - **Outline the benefits of courses in these areas as pathways into thriving industry throughout Wales and in young people's local areas.**
    - **Outline the range of transferable skills both in terms of creativity but also the link to technical skills that provide a strong technical background.**
    - **This campaign should target schools, parents, and careers advisors. This should fit in with the ongoing development of introducing the world of work at an earlier age in schools.**

A concern was raised that courses were closed in FE and HE due to lack of take-up. It was suggested that unlike courses around engineering, there was not enough influence to incentivise and protect courses for key technical skills needed in the industry. As a high growth thriving sector, creative industries should be viewed as equal to other areas of growth such as manufacturing, and support for undersubscribed courses provided by Welsh Government accordingly. Alongside this, a campaign to address misconceptions about the viability of creative industries careers would boost uptake of these courses over the medium term.

- **In the short-term, the Welsh Government should support undersubscribed courses while addressing perceptions about the viability of creative industry careers.**

While these concerns were expressed, this wasn't the full picture everywhere in Wales. Praise was given to Further Education and Higher Education institutions in north and west Wales for their engagement with businesses, and in being flexible to shape learning to those creative businesses' skills needs. However, even here there were direct examples of schools not having an interest engaging with businesses. The new curriculum should provide a better basis for this, but it will require a change of ways of working to do so effectively, driven by school leadership.

This again outlines how hubs and clusters provide centres of coordination and better engagement. Personal relationships and key individuals within FE were identified as highly valued by businesses. As noted in the previous chapter, this engagement appears to be more complicated in larger areas where there are more institutions, including in south Wales, (with Bridgend noted as an exception) and therefore requires central coordination.

- **In implementing the new curriculum, schools should be mandated to engage with hubs and creative businesses should take part in schools careers advice.**
- **The Cardiff Capital Region (CCR) should develop a strategy for providing networks of creative SMEs and engagement processes.**

Businesses generally viewed supporting local opportunities for young people as a key part of their mission, illustrating that this is fertile soil for skills development and that businesses are very willing partners if they can be supported to engage.

Creative Clusters & Microclusters

In looking at a broad economic framework for 'Missing Middle' growth as it applies to creative business, all elements need to be mutually reinforcing.

As noted, creative industries tend toward clusters, and in Wales as elsewhere this has led UK policy to focus on urbanised development. Understandably, the demographics have focused creative industries very much on the CCR, given that it houses 6 of every 10 creative industries business, and economic policy has often been geared toward this focus.

This has distinct advantages, and Cardiff as a capital hub provides strong growth, spin off benefits for local region (including SMEs), is a centre of excellence, attracts international investment, has name recognition and promotes the Welsh brand.

Nevertheless, there is a danger that this success can encourage economic policies based around urban (and particularly city) centred policies, geared toward agglomeration.

"The potential for rural creative industries to play a greater role in economic development of rural areas has not received widespread attention, largely due to a longstanding focus on creative clusters in an urban context, both in policy and academic contexts. The very large literature on creative clusters generally characterises creative industries clusters as an urban phenomenon."[32]

In this context, a focus on cities may miss out elements of rural development and this then has a specific impact in the demography of Wales.

The creative industries Policy and Evidence Centre (PEC) have investigated creative industries in rural England, and the findings appear to be useful for our purposes. They note that focus on urban creative industries has resulted in the actual and potential contribution of creative industries for the rural and national economy being largely overlooked even though there is meaningful evidence that creative enterprises have a significant role to play in rural economies.

"We find that the drivers of clustering in rural areas are not inherently different from urban areas, apart from a weak link between rural microclustering and informal social networks. This opens avenues for place-based policy making to support microcluster formation and development on the basis of cultural regeneration alongside other forms of economic development. We argue therefore that interventions in 'levelling up' the UK based on creative clusters should champion, rather than exclude, rural creative clusters."[33]

Given that rural communities represent a third of Wales's population and a third of Wales's economic output,[34] the development of microclusters in rural areas should therefore be a priority in Wales.

Analysing this through the lens of creative 'microclusters' is a fruitful approach. NESTA defines creative microclusters as 'smaller groupings of 50 or more proximate creative organisations within a radius of 1 to 5 kilometres with an appetite for growth.' Understanding these smaller scales may provide the evidence basis to grow rural creative industries.

