

## Theme 1: Creative Industries - growth engine for the future?

Creative industries have become important components of knowledge-based economies and account for higher than average growth and job creation, where measurable. They are also vehicles of cultural identity that play an important role in fostering cultural diversity. During the last decade, a number of governments around the world have recognised the importance of the creative industries and started to develop specific policies to promote them. A growing body of analysis, statistics and mapping exercises on the relationship between culture, creative industries and economic development has been produced to give officials in these countries the raw data they need to make policy. However, the sector is still poorly understood and many governments need to be convinced of its potential, while the effort to accurately measure economic activity in the sector poses considerable obstacles (EYGM Limited, 2014).

### Cultural and creative industries; concepts and context

UNESCO defines cultural and creative industries (CCI) as "sectors of organised activity whose principal purpose is the production or reproduction, promotion, distribution and/or commercialisation of goods, services and activities of a cultural, artistic or heritage-related nature." This approach emphasises more than just the industrially made products of human creativity, it makes relevant the entire productive chain, as well as the specific functions of each sector involved in bringing these creations to the public. Thus, the definition also encompasses related activities, such as publicity and graphic design, which are decisive factors in this process (UNESCO, 2015).

Table 1 - Creative Industries

Creative Industries			
HERITAGE	ARTS	MEDIA	FUNCTIONAL CREATIONS
<b>Traditional cultural expressions</b> art crafts festivals celebrations	<b>Visual arts</b> painting sculpture antiques photography etc.	<b>Publishing and printed media</b> books newspapers press and other publications	<b>Design</b> interior graphic fashion jewellery toys
<b>Cultural sites</b> historical monuments museums libraries archives etc.	<b>Performing arts</b> live music theatre dance opera puppetry circus etc.	<b>Audio-visuals</b> film television and radio broadcasting	<b>Creative services</b> architecture advertising creative R&D cultural services digital services etc.
		<b>New media</b> digitalized content software video games animations etc.	

## CCI revenue and turnover

Measuring the size and economic impact of the cultural and creative industries has been attempted in a few reports. Varying definitions have made comparisons difficult, but a report measuring cultural and creative markets in the EU, published in December 2014, gives an overview of the economic importance of the cultural and creative industries. The report looks at 11 consumer markets for creative and cultural goods and services that people and companies consume in 28 EU countries. These 11 pillars are cross-checked against the wide spectrum of creative activities, which generate economic value and jobs in fields such as idea conception, design, production, distribution, performance, broadcasting and management, and with activities relating to education and tourism when applicable (EYGM Limited, 2014).

The CCI industry is a dynamic and fast growing industry that through the economic crisis has shown growth in job creation and is among the largest employers of young people in Europe with a significantly higher percentage of youth employment than the rest of the economy.

**Turnover:** With revenues of €535.9b, the creative and cultural industries (CCIs) contribute to 4.2% of Europe's GDP.

**Employment:** More than 7m Europeans are directly or indirectly employed in creative and cultural activities – 3.3% of the EU's active population. The sector is the third-largest employer, after construction and food and beverage service activities, such as bars and restaurants (EYGM Limited, 2014).

Table 2 - CCI Turnover and Jobs - EYGM Limited 2014

The 11 cultural and creative markets in the EU28		
Markets	Sales (€b)	Jobs
Books <i>New user experiences are reinventing the book industry</i>	36.3	646.000
Newspapers & magazines <i>Facing and embracing the challenges of the digital age</i>	70.8	483.500
Music <i>Innovating to lead creative diversity in Europe</i>	25.3	1.168.000
Performing arts <i>Audiences love live concerts and festivals</i>	31.9	1.234.500
TV <i>The most popular medium is thriving</i>	90	603.500
Film <i>Resilience fuelled by the digital transformation</i>	17.3	641.000
Radio <i>Still the most trusted medium and available in many new ways</i>	10.4	97.000
Video games <i>Surfing the wave of online and mobile gaming</i>	16	108.000
Visual arts <i>Brightening Europe's appeal for tourists and art investors</i>	127.6	1.231.500
Architecture <i>Coping with the aftermath of the construction sector slump</i>	36.2	493.000
Advertising <i>Driven by the rapid expansion of online revenues</i>	93	818.000
<b>Total CCIs (after removal of double-counting)</b>	<b>535.9</b>	<b>7.060.000</b>

### Points for discussion:

- Can the economic impact of the creative industries be measured in all countries?
- Are comparable statistics available in all countries?

