

CREATIVE INDUSTRIES AS AN ENHANCING FACTOR FOR REGIONAL DEVELOPMENT IN EUROPEAN UNION

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Abstract

The purpose of this paper is to bring into discussion some of the evidences from literature concerning creative industries' role in promoting regional development. First, a theoretical framework is established, highlighting the conceptual evolution of the creative economy and its related concepts, as well as the heterogeneity of their meanings and definitions. Second, the paper analyses the role that cultural and creative industries play in EU economy by investigating relevant official documents and reports in the field. It is argued that, due to the diversified structure and the specificities of the economic activities embodied in the sector, such a demarche should be deepened by taking into account the sub-sectorial aspects, as well. The paper ends by inventorying the main instruments available in EU for encouraging and promoting creative industries.

Keywords: creativity, cultural and creative industries, development

Introduction

Over the last decades, *creativity* has become an important issue in the scientific debates concerning regional development, being referred to not only as generator of new knowledge, enhanced by culture (Andersson, 1985a, 1985b), but also as “the ultimate economic resource” (Florida, 2002, p. xiii). This emphasizes the mutations which characterize the *post-industrial stage of development*, consisting, among others, in a systematic embodiment of knowledge in economic activities, reshaping the boundaries of firms and industries, and in a significantly increase of mobility regarding peoples, skills, knowledge, and new ideas (Tej *et al.*, 2016 *apud* Buček, *et al.*, 2010). Taking into account Fujita and Thisse's (1996) perspectives on human activities, which are categorized as production and creation, it is suggested that creativity plays a significant role in the new economy, as it gives rise not only to novel ideas, knowledge, technologies, but also to new products. Therefore, creativity represents a valuable market asset (Fillis and Rentschler, 2010; Throsby, 2008; Flew, 2005), permeating all the layer sectors of the economy (Howkins, 2013; Landry and Hyams, 2013). Besides this general approach, it has also been incorporated in concepts such as *creative class*

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(considering individuals, the beholders of creativity Florida, 2002) and *creative economy* or *creative industries*, comprising the economic activities where creativity is transformed, capitalized, produced and consumed (Howkins, 2013). From historical point of view, creativity was firstly addressed in a policy report in Australia, in 1994 (“*Creative nation: Commonwealth cultural policy*”, the cultural and creative industries being further detailed by Cunningham, 2002). Subsequently, creativity, as an economic sector, found its way into Europe, as it was first adopted in the United Kingdom, in 1998, wherein the Department for Culture, Media and Sport defined creative industries as “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” (Department for Culture, Media and Sport, 1998, 2001, p. 5). Hereinafter, the interest in revealing creative economy’s role in fostering development spread as a worldwide trend (Chapain *et al.*, 2013), being present at supra-national policy levels in Europe (Council of the European Union, 2011, 2009, 2007; European Commission, 2010, etc.), and emphasized in various reports of some major international organizations (United Nations, 2010; UNESCO, 2018; UNPD, UNESCO, 2013).

Among European countries, some governments preferred using the term *creative industries* (e.g. U.K.), while others adopted *the cultural industries* classification, as a result of the “patronage system within the welfare-state, in which arts and cultural goods are seen as public goods due to market failure” (Oliveira, 2018 *apud* Ellmeier, 2003).

Seeking a way to conciliate these two approaches, Throsby (2008) proposed a model of concentric circles of cultural industries in which the cultural industry is viewed as a sub-dimension within creative industry, the latest being consisting of products and services whose production requires a considerate level of creativity.

