

Large creative employment in a region associated with higher levels of entrepreneurship and regional growth

A recent publication in the MPI Working Paper Series from scholars at and affiliates of the Martin Prosperity Institute examines whether a metropolitan environment that is conducive to creative employment is also conducive to entrepreneurship (which can be seen as a creative act). For the purpose of the study, “entrepreneurship” is defined as the formation of a new place of work, or, more precisely, the birth of an establishment (a single physical location at which business is conducted); meaning that it is not only the utilization of previously acquired skills and training, but also a disposition to engage in a creative act. The research explores the impact of the presence of Creative Class workers in a region on the components of growth across regions.

The analysis comes in response to recent scholarship on economic growth, which has highlighted the importance of innovation and innovation as engines of economic growth. However, the creation of knowledge is not sufficient to create wealth; novelty — technological, procedural, or organization — has to be recognized, utilized, and commercialized. As a result, entrepreneurship — the transformation by profit-motivated agents of discoveries and innovations, large or small, into goods and services offered in the marketplace — is now seen as another crucial input in the generation of economic growth.

To help quantify the relationship between economic growth, creative metropolitan regions, and entrepreneurship, the publication, *Are Creative Metropolitan Areas Also Entrepreneurial?* uniquely uses the American data about firm growth and new firms at the regional level. In order to adequately measure entrepreneurship, one needs dynamic data at the establishment level, and the National Establishment Times Series (NETS) database built by Walls & Associates provides this type of data. Basically, NETS is a longitudinal (panel) database linking data for individual establishments through time. The NETS measures the birth and death of establishments, and the change in employment associated with establishments’ births and deaths, the expansion and contraction of existing establishments, and the movement of establishments in and out of an area. Overall, the NETS database contains almost 37 million records for U.S.-based establishments that existed anytime between 1990 and 2008 (18 years).

Resultant statistics and econometric analysis enable the assertion that a regional Creative Class is positively associated with the growth in the number of establishments in that region and the components of that growth. Further, the size of the creative workforce in a region is positively and significantly associated with the total establishment growth in a region, the number of new opened establishments and the expansion of existing establishments.

Effect of an Increase in Creative Occupation on a Region (Net New Establishments)

Portion of the Labour Force (Employment)	Effect
Arts, Design, Media	+
Management	+
Life & Physical Sciences	0
Education	0
Law	0
Health Professions	0
Computers & Mathematics	-
Architecture & Engineering	-
Business & Finance	-

While the overall results show a positive relationship between regional Creative Class employment and levels of entrepreneurship, a more detailed analysis show that entrepreneurship has a statistically significant positive relationship with regional employment in management and arts, design, and media employment. It has a statistically significant negative relationship with regional employment in computers & mathematics and architecture & engineering.

To learn more of the results of this analysis, check back in the coming months as the article is currently under review at *Regional Science Policy and Practice*.
<http://www.wiley.com/bw/journal.asp?ref=1757-7802>

The [Martin Prosperity Institute](#) at the [University of Toronto's Rotman School of Management](#) is the world's leading think-tank on the role of sub-national factors—location, place and city-regions—in global economic prosperity. Led by Director [Richard Florida](#), we take an integrated view of prosperity, looking beyond economic measures to include the importance of quality of place and the development of people's creative potential.