### Opportunities and challenges

Several challenges and opportunities are currently facing governments trying to fit national policies to the rising importance of the creative industries.

#### Key opportunities of the creative industries

- **High growth sectors:** The economic performance of the cultural and creative sectors is recognised: in the EU they account for 3.3% of GDP and employ 6.7 million people (3 % of total employment). The figures vary between reports and have been estimated to be as high as 4.5% of GDP and employ 8.5 million employees. (TERA Consultants)
- **Resilience and jobs for young people:** Between 2008 and 2011 the creative industries turned out to be more resilient during the economic downturn than the EU economy as a whole and employed a higher percentage of young people than did the rest of the economy.
- **Catalysts for innovation:** As crossroads between arts, business and technology, the cultural and creative industries facilitate spill-overs into other industries.
- **Key element in the global competition and soft power:** Europe's competitors, such as China, South Korea and India, are investing heavily in the creative industries and the US has done so for decades (European Commission, 2012).

#### Key challenges of the creative industries:

- These industries are faced with a **rapidly changing environment** characterized in particular by new technologies (digital shift) and globalization, which bring with them new challenges and opportunities.
- In this changing context, **access to finance** remains a major difficulty: the banking sector does not have the necessary expertise to analyse business models in these sectors and does not adequately value their intangible assets. The financial and economic crisis only makes this situation more critical at the very time when investments are needed to adapt.
- These sectors are also characterized by a **high fragmentation along national and linguistic lines**. While the resulting cultural diversity is a clear European asset, this leads to limited and sub-optimal transnational circulation of cultural and creative works and operators within and outside the EU, geographical imbalances and - subsequently - a limited choice for consumers.
- Powerful dynamics take place at the borderlines between various sectors (for instance, through increased linkages between gaming, film and music) and with other industries (such as fashion and tourism). However, the sectors and policies are still often organised in **sectoral silos**, limiting the scope for synergies and the emergence of new solutions and businesses (European Commission, 2012).