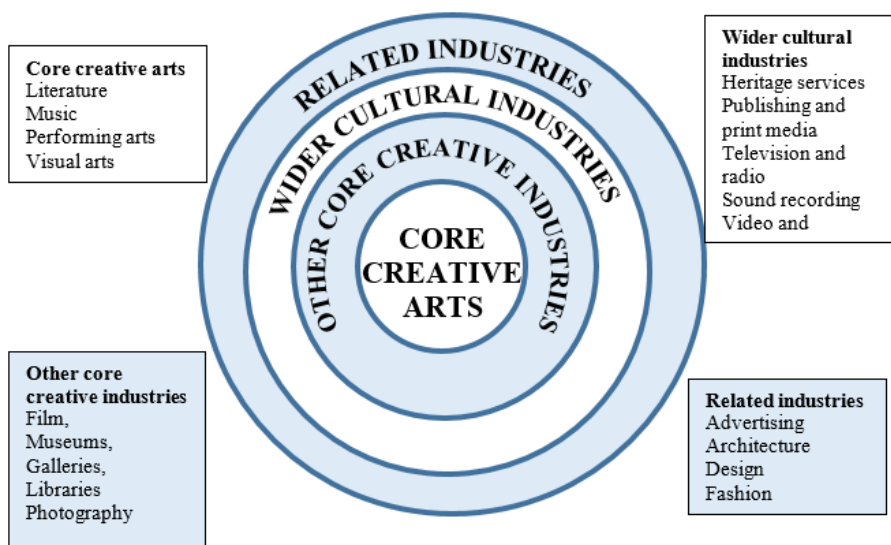
Moreover, Throsby (2008) places the activities that use artistic creative ideas to produce goods and services of high cultural value closest to the core of his suggested model, whereas the ones that embody less inputs of this type represent by the outer layers of cultural industries. As Figure 1 depicts it, these concentric circles consist of: *core creative arts* (literature, music, performing and visual arts); *other core creative industries* (film, museums, galleries, libraries and photography); *wider cultural industries* (heritage services, publishing and print media, television and radio, sound recording and video and computer games); and *related industries* (advertising, architecture, design and fashion).

The heterogeneity of definitions, the alternative usage of cultural or creative industries concepts by different countries, in accordance with certain policy desiderata, provoked an identity crisis within the sector (Howkins, 2013), which makes it difficult to compare its economic inputs and outputs across countries or to quantify the industry’s contribution to growth and employment as an economic activity as a whole (Oliveira, 2018). Although several organizations proposed classification systems for the cultural and creative industries (Eurostat, 2007; KEA, 2006; WIPO, 2003; Department for Digital, Culture, Media & Sport, 2001), an integrated European classification system is still lacking.



Nevertheless, the sector importance is recognized at EU level as a source of economic growth and a factor of international trade competitiveness (Chala, 2015), being the object of various policy and programmes within the Union as “one of the largest and most successful industries in Europe – the Creative Industries with 12 million full-time jobs, which amounts to 7.5 % of the EU’s work force, and approx. EUR 509 billion in value added to GDP” (Beyond creative industries. Cross-Innovation as Driver for Growth in the European Digital Single Market, 8th European Creative Industries Summit, 2018).

Figure 1. The concentric circles model of the cultural industries



Source: Adaptation after Throsby (2008, p. 150).

In the current paper there are discussed some of the main results of the comparative studies and reports elaborated for the European Commission concerning creative industries in the EU, in order to stress the elements of specificity, as well as the challenges that the sector faces within European borders.

1. Cultural and creative industries in EU-28

In order to identify how cultural and creative industries (CCI) – the core of the creative economy – can foster economic growth and promote employment, as well as to assess the position of this specific sector on the global market, to identify the most relevant features of European creative enterprises and to provide examples of good practice through case studies, the Austrian Institute for SME Research and VVA Europe conducted a study – *Boosting the competitiveness of cultural and creative industries for jobs and growth*, carried out between 2015 and

2016, aiming to capture the dynamics of the sector over the previous 5 years of the report (Austrian Institute for SME Research; VVA Europe, 2016).

