



UK Music response to:

Classifying and Measuring the Creative Industries Consultation on Proposed Changes

June 2013

Executive Summary

1. UK music welcomes this consultation and applauds DCMS for initiating it. We wholeheartedly agree on the importance of improving data relating to the creative industries.
2. Accurate industrial and economic statistics are essential in order to know the makeup of the UK economy and its constituent parts, to track trends and understand how the economy is changing, and to inform policies to encourage growth.
3. Data of this kind should aid the provision of all kinds of infrastructure, from education and skills to planning policy to financial services and fiscal tools and transport.
4. The more granular the data, the more sound the analysis is likely to be. The more granular the data, the better providers are able to design supply to meet demand.
5. An imbalance in the degree of granularity can be problematic. A high level of granularity in data relating to some sectors (but not others) may lead to an over-emphasis on sectors where data is strongest, because needs are most easily apparent, but perhaps not most urgent.
6. The creative industries have outperformed the economy as a whole for nearly a decade. They cited by analysts as one of the growth sectors of the future. The UK is identified as having a competitive advantage in its creative industries.
7. Investment is often used as an indicator of innovation, and innovation is often cited as a driver of growth. Investment by UK businesses in knowledge and intangibles was 34% greater than tangible investment in 2009 (£124.2 bn and £92.7 bn respectively, according to a Nesta working paper in July 2012).

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8. Investments in creative intangible assets accounted for over 40% of overall investment in intangibles in 2009, compared with R&D which accounted for just 13%, according to the Nesta Manifesto for the Creative Economy.
9. Meanwhile, investment in artistic originals was estimated to be £5.1 billion in 2009. Investment in music estimated to be £1.3 billion, according to the IPO document: Updating the Value of UK Copyright Investment June 2012.
10. Music therefore accounts for 1% of all UK investment in intangibles, and 25% of all investment in artistic originals. The UK is a net exporter of music, and second only to the United States as a source of global repertoire.
11. Yet for all the importance of the knowledge based industries in general, the creative industries in particular, and the music industry as a highly-performing sector on the world stage, data relating to the creative industries is not keeping up.
12. The music industry is poorly served by the SIC and SOC codes used as building blocks to define and measure industrial activity in the economy. Problems in underlying data sources and classification codes are so severe as to be crippling. We warmly welcome the DCMS's openness to how measurement can be improved.
13. However, we fear that any improvement in how the music industry is defined and measured will prove impossible, so long as SIC and SOC codes are used as the buildings blocks for classification and measurement.
14. In the short term, we urge DCMS to accept the impossibility of measuring the music industry using existing SIC and SOC classification codes as the building blocks. An accurate and robust alternative dataset will soon be available from UK Music. We urge DCMS and ONS to work with UK Music to incorporate this data into national statistics and the creative industries economic estimates.
15. In the longer-term, we need a permanent solution. DCMS should commit to the goal of a new set of SIC and SOC codes which reflects the rapidly changing music industry.
16. In the intervening period, UK Music, DCMS and the ONS should continue to work together to try and ensure that businesses, sole traders and freelance workers in the music industry are identified counted, and classified in the best possible way.

Consultation Issue 1: What are your views of using the Creative Intensities methodology to underpin the DCMS Creative Industries classification?

17. The creative intensity methodology is an impressive approach given that it is based on careful analysis and testing, and is as far as possible, data-informed and transparent. It is a valuable contribution to the thinking in this area and advances the quality of the debate.
18. UK Music's primary concern is that the creative intensity methodology use SOC and SIC codes as the building blocks to define and measure the creative industries, applied to employment and industry data collected by the Office of National Statistics.
19. Were there a perfect match between SOC and SIC codes, and the actual occupations and industries as they exist in the real economy, and were the data collected by the ONS better able to identify small and micro businesses, sole traders and freelancers, then the creative intensities methodology would work in the way that it is intended to work.