### Points for discussions:

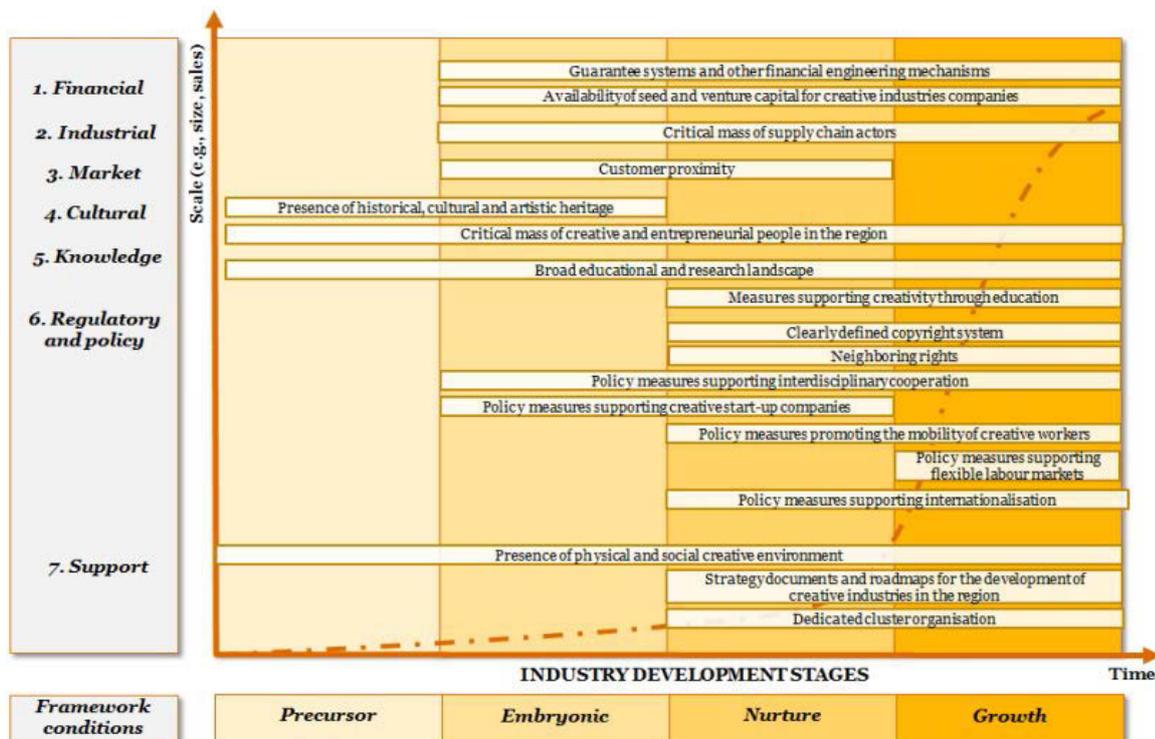
- How can CCI growth be further stimulated?
- How can the full power of cross sector possibilities be used to facilitate spill-overs?
- Is the education system taking into account the reality of the high youth job creation of the creative industries?
- How do we make CCIs more attractive for investors?

## Framework facilitating creative industries

The key policy measures that must be put in place to foster the creative economy at the nation-state level include increasing investments in human capital, sharpening the legal and regulatory frameworks, providing greater funding and access to financial instruments, reinforcing institutional infrastructures, and improving trade policies and export strategies.

Favourable framework conditions for the emergence of creative industries in regions are an important topic and specifically how policy makers can influence the development of this industry. A report written for the European Cluster Observatory offers an analysis of industry-specific framework conditions relevant for the development of creative industries. To be effective, supporting measures need to be tailored to the various stages of the industry's life cycle. In the report the analysis is built along the first four stages of the industry's life cycle i.e. stages relevant for emerging industries: (1) Precursor, (2) Embryonic; (3) Nurture; and (4) Growth. (Derojeda, Nagtegaal, Lengton, & Datta, 2013).

Table 3 - Framework condtions.



Reference: Derojeda et al, 2013)

In order to create a framework for any emerging industry such as the creative and cultural industries their dynamic nature should be taken into account. The nature of those industries is a continuous evolution and transition from one stage to another. The role and importance of framework conditions relevant for the emergence and development of the industries in question is likely to change with every new stage in the life cycle. To be effective, supporting measures need to be tailored to the various stages as well (Derojeda, Nagtegaal, Lengton, & Datta, 2013).

The most relevant conditions during the precursor stage have to do with cultural framework conditions such as the presence of historical, cultural and artistic heritage and knowledge framework conditions; broad educational and research landscape and support framework conditions like the presence of a physical and social creative environment (arts galleries, work-live spaces at affordable prices) (Derojeda, Nagtegaal, Lengton, & Datta, 2013).

Financial and industrial framework conditions are especially important to businesses when the industry is in the embryonic, nurturing and growth stages. These conditions include guarantee systems and other financial engineering mechanisms, and the availability of seed and venture capital for creative industries companies as well as a critical mass of publishers and content creators, physical retailers and providers of intermediate inputs and tools. Customer proximity is an important framework condition for the embryonic and nurture stages (Derojeda, Nagtegaal, Lengton, & Datta, 2013).

