Melbourne—Is there Life after Florida?  

MIKE BERRY  
RMIT/NATSEM Research Centre of Australian Housing and Urban Research Institute, Melbourne, Australia  
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ABSTRACT  In his widely read book, *The Rise of the Creative Class*, Richard Florida argues that dynamic fast-growing city-regions are those that manage to attract and keep creative workers and entrepreneurs. In this view, the conventional drivers of regional development—efficient economic infrastructure, a large, skill-differentiated, well educated, fed and housed workforce and an existing accumulation of capital assets—are still necessary conditions for rapid growth but they are no longer sufficient to guarantee sustainable growth in today’s highly integrated and competitive world. Growth increasingly depends on the collective and cooperative creative capacities of the people who live and work in particular cities or regions. This article outlines Florida’s analysis, looks at how it can be applied to Melbourne’s development and provides a critical view of how relevant and useful such an analysis is.

KEY WORDS: Creative class, regional development, innovation

What Drives Successful Regions?  
In his widely read book—*The Rise of the Creative Class*—US regional development planner, Richard Florida (2002), argues that economically successful cities are those that manage to attract and keep creative workers. In the current global economic environment, Florida claims, successful and dynamic regions are so because they ‘manufacture’ competitive advantage in an increasing number of industries across the region. Knowledge and its uses generate productivity gains that feed competitive advantage and *innovation*—new products, new industrial processes and new, more efficient forms of organisation—in turn, underlies productivity growth. The key to continuous innovation—itself a radically discontinuous, wavelike process—lies in the creative capacities of the region’s citizens.

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and competitive world. Growth increasingly depends on the collective and cooperative creative capacities of the people who live and work in particular cities or regions.

This article first outlines Florida’s analysis, then looks at how it can be applied to Melbourne’s development and finally, provides a critical view of how relevant and useful such an analysis is.

The Creative Class

Florida offers a three-class model of the advanced industrial economy, based on labour force location:

- **The traditional working class**—people working in the ‘old’ mainly manufacturing industries and the transport sector—cars, chemicals, steel, textiles, logistics and the like.
- **The service class**—workers employed in a diverse range of industries like food preparation, hospitality, tourism, retail, healthcare, etc., often in low paid, sometimes casual jobs.
- **The creative class**—divided into:
  - ‘the super-creative core’, including people working in science and engineering, the creative industries, media, publishing and new media, the design professions, research and development (R&D), ICT and digital content, advanced manufacturing and the like and
  - ‘the creative professionals’ in business, finance, the law, advertising and healthcare who provide value adding services for the creative core.

Florida argues that the creative class, in the broad sense, now accounts for almost a third of the total US workforce—and rising! Figure 1 demonstrates this point.

The size, composition and growth of a city’s creative class are, for Florida, the critical drivers of relative economic success. Cities that lag behind in attracting or developing their own ‘creatives’ risk falling behind in the economic race. The most important challenge for policy makers then becomes to first identify what features and conditions of the urban scene are most likely to attract and keep the creative class and secondly, to ensure that those conditions are put in place and maintained.

![Figure 1. ‘Class structure’, 1900–99, USA (percentage of total workforce). Source: Florida (2002).](image-url)
The Growth ‘Magnets’

What is it that attracts members of the creative class to one city rather than another? Florida suggests six such magnets, all of which are to some degree influenced by public policy.

1. ‘Thick’ labour markets. Large metropolitan regions like Melbourne have a diverse range of jobs at each level of skill and remuneration. This facilitates ‘horizontal’ as well as ‘vertical’ job mobility. Increasingly, innovation comes from sideways movements as workers and entrepreneurs seek to switch new technologies from one area to another. New niches can be carved out, some of which evolve into new and lucrative markets for the ‘first movers’.

2. Lifestyle. Traditional divisions between work and play tend to break down in creative occupations. ‘Creatives’ value time above all else and look for environments in which work spaces, living spaces and recreational or cultural spaces overlap—both in time and space. Vibrant 24 hour cities with a safe, accessible and diverse nightlife scene and easily accessed natural environments of high aesthetic and recreational quality powerfully attract time-stretched creative workers.

3. Social interaction. Creativity thrives on social interaction, the irregular exchanges between strangers and with work colleagues in places like cafes, pubs, the gym and on the bike path, as well as in the workplace. Large cities with strong cultural and leisure assets and planning policies that protect and enhance this inheritance, are most likely to support these sorts of land uses, often clustered in particular well-known precincts.