20. The current SIC and SOC code system does not work at all well for the music industry. Any attempt to define and measure the music industry using SIC and SOC codes will be doomed to fail. The problem rests with the underlying classification infrastructure, not with the creative intensities methodology per se.
21. It is difficult for any statistical authority to accurately count very small entities in the economy. Small and micro businesses, sole traders and freelance workers are easily missed because they do not carry the same registration and reporting obligations as larger companies. While estimates for these very small entities can be made at whole economy level, it is much more difficult to make an accurate estimate for them at industrial level. Given that the music industry has a much higher concentration of these very small entities than the average, the margin for error in making estimates for them is that much greater.
22. Finally, the creative intensity approach raises a conceptual conundrum. We fear that the creative intensity approach makes it harder rather than easier to encapsulate what it is that makes the creative industries the creative industries. Intuitively, the mark of distinction among the creative industries which distinguishes them from other knowledge-intensive industries is that the creative industries are concerned with artistic expression or entertainment of one form or another. The loss of any reference to this element makes it much harder to differentiate the creative industries from other highly creative disciplines such as R&D, parts of the IT sector and many strands of scientific inquiry and research.
23. Any definition that the DCMS adopts for the creative industries should resonate with the creative industries themselves. Conceptually, the music industry understands itself to be comprised of the individuals and businesses focused on the creation and commoditisation of its chief commercial assets: musical compositions, sound recordings, live performances, and the 'brand' values associated with the artists. This conceptualisation encompasses both the "creative" part of the definition and the "industry" part.

Consultation issue 2: what are your views of the list of Creative Occupations as defined [in the paper]? Are there occupations which have been included which you think should not be? What evidence do you have (if any) to support your view on inclusions or exclusions? Please note: we can only consider occupations for the list if they are stated in terms of the SOC system.

24. The "Please note" sentence says it all. If DCMS constrains itself to defining and measuring the creative industries by the existing SOC codes, rather than the measuring the actual occupations as they exist in the economy, any improvement in how the music sector is defined and measured will be impossible.
25. Most people working in the music industry would struggle to identify a SOC code that describes their occupation.
26. The exception to this is the SOC code 3415 – musicians. This code also covers composers and songwriters. According to the DCMS consultation paper, there are an estimated 37,000 people working in occupations coded to 3415. However, PPL, which distributes royalty income arising from certain commercial exploitation of sound recordings, has 65,000 individual performer members. In addition, PRS, which distributes royalty income arising from certain commercial exploitation of compositions, has more than 76,000 individual writer members. While there is some overlap (those

who both compose and perform their own music), the employment statistic quoted in the paper is clearly inaccurate.

27. Musicians and composers make up only a small proportion of music industry occupations. Yet there are no other SOC codes to describe these other occupations. The upshot is that many end up shoe-horned into poorly-fitting codes that do not pass the creative intensity test. They therefore remain invisible in estimates of creative employment.
28. For example, someone describing their occupation as running a record label would be coded to 3545 – “sales accounts and business development managers” because this code encompasses label managers. Most record labels are small independents with fewer than 10 employees. Many record labels are even smaller, perhaps just two or three people carrying out a number of functions from the highly creative A&R talent spotting function through to commissioning and managing the production of sound recordings, music videos, music merchandise, album artwork, website, plugging, tour support, and so on. Code 3545 does not meet the creative intensity test which the DCMS proposes to use.
29. Many others working to promote, protect, or manage a specific catalogue of sound recordings or musical repertoire would very likely fall under the SOC code 4161 – office manager – a code that encompasses managers of copyright. People working in these occupations typically work in record labels, music publishers, music aggregators, and music collecting societies. Code 4161 is generic and does not meet the creative intensity test which DCMS propose to use.
30. Festival organisers like those putting on Glastonbury or T in the Park are coded to 3546 – “conference and exhibition managers” – again, not a creative SOC code.
31. Those working for music publishers like Warner Chappell or Universal Music Publishing, and music promoters like Live Nation and AEG Live, would also be coded to 3545 – not a creative SOC code.
32. There is no obvious SIC code to describe music managers, the individuals who work most closely and intimately with an artist across every facet of their lives. We could go on and on.
33. The 25 SOC occupations which pass the creative intensities threshold will exclude a very large number of people working in *creative* occupations in the music industry. All those working in record labels, music publishing, music promotion, music festivals, and music collecting societies – and perhaps many other music occupations such as artist management -- will be excluded. This is because no dedicated SOC codes exist for such occupations, and so they are shoe-horned into ill-fitting generic SOC codes which do not meet the creative intensity test.
34. This is wholly unacceptable to UK Music, and should be unacceptable to anyone concerned with accuracy in the measurement of the creative industries.
35. In many other cases, one single SOC code will be used to classify a number of very different occupations. For example, a renown music producer working with the world’s biggest recording artists would be classified to code 3416 – “arts officers, producers and directors.” He or she would share the same occupational code as someone coordinating the use of editing facilities at a television company. They would also be indistinguishable from a radio producer, a theatre producer, or a film director – all vastly different occupations requiring wholly different skills and talents. This same code is