The PEC Creative Radar report identified 709 creative 'microclusters' across the UK, from less well known creative hotspots in Colwyn Bay in north Wales to Buxton in England. A significant number (247) are found outside the 47 established clusters. It is worth noting that companies in microclusters outside London and the South East are more likely to view access to external finance as a barrier to growth.[35]

[32] NICRE 'Mapping and examining the determinants of England's rural creative microclusters' (2022)
[33] ibid
[34] House of Lords library 'Fact file: Rural economy', https://lordslibrary.parliament.uk/fact-file-rural-economy/
[35] Siepel et al, Creative industries Policy Evidence Centre 'Creative industries Radar: Mapping the UK's creative clusters and microclusters' (PEC: 2020)

There are 15 identified microclusters clusters in Wales, and a significant degree of regional activity with 12 of the 15 outside the established 'cluster zone' in and around Cardiff. Many of the microclusters include a significant number of firms:

Table: Creative Microclusters in Wales

Area	No of companies
Bangor	85
Colwyn Bay (1)	82
Colwyn Bay (2)	86
Rhyl	71
Wrexham	137
Aberystwyth	116
Carmarthen	83
Haverfordwest/Milford Haven	89
Llanelli	88
Swansea	478
Bridgend	156
Penarth	79
Cardiff (1)	165
Cardiff (2)	439
Newport	267

Areas near the border are also relevant (e.g. Ludlow, Oswestry, Chester, Hereford)

City clusters are important – and Cardiff City Region has 60% of creative enterprises in Wales within its territory, with under half the Welsh population, and is vital to attract investment and as a centre of excellence.

However, micro-clusters can have a significant impact beyond its 'cluster area'. It should also be noted that this geographical spread of microclusters has a specific impact on Welsh Language and economy in some parts of Wales and spreads prosperity across Wales.

- **The next round of the Creative Clusters programme should look to provide a new focus on microclusters outside the urban agglomeration clusters, including the 15 microclusters in Wales (12 of which are outside the Cardiff Clwstwr area).**
- **Welsh Government should support research to better understand the impact of creative microclusters on the local economy. These projects should be geared at understanding rural/urban economic factors, and more granular understanding of interaction between Welsh language and economy.**

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Transport and Infrastructure

As SMEs are generally more embedded in their local communities, they are more affected by variance in the quality of infrastructure. Unlike larger companies, they are less able to move to areas with better infrastructure. For local economies this is a good thing, ensuring that those SMEs are not prone to capital flight, and so help local economic development, jobs and innovation. However – like individuals – they are more dependent on quality of infrastructure and on decisions and funding providing geographical equity.

Noted in our roundtable discussions were issues around public transport being available to hubs, in terms of net zero but also to access skills, especially younger people for whom car ownership and insurance is disproportionately expensive. This was also important for live venues (theatre, music) to ensure audiences could travel to and from their performances, especially in evenings. There were also discussions around net zero transitions being reliant on charging infrastructure and roads infrastructure, which made the option less viable.

We have noted that networks around the hubs seem a good model for increased engagement, building better access to expertise and interventions on specific areas (such as skills, net zero audits, and so on). However, the hubs remain highly dependent on public transport. The current Bus Bill and its implementation must ensure that business hubs and parks' needs are accounted for, and an understanding of impact taken holistically (e.g. traffic reduction, night-time economy spend, etc.) in local strategies and franchising:

- **The new Bus Bill and its implementation must address business needs as a matter of priority, including:**
    - **Transport for Wales and Local Authorities should ensure regular and reliable services to business hubs and parks, including creative microclusters.**
    - **Innovative solutions such as Fflecsi style door-to-door services to ameliorate traffic and nudge away from private car use should be explored.**
    - **Business should have a direct input, providing feedback on how timetabling impacts on access to arts, culture and the local economy.**

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Welsh Language

Our roundtables found that the Welsh Language was generally used as a matter of course, with businesses viewing it as a natural part of their branding, business plans and environment, particularly in north and west Wales. For many, bilingualism was a normal way of working in gaining contracts through Welsh institutions (S4C, BBC, but also in the public sector), and this appears to normalise its use. Those who weren't fluent or first language Welsh speakers were equally supportive where they were bidding for such contracts, and some had viewed ensuring they had language skills in their work to tender for Welsh language contracts as a competitive advantage allowing them to develop and grow.

As such there is a will and support for the language based on general business ethic. Even where some saw this in transactional terms to gain contracts (this tone was expressed by a minority), it was not viewed in negative terms. Coupled with support for providing creative work and outlets for young people in their local area – particularly expressed by west Wales and north Wales – this suggests an untapped impetus that could be harnessed for both language and economy.