4. Social diversity. Creativity knows no ethnic, national or gender bounds. Cities that welcome and cater for people from a range of minority groups are most likely to gain from the creative skills and commitment of all their members. More importantly, an open, diverse and tolerant society serves as a clear signal to creatives from all walks of life—this is a city that values what you can do not who you are. Diverse cities are safe places in which strangers interact on equal terms. Diverse cities support unusual and unexpected exchanges, with the potential to spark new productive synergies and recurrent but unpredictable bursts of innovation.

5. Authenticity. Creative workers, Florida claims, value ‘authentic’ as opposed to manufactured urban experiences. Cities that guard their cultural and environmental heritage, that protect mixed use precincts, that allow urban growth to occur in a piecemeal and ‘organic’ fashion—these cities are most likely to be attractive to creative people across all sectors of the regional economy.

6. Identity. As traditional anchors of individual identity lose their potency—the family, the large organisation, the political party—identity tends to be tied more to the individual career trajectories of people, especially those in the creative class, and the places they choose to live and work. Identity can be conceived as tied to both the home city at large and particular places within it.

Together, these six factors determine ‘the quality of place’. High quality places attract and keep highly creative people who, in turn, drive local and regional prosperity.
How do we Measure ‘the Quality of Place’?

Florida has devised a number of measures or indices that indicate, he suggests, the relative extent to which individual city-regions measure up in the race to grow a local creative class. Looking across the USA, he finds a high positive correlation between cities that rank high on the various indices and cities that are prospering in terms of growth in gross regional product, employment growth and rising average earnings.

He proposes the following indices:

- The creative class index: defined by the proportion of the region’s total workforce employed in ‘creative core’ and ‘creative professionals’ occupations.
- The innovation index: defined by the number of new patents registered in a region in a given time period per capita.
- The high-tech index: defined by two factors: (1) the region’s high-tech industrial output as a percentage of the high-tech output of the country as a whole; (2) the percentage of a region’s total output that comes from high-tech industries compared to the national average.
- The diversity index (also called the gay index): defined by the proportion of same-sex couples in the nation who live in a region divided by the proportion of the national population who live in that region. A ratio greater than one means that gay people are over-represented in the region; a ratio less than one implies under-representation.
- The bohemian index: defined by the proportion of artistically creative people (e.g. actors, painters, performers, filmmakers, writers, etc.) in the nation who live in a region divided by the proportion of the national population who live in that region. A ratio greater than one means that ‘bohemians’ are over-represented in the region; a ratio less than one implies under-representation.
- The talent index: defined by the region’s share of people with an undergraduate university degree or higher.
- The melting pot index: defined by the region’s relative share of foreign-born people.

In addition, Florida offers the following composite index:

- The creativity index: combining the four equally weighted indices: the innovation index, the high-tech index, the gay index and the creative class index.

How does Melbourne Measure up on the Creativity Scale?

The National Institute of Economic and Industry Research (2004) has calculated scores on these indices for regions across Australia, including Melbourne, and compared them to the nearly 300 cities Florida ranked in the USA. The results are summarised for Melbourne and Sydney in Table 1.

The composite creativity index—reflecting the individual innovation, high-tech, diversity and creative class indices—ranks metropolitan Melbourne at 34; in other words, only 33 US cities ranked higher. Sydney’s overall ranking was 26. However, central Melbourne and central Sydney both ranked much higher at 4. Only three US cities scored
higher on this composite index, suggesting on Florida’s analysis that these central sub-
regions of our two largest cities are well placed to compete globally in an international
economy driven by innovation and the incessant search for competitive advantage.2

What this further suggests is that:

– Melbourne and Sydney, overall, rank high against the leading US cities on the
melting pot index and, in Sydney’s case, the diversity index; moderate on the
high-tech, bohemian, creative class and, for Melbourne, diversity indices, and;
low on the innovation and talent indices.

– However, central Melbourne and central Sydney rank very highly on all the
indices except innovation and high-tech, where their ranking is moderate.

On Florida’s indices, Melbourne, especially in the central area, would appear to have a
very considerable capacity to attract members of the creative class to underpin rapid,
sustainable growth.

But How Well Placed is Melbourne to Exploit its Creative Potential?

Florida’s approach is persuasive and resonates with many policy makers. It clearly
identifies important factors in the economic and cultural well-being of people living and
working in major urban centres. However, there are a number of gaps and analytical
weaknesses in Florida’s analysis, and what it says about Melbourne’s potential for rapid
growth, to which we now turn.