used to describe someone who books variety performers for weddings. It also includes theatrical agents, model agents, film agents, and even “fight arrangers”.

36. SOC code 3417 includes photographers but it also includes the highly specialised sound technicians and engineers working on a master recording in a music studio.
37. When trying to count employment in the music industry, how is it possible to count the music producers in code 3416 but not the fight arrangers who also share that code? How is it possible to count the sound engineers, but not photographers, who also share code 3417? No clarity is provided in the consultation paper for how this challenge can be overcome.
38. Rather than make the case that generic SOC codes like 3545 and 3546 should be included, which might have the unintended effect of including many non-creative occupations in non-creative sectors, we propose that DCMS commit to a campaign to improve the underlying SOC and SIC classifications for the music industry. We appreciate this could take some time and will require much international coordination.
39. In the meantime, DCMS should make a commitment to adopt a better, alternative approach to defining and measuring [at least] the music sector until improvements to the international SIC and SOC classifications are made.
40. UK Music specifically propose that Government and statistical authorities work with UK Music (and any other body) that collects economic data on their respective sectors and incorporate this data into the national accounts and creative industries economic estimates.
41. Finally, from a purely conceptual perspective, the inclusion of SOC codes 1136, 2135 and 2136 in the list of creative occupations – relating to the IT sector – appear odd, as does 2432 – town planners. More clarity is needed to justify the inclusion of an IT business analyst or an IT director, but not the lead researcher in the development of a new vaccination; a physicist developing new theories on particles; a psychiatrist researching new therapies for post-traumatic stress disorder; an astronomer pushing back the frontiers of knowledge of solar systems. All are creative, novel, mechanisation resistant, interpretive occupations. All are knowledge-intensive and ideas-driven. What is it that differentiates the creative industries from other ideas-driven sectors, if not the element of art or entertainment?

Consultation issue 3: what are your views on the list of sectors as defined [in the document]? Are there any sectors which have been included which you think should not be? Are there sectors which have not been included which you think should be? What evidence do you have (if any) to support your view on inclusions or exclusions? Please note: we can only consider occupations for the list if they are stated in terms of the SIC system.

42. It is unclear as to how the transition is made from SOC code at occupational level, to SIC code at industrial level. Which SOC codes ‘belong’ to which SIC codes? For example, if one SOC code includes those working in occupations across four different industry sectors, how can they be accurately apportioned to employment estimates for their corresponding industry?
43. For example, Figure 2 on page 12 of the DCMS consultation document lists the proposed industries to be included in the creative industries definition. SIC code 59.20 – sound recording & music publishing activities – is amongst them. The table estimates total employment in this sector of just 13,000. Of these, just 5,000 workers are deemed to be working in creative occupations. This is perplexing. How did those who

responded to the LFS describe their occupations, and how were they coded? To which SOC code do those 5,000 creatively employed workers belong?