Welsh language research has noted that:

"Whilst there is widespread consensus regarding the centrality of the language-economy link to language revitalisation efforts, the overall tendency is for discussion of the relationship between the two to be conducted in rather general terms."[36]

Professor Elin Royles also noted a lack of alignment between strategies to promote regional and minority languages and other governmental economic development policies. Royles suggests a more granular sectoral breakdown of economy and language link into four categories, working from areas where the link is least direct (i.e. that language used by a sector is incidental to the products or service provided) to most direct (where the service and product are intrinsically linked to the language used).

For our purposes, the important point to note is that Royles explicitly uses creative industries as the example for the category 4, with the most direct link between language and economy development, as:

'Economic developments that are specifically associated with industries and activities that are directly related to a minority language and where the language may be a condition of employment. Examples of this category include creative industries whose products are in a minority language and who operate in a minority language.'[37]

Given the historical institution building around areas of culture (S4C, Radio, publishing etc), it is to be noted too that these form clusters of activity that provide support for creatives in their area and are a competitive advantage.

The link between economy and language has been the basis of the approach for the Welsh Government Arfor project, now into its second iteration. The aim of the programme is to:

"Support the communities which are the heartlands of the Welsh language to prosper through economic interventions which will also contribute to increasing opportunities to see and use Welsh every day."[38]

The creative industries form clear microclusters across the Arfor area and Welsh language communities generally. Analysis should be made of how creative industries may (as NESTA argue) promote more creativity in their cluster areas relative to other sectors. This could provide a greater impact on growth through growing local capacity and capabilities as well as new business activity. There would appear to be room to better align this key sector to the next Arfor round of projects, alongside an evaluation and economic analysis of the impact.

- **Welsh language should be viewed as a competitive advantage, and should be intrinsically linked to economic strategy and creative industry strategy as a driver of growth and innovation, and not as an add-on.**

[36] *E Royles, 'Workshop Briefing Report 3: Language Revitalisation and Economic Transformation' available at https://revitalise.aber.ac.uk/en/media/non-au/revitalise/Revitalise---Workshop-Report-3---FINAL.pdf*
[37] *ibid*
[38] *Arfor project, information at https://www.rhaglenarfor.cymru/index.en.html*

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Wales and Welsh in the World

FSB Wales believe that failing to link economy and language is missing a trick when it comes to looking at Wales's brand internationally.

In strategies, we tend to see the Welsh language being bolted on rather than seen as intrinsic to an economic discussion. Even when there is critique this is also the case – the Senedd Cultural Committee report noted for example that:

'We are clear that there is a cultural benefit to funding Welsh language films which outweighs the demands for a commercial return on investment. Welsh language films promote our country and establish our identity on a global stage. The uniqueness of our cultural offer cannot be quantified financially.'[39]

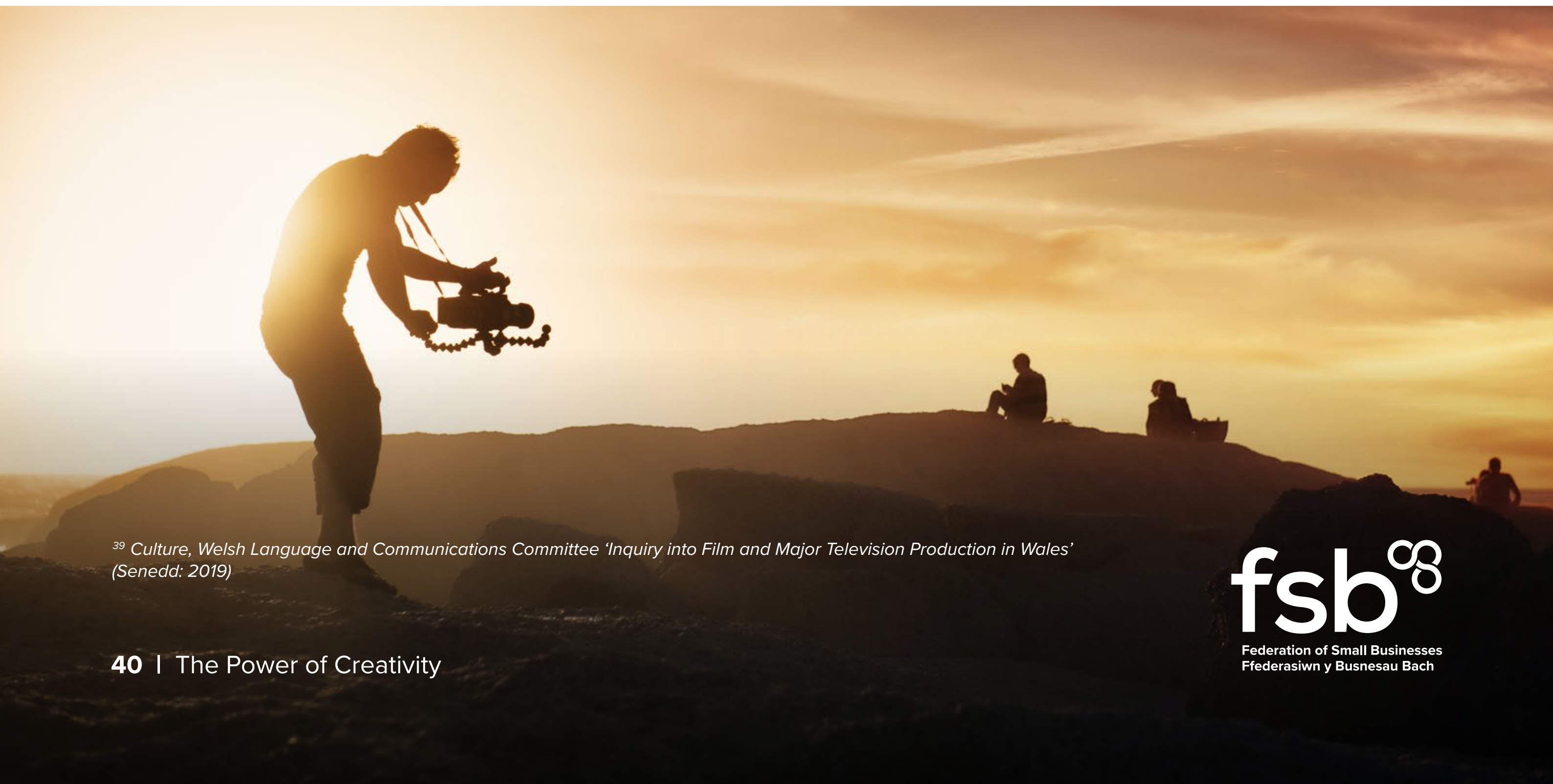
While this is well meaning and correct in so far as it goes, it also tends to posit a defensive position when relating Welsh to the economy, that its value is important despite the economy.