It is worth noting, to begin, that Florida is hardly the first scholar to target cities and their
regional bases as engines of prosperity. Lewis Mumford (1961) and Jane Jacobs (1969), to
mention two of the best-known 20th-century urbanists, were clear about such matters.
Peter Hall (1998), in his wide-sweeping discourse on ‘cities in civilisation’, placed
innovation and creativity at the centre of the analytic frame, as processes that allowed
important similarities of structure, function and outcomes to be discerned across massive
spans of time and culture. Some urban scholars—most notable, Mumford (1939) in the
Culture of Cities—were also cognizant of ‘the dark side’ of urbanism.

In fact, the dynamic economic role of city-regions was long ago pointed out by the
doyen of neoclassical economists, Alfred Marshall (1930), in his analysis of ‘industrial
districts’ (see Asheim, 1996). From the early 1980s onwards there has been a rush of
analysis extending Marshall’s insights—the so-called ‘new industrial districts’ of the
‘third Italy’—into the path-dependent concentration of external economies of scope and

<table>
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<tr>
<th>City/region</th>
<th>Innovation</th>
<th>Diversity</th>
<th>Creative class</th>
<th>Melting pot</th>
<th>High-tech</th>
<th>Talent</th>
<th>Bohemian</th>
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<tr>
<td>Melbourne</td>
<td>201</td>
<td>29</td>
<td>68</td>
<td>2</td>
<td>22</td>
<td>145</td>
<td>44</td>
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<tr>
<td>Sydney</td>
<td>196</td>
<td>4</td>
<td>30</td>
<td>1</td>
<td>22</td>
<td>122</td>
<td>44</td>
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<td>49</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>28</td>
<td>4</td>
<td>5</td>
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<tr>
<td>Melb. Outer</td>
<td>222</td>
<td>18</td>
<td>16</td>
<td>2</td>
<td>56</td>
<td>78</td>
<td>44</td>
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<tr>
<td>Melb. Inner</td>
<td>238</td>
<td>235</td>
<td>209</td>
<td>2</td>
<td>51</td>
<td>254</td>
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<tr>
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<td>54</td>
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scale in particular regions. This work drew on theoretical innovations in evolutionary
economics, ‘the new economic geography’ and ‘new growth theory’ (for a critical review
of this burgeoning literature, see Berry, 2003a). Particularly influential has been the work
of Michael Porter and his colleagues on ‘industry clusters’ and their role in national and
Zukin (1995) have traced the links between culture and economy in rapidly growing,
cosmopolitan cities like New York and Los Angeles. Harvey (1989) stresses the shift from
the Keynesian city of mass production and consumption to the post-Keynesian city
focused on the manufacture (and politics) of urban spectacle. Pratt’s (2003, 2004) work
on the ‘creative industries’ argues for an approach that ties creativity into the emergence and
transformation of entire ‘production systems’, each situated in space and within an
aftermath in New York’s ‘Silicon Alley’, the region of Lower Manhattan that supported a
rapidly growing new media cluster—and a creative ‘techno-bohemian culture’—in the
1990s (on Silicon Alley see also, Berry, 2003a, ch. 7). Finally, Hutton (2004) usefully
addresses the historical significance of the links between culture, design and the city, and
presents an analysis of the reproduction of Vancouver’s central city to support a re-
conceptualisation of the city in the 21st century.

Although not first on the block, Florida has clearly made his mark. His contribution is
significant and deserves close scrutiny. At this level, a number of criticisms can be
levelled. In the first place, the argument can easily descend into circularity—cities are
successful because they attract creative people, creative people are attracted to successful
cities. The strong positive correlations found in the USA between measures of economic
growth and the various indices, although statistically significant, are not necessarily
causally significant. Thus, two variables may be strongly associated—that is, the level of
association is high and highly unlikely to be due to chance—without one determining the
other. Both variables and their association may, in fact, be caused by one or more third
factors. Once a correlation is established, the next challenge is to explain it, to find causal
mechanisms supported by evidence that account for how the outcomes observed emerge.3

At this level of analysis Florida’s approach is mixed. He does offer interesting insights
into the sorts of urban facilities and experiences people working in knowledge-intensive
jobs want and value. Likewise, he raises important issues about how people use time and
space and ‘read’ from the signs or symbols of everyday urban experience—for example,
with respect to how open and tolerant a particular city is. But much of the impact of
Florida’s work stems from a readiness to jump from an observation of a close correlation
between his indices of creativity and successful regional economic performance to a belief
in the causal efficacy of the former factors.