Important policy measures for the embryonic stage include measures supporting interdisciplinary cooperation and measures supporting creative start-up companies. Regulatory and policy measures deemed important during nurture and growth stages include a clearly defined copyright system and neighbouring rights, measures promoting the mobility of artists and cultural practitioners, as well as measures supporting internationalisation and flexible labour markets.

Supporting framework conditions for the nurturing and growth stages include strategy documents and roadmaps for the development of creative industries in a region, city or country, and a dedicated cluster organisation. Knowledge framework conditions for these stages include measures supporting creativity through education (Derojeda, Nagtegaal, Lengton, & Datta, 2013).

### **Four key components of CCI strategy**

As a general rule successful strategies for the cultural and creative sectors build on a full mapping and mobilisation of the cultural and creative resources of a given territory. They are holistic, calling for partnerships between various departments (culture, industry, economy, education, tourism, territorial planning etc.) and involving all relevant public and private stakeholders to increase ownerships. Strategies must also be underpinned by research to ensure effectiveness, efficiency and sustainability.

Any CCI strategy needs to take into account the importance of the CCIs as a driver of innovation and development, the importance of cross-sector spill-overs, as well as the economic influence the CCIs have. Underpinning the discussion is the importance of education to facilitate the right skills, as well as knowledge transfer and internationalization.

#### **1. CCIs as driver of innovation and development**

Being at the crossroads between arts, business and technology, cultural and creative sectors are in a strategic position to trigger spill-overs into other industries. They fuel content for ICT applications, creating a demand for sophisticated consumer electronics and telecommunications devices. Culture and creativity also have a direct impact on sectors such as tourism and are integrated in all stages of the value chain of other sectors, such as fashion and high-end industries, where their importance as key underlying assets is increasing (European Commission, 2012).

These sectors also have an impact on innovation in other industries. Innovation is increasingly driven by non-technological factors such as creativity, design and new organisational processes or business models. It heavily relies on creative eco-systems in which the quality and diversity of partnerships across different sectors and types of actors is decisive. The most obvious example is the wider use of design in manufacturing industries, adding value to products, services, processes and market structures.

Creative industries consist mostly of micro, small and medium sized enterprises and freelancers. These industries have many similarities to other SMEs. They are affected by the same entry and

operational barriers, such as lack of economy of scale, weak negotiating power, limited capital and human resources. General support measures for start-up companies and entrepreneurs apply to those SMEs, but may need additional tailor-made measures due to certain peculiarities of the people and companies in creative industries (Dervojeda, Nagtegaal, Lengton, & Datta, 2013).

Policy measures supporting internationalisation and the mobility of artists and cultural practitioners affect both innovation potential and have a local and global effect.

**Points for discussion:**

- Are support measures available to encourage innovation in the creative industries?
- Have support measures been tailor-made to increase creative industries innovation?
- Are measures available to support and encourage internationalisation?
- Are support measures available to increase mobility of artists and cultural practitioners?

**2. Cross sector effect of the creative industries**

Culture-based creativity is an essential feature of a post-industrial economy. A firm needs more than an efficient manufacturing process, cost-control and a good technological base to remain competitive. It also requires a strong brand, motivated staff and management that respects creativity and understands its process. It also needs the development of products and services that meet citizens' expectations or that create these expectations. Culture-based creativity can be very helpful in this respect. Digital technologies play an important role in this intangible economy, as they provide new forms of social exchanges and contribute significantly to new expressions of creativity. Of course, cultural production (such as music, publishing and movies) makes new technology more relevant to consumers, enables the development of new markets and contributes to digital literacy. (European Union, 2015)

Policy measures to promote forms of interdisciplinary cooperation differ in form from location to location and need to reflect local traditions in the commitment of stakeholders to the development of the creative industries.

**Points for discussion**

- How can more traditional industries be encouraged to form partnerships with the creative industries to increase innovation and value creation?
- Technology changes pose both opportunities and threats - how can opportunities be utilized and threats be minimised or turned into opportunities?