If we are taking the Future Generations aims seriously – and take the Future Generations Commissioner's recent criticism that art and culture are the least well supported of the Future Generation well-being goals – then we need to reverse that position and note this is potential untapped economic value and a competitive advantage. The position of the language within creative industries should then follow from this principle.

There are numerous examples in TV and music of such international success – and these should not be seen as exceptional but as proof of potential value and a receptive global audience.

Minority languages can now potentially reach a far greater audience globally, and an audience that is generally more receptive to media in languages other than their own, in some cases with very little in terms of production or distributions costs. From South Korean K-pop, films and TV kickstarting a wave of Korean language learning courses in USA, to Scandi-noir dominating TV detective tv in the 2010s, to 'world music' no longer being a go-to description of non-English language pop, there is a greater degree of openness to international minority languages than was ever the case. The Super Furry Animals' 2000 Welsh language album 'Mwng' breaking into the top 10 in the UK would not be seen as so surprising now. As Guto Harri noted of programmes such as Byw Celwydd and 'Y Gwyll/Hinterland':

"[it] sold to TV formats all over the world—to Japan and China. So, it is a fantastic success story and something which, for me, is too rare in Wales—a thriving independent sector of small producers. ... We should have the confidence to think that these are great organisations; they should be unleashed, encouraged to grow and encouraged to make the most of it."



[39] *Culture, Welsh Language and Communications Committee 'Inquiry into Film and Major Television Production in Wales' (Senedd: 2019)*

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In other words, a missing middle approach can be exemplified in Welsh language creative industries by linking and coordinating the local economic focus on creative microclusters to build businesses up. Alongside this, the wider international brand strategy must look to grow exports and 'internationalise' as SMEs to tell stories from Wales.[40] Having stories from Wales – including in Welsh – has a value that can be marketed and shared with global markets.

- **The UK Government should look to further develop and expand R&D tax reliefs and incentives for creative industries, as those already in place – such as the Audio-Visual Expenditure Credit (AVEC) and Video Games Expenditure Credit (VGEC) - have been highly successful.**
- **UK Government should explore how a larger % of R&D funding can be targeted at creative industries by ensuring humanities and social sciences are no longer excluded from UK's R&D definition, following OECD best practice, and ensuring IP for design and copyright is given parity of esteem with patents.**
- **UK Government should adopt FSB's call to spend the equivalent of at least 10% of the overall R&D budget on the diffusion and adoption of innovation and set a target that at least half of all direct R&D funding goes to SMEs. This should also apply to Wales.**

AI

Uncertainty around the significance of AI and its use generally among the SME community is reflected in the creative industries. Many would benefit from practical training to reduce admin time and costs. Specifically for creatives, there are potential uses of AI for creative events, performances and products, and these could be facilitated through proactive development of networks of AI experts that other creatives can access.