Within the study, for defining CCI, the Regulation (EU) No 1295/2013 of the European Parliament and of the Council was considered:

‘cultural and creative sectors’ means all sectors whose activities are based on cultural values and/or artistic and other creative expressions, whether those activities are market- or non-market-oriented, whatever the type of structure that carries them out, and irrespective of how that structure is financed. Those activities include the development, the creation, the production, the dissemination and the preservation of goods and services which embody cultural, artistic or other creative expressions, as well as related functions such as education or management. The cultural and creative sectors include inter alia architecture, archives, libraries and museums, artistic crafts, audio-visual (including film, television, video games and multimedia), tangible and intangible cultural heritage, design, festivals, music, literature, performing arts, publishing, radio and visual arts (European Parliament and Council, 2013, p. 13)

For deciding what sectors should be considered for establishing CCI, several criteria were taken into account among which we mention the inclusion of European priority segments and the coverage of overall European creative economy. As such, according to the study’s perspective, CCIs consisted of: *core CCIs*, *fashion industry*, and *the high-end industries* (*ibidem*).

Core CCIs represent the largest sector, consisting of 11 sub-sectors: advertising; architecture; archives, libraries, cultural heritage; books & press; cultural education; design & visual arts; music; performing arts & artistic creation; radio & TV; software & games; as well as video & film.

Fashion industry includes the following sub-sectors: Manufacturing of intermediate goods; Manufacturing of fashion goods; Whole-sale & agents; Retail sale. At last, the *high-end industries* are represented by: High-end fashion; Jewellery & watches; Accessories; Leather goods; Perfumes & cosmetics; Furniture & household appliances; Cars; Boats; Gastronomy; Hotels & leisure; Retail & auction houses; Publishing.

The study’s findings, considering CCIs’ structure, reveal that, at UE 28 level, CCIs (excluding high-end industries) accounted for 11.2 % of all private firms and 7.5 % of all workforce in the total economy (Austrian Institute for SME Research; VVA Europe, 2016, p. 28).

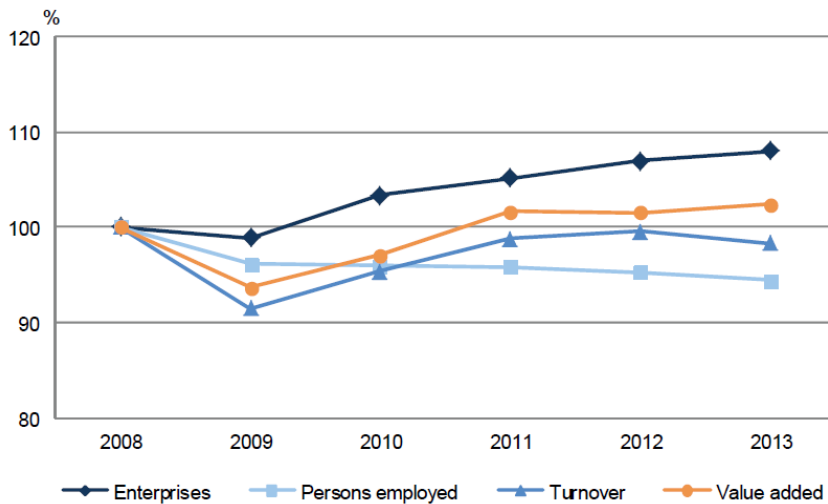
From a dynamic perspective (Figure 2), by analysing CCI development over a period of 5 years (2008-2013) the study depicted heterogeneity in CCIs’ evolutions, regarding the number of enterprises, employment, turnover and value added. For the economic crisis period (2008-2009), we can notice a general drop of the value of all considered variables, with the mention that the overall turnover and the value added declined more than the number of firms and employees.

Table 1. Structure of the CCIs in EU-28, in 2013

	CCIs	Core CCIs	Fashion industry	High-end industries
Enterprises	3,079,500	2,282,400	797,100	n/a
Persons employed	12,082,500	7,347,100	4,735,400	1,700,000
Turnover in EUR million	1,481,100	903,900	577,200	547,000
Value added in EUR million	508,500	376,100	132,400	n/a

Source: Austrian Institute for SME Research; VVA Europe, 2016, p. 29; Eurostat, National Statistical Offices, Bureau van Dijk (ORBIS database), Frontier Economics (2014, p. 1).