The danger of relying on analysis-by-correlation is that it leads to simplistic and poorly
specified policy interventions. For example, putting policies in place to attract same-sex
couples to a city and then sitting back to wait for the growth explosion would be to fall for
another version of the cargo cult mentality, to add yet another failed chapter to the ‘city as
theme park’ project (Sorkin, 1992), a successor to previous single-minded fixations on
docklands redevelopments, high-tech parks, convention centres and the like. The problem
of seeking a panacea to solve all ills is that if it fails the patient is likely to die. By
focusing attention too strongly on the actions and investments needed to score well on
Florida’s indices, other basic interventions, both regulatory and infrastructure-related,
may be ignored.
Secondly, at the level of causal as opposed to statistical significance, Florida does not get to grips with the spatial dynamics of urban innovation and growth, the process of clustering and networking that other analysts have been at pains to identify (e.g. Porter, 1998; Berry, 2003a). The correlational analysis ignores systematic linkages, hierarchies and asymmetries between urban centres and the very different histories of each. When a city develops is often as important as where in accounting for current development outcomes and likely future trajectories.

Third, Florida does not address the internal process of innovation in advanced economies. Innovation is increasingly a collaborative process facilitated by the move to a digital economy. In their book—Collaborate to Compete—Logan and Stokes (2004) argue that the pervasive reach of the Internet allows and encourages firms to share knowledge, to collaborate in order to leverage complementary capabilities and share the commercial benefits. In a world governed by instant communication, exploding knowledge and speed to market it becomes a case of ‘collaborate or perish’. First mover or close follower behaviour becomes a survival strategy. Paradoxically, this ‘borderless world’ places even more emphasis on being in the right place, locating in those cities that couple state-of-the-art telecommunications with time proximity to major markets and centres of enterprise. Clearly, Melbourne’s location in the ‘deep South’ poses problems for firms seeking to operate beyond the domestic market. This relative isolation has intensified in the past decade as Australia’s broadband capacity has fallen well behind that in the USA, Europe and Japan.

Fourth, it is not clear that the indicator of talent Florida uses—namely, the proportion of the population with undergraduate university qualifications or similar—is, in fact, adequate to the task. Past econometric studies have found a weak association at best between formal academic qualifications, on the one hand, and productivity and economic growth, on the other. A recent Canadian study of 14 advanced economies (not including Australia) found a very strong relationship between growth and general literacy competencies in the national population (Coulombe et al., 2004). The researchers found that for every 1 per cent increase in literacy standards against the international average, labour productivity rose 1.5 per cent and GDP per head 2.5 per cent over time. This suggests that economic pay-offs are generated when societies invest in ways that actually enhance such competencies, regardless of the situation with respect to formal academic certification. The Canadian study also found that the economic returns were greatest when literacy standards increased among lower skilled workers and women. One implication that can be drawn here is the relative importance of education in the early years (pre-school and primary) in establishing competencies that generate lifetime pay-offs for the individual and broader society. It is also not clear, in the local context, whether Victoria’s system of early and primary education is of a sufficiently high standard, relative to other nations, to support rapid sustainable growth in Melbourne and throughout the state.

Finally, although Florida stresses the role of high-technology in defining and signifying a creative city and dynamic urban economy, he does not distinguish between different forms of technological advance. Thus, Christensen (1997) argues that technological change can be divided into two main types. Sustaining technological advances push development along an established path, improving current methods, reducing costs and improving profit margins of the innovating firm. Disruptive technological change, on the other hand, shifts development onto new paths in ways not easily initiated or followed by
current industry leaders. As such, disruptive advances tend to be led by small and medium-sized firms (SMEs), often newly created, sometimes spun off from larger established companies.

Putting aside these analytical concerns, how optimistic should we be about Melbourne’s growth prospects, on the basis of Florida’s indicators presented in Table 1? It seems clear that Melbourne’s growth engine is clustered in and near the centre of the metropolitan region. But the main negative finding is that Melbourne, central and throughout, ranks only moderately to low on the critical innovation and high-tech indices, those drivers that the other studies quoted above pinpoint as central to an innovative regional economy. In part, this follows from the failings in Australia’s national innovation system—the interlocking institutional context in which innovation processes occur (Berry, 2003a, ch. 6). This failure is reflected in the relatively low commitment of resources to R&D in Australia, especially by the private sector (see Figures 2 and 3).