In general, governments should follow FSB's recommendations from its Redefining Intelligence report, including issues around copyright and enforcement. In the particular context of the creative industries in Wales:

- **UK and Welsh Government should include AI information and training across support programmes emphasising its practical and creative use at the firm level.**
- **Creative Wales should work with the clusters to proactively develop networks of AI experts that other creatives can access to explore new ways of using tech in creative products and events for creative SMEs in a way that levels the playing field.**
- **FSB's 'Redefining Intelligence' report's recommendations on AI should be adopted, including:**
    - **Legislation that ensures that all AI created output clearly outlines that the content has been AI generated and a review into the use of AI and copyright and establishing auditing of AI use.**
    - **AI skills and tech adoption should be encouraged among SMEs through an independent UK body that provides policy recommendations, an Automation Fund, and a section on the successful use of AI within businesses within management courses (such as Help to Grow).**

[40] See both FSB Wales's reports: 'Internationalising Welsh Business' (2020), https://www.fsb.org.uk/resources-page/final-internationalising-welsh-businesses---trade--investment-and-export-pdf.html ; 'Welcoming Communities' https://www.fsb.org.uk/resource-report/welcoming-communities.html#:~:text=The%20title%20of%20'Welcoming%20Communities,stories%2C%20marketing%2C%20and%20strategies.

Conclusion

What is Creativity Worth?

The renowned poet and activist Maya Angelou famously said of the creative process:

"You can't use up creativity.
The more you use, the more you have."

She was referring to the individual creative level of course. But it is logical to reframe that question to economic and social terms. What does the 'using more' creativity and 'having more' creativity mean to our economy, and to our society?

In economic terms, viewing 'creativity' as something that 'can't be used up' is to view the concept as a 'capacity' that is built up, rather than lost. Applied to SME creatives, this brings in a policy perspective geared around building capacity, bringing innovation to bear within their businesses, learning by doing and bringing in new skills.

Moreover, growing creative firms brings greater creativity to other non-creative industries and becomes a driver for development and growth. Increasing the activity and capacity of creativity also links economic growth with culture, and the wider aims and well-being goals within the Future Generations Act.

The key economic question is 'how do we create more opportunities to 'use more' and therefore 'have more' creativity in Wales?' For government policy, there is a key role for the Welsh Government to play in supporting SMEs in the creative industries to flourish by removing barriers to doing creative work and creating opportunities and spaces for individuals, SMEs and communities to do so. In terms of fiscal support, they can help SMEs to grow and develop by ameliorating issues with access to finance and providing effective business support.

Education is of course a critical enabler. The education system must provide opportunities to develop relevant skills and recognise the creative industries as a key economic growth sector in terms of careers advice and partnerships between education providers and businesses.

It is also important to acknowledge the key role hubs and networks play for SMEs, including the arts and culture institutions that are often centre points around which clusters of creative SMEs coalesce. They help creative SMEs gain more work opportunities, and to work with others to maximise their offer in larger contracts. We found these had been vital to businesses in all areas, but that the opportunities for such informal networks appeared to be fewer for businesses in Cardiff roundtables. This should therefore be a policy priority in terms of support and resource.

In the end, creatives and creative SMEs should be proud of their economic contribution – at the macro level the economic case is clear, and the main policy interventions need to be maximising that value. The Cardiff cluster area – as home to 60% of creative industry businesses - is a vital centre of expertise and magnet for investment, coalesced around institutions such as BBC and building huge film and tv capacity over the years. However, the impact for our communities across Wales – looking at this through the microcluster lens developed by Nesta – could have a huge effect if harnessed more strategically and aligning policy towards these ends.

Creative industries should also be proud of the social contribution of the sector. Few would dispute their importance to our well-being, which was made stark during the Covid pandemic and their role in keeping people active and providing community hubs and social contact.

FSB Wales have noted concerns that annual budget processes do not adequately reflect the holistic Future Generations approach when it comes to support for SMEs and economic development, but rather remains caught in departmentalism and immediate pressures, with an understandable focus on the health budget. A Future Generations approach would need to ask whether there are aspects of health (and so health budget) that should be targeted to support creative work, creative opportunities and creative economy given their clear benefits in terms of wellbeing.

If the more creative things you do, the more you have, and the more impact it has on us all, it would seem to be a very good future investment.

fsb.org.uk/membership/fsb-regions-and-nations/fsb-wales.html

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