Suggesting some degrees of resilience capacity, since 2010, the 4 dimensions were set on a general ascending trend. The highest rise is that in the number of enterprises, which exceeded even the level of 2008, starting with the first year of recovery. There could also be noted positive trends, although with smaller progress, when it comes to the value added, whereas the number of employees and turnover numbers failed to reach the levels of 2008.

Figure 2. Development of the CCIs (excluding high-end industries) in %, 2008-2013, EU-28

Source: Austrian Institute for SME Research; VVA Europe (2016, p. 31), Eurostat, National Statistical Offices, Bureau van Dijk (ORBIS database)

The authors argue that this is due to the declining revenues in the subsectors books & press, as well as advertising, the fashion wholesale and retail trade,



respectively with the unfavourable development in the big subsectors books & press and manufacturing of fashion goods. (Austrian Institute for SME Research; VVA Europe, 2016, p.30)

Unlike core CCIs and Fashion industry, the High-end industries showed, according to the same report, much faster recovering rates (Figure 3), explained, in part, by their capability to valorise the potential of emerging markets, through exports or tourism and adjacent activities (Austrian Institute for SME Research; VVA Europe, 2016 *apud* Economics Frontier, 2014).

Figure 3. Development of output growth (spending on high-end goods) of high-end industries in %, 2008 – 2013, EU-28



Source: Austrian Institute for SME Research; VVA Europe (2016, p. 33), Frontier Economics (2014, p.10); Frontier analysis of Altgamma/Bain and Eurostat data (2014)

For a better understanding of CCIs and their interdependencies within EU market, we have to look at the sectoral structure of the core CCIs. In 2013, it is revealed that the broadest sub-sectors included in this category are book & press (employing approximately 26,8% of the total core CCIs workforce), software & games (18,1%) and advertising (14,4%). These 3 sub-sectors sum up more than 50% of the entire number of persons who work in the core CCIs.

Considering the enterprises number in 2013, Books & press sub-sector covers the highest number of entities (approx. 19.5 %), being followed by the Performing arts & artistic creation (17 %) as well as Advertising and Architecture, with similar percentages (around 13%). At the same time, the three largest sectors which generate more than 60% total turnover and total value added are Books & press, Software & games, and advertising.

Table 2. Sectoral structure of the core CCIs in 2013, EU-28

	Enterprises	Employees	Turnover in € million	Value added in € million
Advertising	303,400	1,057,500	152,700	50,500
Architecture	303,500	579,400	38,500	22,200
Archives, libraries, cultural heritage	115,000	560,000	55,000	22,000
Books & press	446,300	1,968,900	232,700	83,800
Cultural education	30,000	90,000	5,400	2,700
Design & visual arts	275,800	390,900	29,700	14,000
Music	34,300	71,900	11,000	4,800
Performing arts & artistic creation	390,000	660,000	70,000	35,000
Radio & TV	11,700	253,300	65,600	26,900
Software & games	262,600	1,331,000	181,400	92,400
Video & film	109,800	384,200	61,900	21,800
Total Core CCIs	2,282,400	7,347,100	903,900	376,100

Source: Austrian Institute for SME Research; VVA Europe, 2016, p. 38; Eurostat, National Statistical Offices, Bureau van Dijk (ORBIS database).

At the opposite end, the smallest contributions to the overall turnover of the core CCIs are produced by Music (1.2%) and Cultural education (0.6%). Using the findings derived from the evaluation of CCIs' structure, coupled with acknowledging the internal dynamics and the influence of the sector over the growth and employment in the EU, as it was captured in the latest reports in the field (Montalto *et al.*, 2018; Austrian Institute for SME Research; VVA Europe, 2016; etc.) there should be designed specific support-instruments in order to enhance the European creative economy.