44. Figure 1 on page 10 estimates there to be 37,000 musicians. These 37,000 musicians are obviously not counted in estimates of employment relating to “sound recording & music publishing activities”. So if these musicians are not engaged in “sound recording and music publishing activities,” in which industry are they working? It is confounding to learn that musicians are not part of the music industry.
45. If the 5,000 workers engaged in creative occupations relating to “sound recording & music publishing activities” are not musicians, which of the 25 creative SOC codes listed in Figure 1 to they belong? There is absolutely no indication.
46. According to Figure 2 on page 12, a further 8,000 people working in “sound recording & music publishing activities” work in non-creative occupations. Are they really non-creative occupations? Or is it the case that many are indeed creative occupations for which there is no obvious SOC code, and so they get coded to a generic non-creative code? Our analysis strongly suggests the latter.
47. The modern music industry is many-faceted with music businesses engaged in a wide range of highly specialised activities. The lack of granularity in SIC codes to describe and reflect the modern music industry results in many music businesses (as well as workers) being coded to other sectors --- some of which may appear in the final list of creative industries --- many of which may not.
48. Our own analysis indicates that the *majority* of music businesses engaged in “sound recording & music publishing activities” – and by this we mean record labels and music publishers – are not currently coded to 59.20.
49. UK Music ran a matching exercise with the Office of National Statistics. UK Music provided a database of 9,435 record labels and music publisher companies to the ONS, who then checked to see if these companies were on the national business register – and if so, how they were coded. Of the 9435 businesses, only 1,267 were correctly coded to 59.20 “sound recording and music publishing activities.” We do not know which codes the other businesses were allocated.
50. Furthermore, the vast majority of music businesses are very small or micro companies, and the music industry has a higher proportion of sole traders and freelance workers than the average sector. They typically earn income from several different sources, for example, through their own company (as a sole trader), from irregular freelance work, from royalty payments, and/or on a contractual or work-for-hire basis. Together, these payments may sustain a career, but no single source may be significant on its own. Unless a business is VAT registered and employs workers using PAYE, the company is very unlikely to appear on the national business register (IDBR). Our own analysis suggests that a significant minority of music businesses may not appear on the national business register, and so will not appear in any measurement that uses SIC codes.
51. In our matching exercise with the ONS, of the 9,435 businesses submitted, 4,072 were not matched to the IDBR. Further analysis is required to ascertain why almost half of the businesses on the database were not matched to the IDBR. Some non-matches are due to problems in the matching software used, where lines of address don’t match up. Some non-matches are due to incomplete addresses being supplied. We do not know how many non-matches are due to the business not being on the IDBR anywhere, because the company does not use a PAYE scheme or is not VAT registered.

52. The cumulative effect of music businesses being either wrongly-coded or not counted at all (because they are not on the IDBR) is that the *majority* of music businesses will not be included in the DCMS' measurement of the creative industries.

Consultation issue 4: what are your views of the list of groupings as shown [in the consultation document]? Are there other groupings which you think would be preferable, given the SIC codes available to match together in these groupings?

53. The lack of granularity in SIC codes makes it impossible to identify the live music sector as distinct from the performing arts or the visual arts. Therefore, by necessity, and to avoid having to separate musicians from the music industry, the whole of the music sector is grouped together with the whole of the performing arts sector and the whole of the visual arts sector. This is wholly unsatisfactory for all parties.
54. The impossibility of disaggregating these disparate sectors is problematic because it makes it impossible to analyse them on a sectoral basis. This 'lumping together' makes it impossible to discern the specific needs of each sector, to chart trends, to measure the impact of policy interventions or technological developments, to design the highly specialised skills and training provision needed, to design fiscal tools and financial services to meet very different requirements, and so on.

Consultation issue 5: do the SIC and SOC codes adequately and accurately capture the full range of activity within the creative industries? If not, how would you better define the SIC and SOC codes?