As a percentage of GDP, Australia invests in R&D at less than half the rate of Sweden, Finland and Japan, and well under the OECD average. In the latter half of the 1990s, the rate of growth of R&D expenditure in Australia (1.9 per cent) was the third lowest of the 29 OECD and European Union countries, above only Switzerland and the Slovak Republic, and less than half the OECD average rate of growth of almost 5 per cent.

Moreover, Australia, unlike a number of other countries, does not have a coherent and consistent approach to facilitating technology transfer and the growth of SMEs, the source of much innovation in knowledge-intensive industries, particularly with respect to what were called above, disruptive technologies.

Another threat to Melbourne’s capacity to attract creative people and build a self-reinforcing regional ‘growth machine’ arises from systematic failures in the housing system. Over the past decade, housing affordability in the metropolitan region and a number of locations elsewhere in the state has fallen sharply (Berry, 2003b; Berry & Dalton, 2004). The number of years of average income it takes to purchase the average priced home has risen from four to seven. The proportion of first home buyers in the market has halved. The incidence of housing-related poverty, particularly in the private rental sector, has increased; almost 1 million low income households pay more than 30 per cent of their household incomes on rent or mortgage repayments, leaving inadequate income over to meet the other necessities of life. The public housing sector is in decline and suffering a growing financial crisis.

Inadequate and unaffordable housing undercuts the creative regional economy in two main ways.

First, it reflects and intensifies processes of social exclusion and marginalisation, represented most graphically by the growth of segregated areas of multiple disadvantage, usually in peripheral, poorly serviced locations and, in the extreme, to the formation of ‘slums’. Social polarisation expressed on the ground supports defensive actions by the well-off—high walls, private security guards, avoidance travel within the city—and oppositional, ‘anti-social’ behaviours by the have-nots. Increasing sensitivity to crime and its perceived increase underscores a general decline in trust (‘social capital’), all of which sends strong negative signals to members of the creative class with respect to the social features of urban life they value—cohesion, collaboration, tolerance, safety.

Second, declining housing affordability makes it difficult for younger members of the creative class to ‘get a start’—and in particular, to find a home that is accessible to the jobs and urban amenities they value, usually in mixed use areas close to the city centre. More
generally, lower and moderate income earners, working in key service occupations—nurses, transport workers, police officers, teachers—may not be able to access housing they can afford, even though they have permanent full-time jobs that are vital props to an efficiently running knowledge economy. These ‘key workers’, so-called, may effectively be priced out of the housing market, undermining the functional efficiency of the urban economy and reducing its attractiveness to the creative class.

Conclusion

Melbourne clearly has a number of advantages as a developed middle-sized city with many fine natural environmental assets, a rich cultural heritage and a well-educated and
motivated citizenry. The city ranks high on many of the indices of creativity identified by analysts like Florida. There is in government circles, especially in Victoria, a recognition that innovation drives economic prosperity and that appropriate actions need to be taken to enhance Melbourne and Victoria’s current favoured position.

However, due attention will also need to be paid by policy makers to the gaps and weaknesses in Melbourne’s position. A relatively poor record in the international R&D stakes and growing social inequality and spatial polarisation—in part, caused by market failure in the housing system but also related to broader trends in the distribution of income and wealth in Australia—undercuts some of the pre-conditions for growth in the age of the knowledge economy. In particular, such changes weaken the magnets attracting creative workers—the engines of growth—to Melbourne and reduce its capacity to become a truly innovative city on the global map. The policy challenge is there—how do

we protect and enhance the conditions necessary to attract and keep Florida’s creatives? Answering that question will require more than a superficial reliance on Melbourne’s current assets. We need a better understanding of how innovation actually unfolds in key industry sectors and clusters and a willingness to invest more in facilitating innovation processes. This is likely to require major changes to the national and regional innovation systems, to how government and industry collaborate. In short, progress on this front demands more research and greater government commitment.

Notes

1. A version of this article was presented to “The CRITICAL Cities Conference”, RMIT University, Melbourne, 29 September 2004.
2. Strictly speaking it is misleading to compare part of the metropolitan areas of Sydney and Melbourne with the whole of the US metropolitan regions, as the NIEIR study does. Ideally, one would wish to make the comparison with the inner, middle and outer regions of the latter. However, this data has not been forthcoming. Hence, the comparisons in Table 1 are suggestive but hardly decisive.
3. For an attempt to draw out causal explanations from the association of labour skills (‘Talent’ in Florida’s terms) and productivity growth at the metropolitan level, see Glaeser and Saiz (2003). On the pervasive tendency of social scientists, especially economists, to confuse and conflate statistical significance and causal efficacy, see McClosky and Ziliak (2004).

References