**3. Creative industries and economic development**

CCIs contribute to local and regional development. Culture-based development has relevance for regions in all stages of development - where the infrastructure and other local resources can be exploited to enhance the comparative advantages of the local economy and to stimulate creativity and enterprise. In many regions the creative sector is rapidly growing, outperforming other more established sectors in terms of growth in new businesses, turnover and employment.

The regions that show the highest concentrations of creative activities are those that proved to be most resilient during the post-2008 economic turmoil: London and Paris enjoying the highest concentrations of creative employment, held up well, as did Rome, Stockholm, Madrid, Munich and Budapest, while mid-sized cities and rural areas suffered more. Partially thanks to this resilience, CCIs are increasingly viewed as a key component of local economic development. At the crossroads of art, business and technology, they act as a catalyst and an innovation engine, with benefits that strengthen the broader economy. (European Union, 2015)

In more technical terms, creative activities often generate positive externalities in the areas where they are located, their openness and interaction with other activities give rise to agglomeration and cluster effects and they tend to generate a high proportion of total value added locally. A longer-term and more strategic approach to culture-based development is required at a local and regional level. This should be mainstreamed into development strategies that are integrated and built on partnerships between public authorities, cultural organisations, the relevant business interests and representatives of civil society (European Union, 2015).

Municipal policy-making on the creative industries is often more effective in generating results than national strategies, although the latter are indispensable in setting up an overarching enabling framework. This is due to the ability of municipal and community level support mechanisms to better respond to the local specificities of creative industries, particularly those based on local cultural, artistic, linguistic and natural resources.

Culture is the driver of development, recognized not only for their economic value, but also increasingly for the role in producing new creative ideas or technologies, and their non-monetized social benefits. Culture also enables development. When a people-centred and place-based approach is integrated into development programmes, when interventions in fields ranging from health to education, gender empowerment to youth engagement, take the cultural context into account, including diverse local values, conditions, resources, skills and limitations, transformative and sustainable change can occur (UNESCO, 2013). The importance of the people and place approach is emphasized in the words of UN Secretary General Ban Ki-moon:

“Too many well-intended development programmes have failed because they did not take cultural settings into account... development has not always focused enough on people. To mobilize people, we need to understand and embrace their culture. This means encouraging dialogue, listening to individual voices, and ensuring that culture and human rights inform the new course for sustainable development”  
(UN Secretary-General Ban Ki-moon, 2013).

#### **Points for discussion:**

- Are national policy measures in place to encourage regions to form policies and support measures towards creative industries?
- Is there a correlation between a strong CCI sector and growth of regions?

#### **4. Education and cultural and creative industries**

Creative skills need to be learnt from an early age, in order to lay the foundations for a constant replenishment of creative talents and stimulate demand for more diverse and sophisticated creative contents and products. From a lifelong learning perspective, creative skills and competences can be effective to respond to changes in requirements for the labour market.

As the culture sector evolves and changes, so do the skills required of individuals active in the sector. The educational and training needs created by these changes can only be met by an education sector that recognises the change in demand.

The pace of innovation, the changing nature of the sector, with digital and mobile technologies becoming an increasingly important facet of modern life and the importance of culture to the European economy increasingly mean that cultural entrepreneurs also need more business skills, which in turn means that educational supply has to keep pace (European Commission, 2012).

Policy makers can influence creativity through educational activities over a broad spectrum covering young children up to adults. This can be done through the promotion of the

incorporation of creativity and innovation at all levels of education and training, supporting the professional development of teachers as mediators of creativity and innovation and promoting creativity and innovation at all stages of lifelong learning. The measures related to education may also include awareness building measures or measures supporting the development of creativity in education.

**Points for discussion:**

- How does the educational system encourage creativity?
- Are technology, business and creativity connected through the education system?
- Do universities have the funding available to participate in local, regional and national creative clusters?

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