55. Problems in underlying classification codes are so severe as to be crippling. We urge Government statisticians to confront this fact head on. To replace the old system of definition and measurement with a new system without addressing the underlying structural problems will only replicate problems.
56. We are wholly sympathetic to the desire to produce data that allows for comparisons with other sectors, with other countries, and over time. But when the conflict between accuracy and comparability is so great as to render one or the other impossible, the goal should be accuracy. UK Music believes the first priority should be to define and measure industry as it actually exists in the economy.
57. We urge DCMS to accept the impossibility of measuring the music industry using existing SIC and SOC classification codes as the building blocks. It is not a matter of it being a little wrong, but still serviceable until improvements can be made. Any attempt to measure music using current building blocks will lack any credibility.
58. An accurate and robust alternative estimate of the music industry's employment, exports and contribution to GVA will soon be available from UK Music. UK Music urges DCMS and ONS to work with us to incorporate this data into national statistics and the creative industry economic estimates.
59. In the longer term, UK Music wants to see the adoption of a new set of SIC and SOC codes that accurately describe the music industry and the range of occupations of those working in it.
60. We have responded separately to the review of industrial and occupational classification systems led by Mark Spilsbury and Catherine Godward to argue for the need for change. UK Music will continue to press for change and we hope and expect to be

joined in this effort by DCMS, ONS, and other creative sectors in order to secure international agreement.

61. The next step is for UK Music to consult in more depth with its members and produce a new list of SIC and SOC codes that will accurately and comprehensively detail our sector. We will make this readily available.

Consultation issue 6: what indicators do you find to be of value in your work? Do you collect data against these indicators on a regular basis, and if so, how do you do so?

62. UK Music will be soon be publishing a report (expected autumn 2013) which will define the music industry and report on its contribution to the economy in GVA, employment and exports.
63. Where possible, we will provide a geographical breakdown of these indicators, as well as a breakdown of contribution by the different parts of the industry.
64. We intend to repeat this study on an annual basis, but this is the first time that the music industry has attempted to report on its economic contribution so comprehensively, drawing upon data directly from the industry itself.
65. We have already met with statisticians and economists from DCMS, DBIS, IPO, NESTA, and ONS to discuss how we are collecting this data and the methodology employed. The work is also being subjected to peer reviewed. We will document the methodology in the report so that our approach is transparent and replicable.
66. UK Music is also soon to publish a report on the contribution that live music makes to tourism in the UK.
67. In addition to these indicators, we would be interested to know the value of copyright to the economy – how much revenue is generated by the commercial exploitation of the UK's copyright assets, how much of that is export driven, and how much employment does it sustain? What is the UK's market share of the global consumption of copyright protected works?
68. We would also be interested in economic forecasting. The UK's creative industries are recognised as growth sectors. Where will this growth come from? If consumption of the UK's copyright assets grows by a particular percentage point in key markets like the United States, what impact will that have on the UK's economy? What would be the impact of growth by higher percentage points in the BRIC countries?
69. Just as targets have been set to increase international tourism to the UK in order to boost economic growth, alongside strategies to meet those targets, shouldn't policy-makers set targets to increase international consumption of the UK's copyright assets to boost growth?
70. That such data does not already exist seems remiss at a time when so much effort is being focused on economic growth.

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Annex:

UK Music is the umbrella body representing the collective interests of the UK's commercial music industry from songwriters and composers to artists and musicians, studio producers, music managers, music publishers, major and independent record labels, music licensing companies and the live music sector.

UK Music's membership comprises of:-

- AIM – Association of Independent Music - representing over 850 small and medium sized independent music companies
- BASCA - British Academy of Songwriters, Composers and Authors – with over 2,000 members, BASCA is the professional association for music writers and exists to support and protect the artistic, professional, commercial and copyright interests of songwriters, lyricists and composers of all genres of music and to celebrate and encourage excellence in British music writing
- The BPI representing over 440 record company members
- MMF - Music Managers Forum - representing 425 managers throughout the music Industry
- MPG - Music Producers Guild - representing and promoting the interests of all those involved in the production of recorded music – including producers, engineers, mixers, re-mixers, programmers and mastering engineers
- MPA - Music Publishers Association - with 260 major and independent music publishers in membership, representing close to 4,000 catalogues across all genres of music
- Musicians' Union representing 30,000 musicians
- PPL is the music licensing company which, on behalf of over 75,000 members (65,000 performer members and 10,000 recording rightholder members), licences the use of recorded music in the UK
- *PRS for Music* is responsible for the collective licensing of rights in the musical works of 95,000 composers, songwriters and publishers and an international repertoire of 10 million songs
- UK Live Music Group, representing the main trade associations and representative bodies of the live music sector