2. Supporting creative industries in the EU

Overall, as it has been mentioned previously, the development rates of the CCI sector have shown positive effects over the European economy. As such, in order to encourage the growth and favourable dynamics within this sector, the European Union has created specific instruments, aiming to allocate financial resources for developing the creative industries and for increasing the synergies with other components of the economy.

Starting from the recorded results (that creative economy generates approximately 3.3% of GDP and it employs approximately 3% of the total workforce in EU), which highlight the importance of creative and cultural sectors for EU 2020 strategy, the European Commission has identified several directions that require attention in order to sustain this part of the economy (European Commission, 2012): addressing changing skills needs, enlarging the marketplace by building new partnerships and business models, expanding international reach by smart internationalization, and reinforcing cross-sectoral fertilisation, acknowledging the sectors requirement of multi-disciplinary environments.



Among provided European instruments, the implementation of *European Structural and Investment Funds* in 2014-2020 period offers important means to strengthen the connections between CCI and other industries within EU economy.

In addition, *the Action Plan for Design-Driven Innovation* (European Commission, 2013), developed from the report 'Design for Growth and Prosperity' produced by the European Leadership Board Report in the previous year, seeks to enhance the take-up of design in innovation policies and to develop the capacity and competencies required by the policies' implementation.

Expressly being addressed to support the creative and cultural industries, *Creative Europe* programme (European Parliament and The Council of the European Union, 2013) supports the culture sector initiatives (such as promoting cross-border cooperation, platforms, networking, and literary translation), audio-visual sector initiatives (such as those promoting the development, distribution, or access to audio-visual works) and a cross-sectoral strand, including a Guarantee Facility (the first EU investment instrument with a wide scope in the culture and creative sectors) and transnational policy cooperation (European Commission, 2014).

Beside these instruments, EU contributes indirectly to the development of the CCIs by other, complementary programmes. For instance, *Erasmus+* provides opportunities that encourage skills and competencies' development through training and education, while entrepreneurial initiatives are supported by *Horizon 2020* (concerning research and innovation) and *COSME*, EU's programme for small and medium-sized enterprises.

Another measure for enhancing interconnectivity and synergy at regional level is the EU's position in promoting the incorporation of creative industries within *smart specialization strategies*. A *Smart Specialisation Platform on Industrial Modernisation and Investment* has been created in order to identify common goals and to facilitate cooperation across European regions. S3 Platform provides assistance to EU members to develop, implement and review their Research and Innovation Strategies for Smart Specialisation (RIS3), at national or regional level, through exchange of information, methodologies, expertise and advice (European Commission, 2018). Policy makers with shared interests in developing CCIs at regional or country level can identify and map potential partners for initiating future collaborations (please see Annex 1).

In complementarity with the EU instruments, national governments should address the national or regional specificities of CCIs by self-developed mechanisms, which can consist in financial assistance, consultancy facilities, cooperation strategies, cluster initiatives, educational assistance (training and educational programmes), as well as supporting in-depth report-analysis for identifying, measuring and promoting domestic creative economy.

The report *Boosting the competitiveness of cultural and creative industries for growth and jobs* (Austrian Institute for SME Research; VVA Europe, 2016, pp. 5-6) summarizes several success factors, common for the investigated regional initiatives, by identifying success stories across EU (e.g. *United Kingdom*: Creative Business Mentor Network; Creative Industry Finance Programme; Creative

Industries Council; *Estonia*: Creative Estonia Programme; North Portugal: ADDICT; Creative Industries Agency; and others), as follows:

- Solutions and approaches based on evidence and objective data (on analysing and mapping studies, etc.);
- Providing clear and precise defining of the sector, subsectors, target groups;
- Implementation of measures by people or enterprises closed and well accustomed to the sector;
- Interconnectivity between tailor-made portfolios of support measures (concerning specific industry needs) and other, broader, schemes and instruments evidence-based approaches;
- An extensive understanding of innovation (technological and non-technological);
- A learning-oriented approach of the concerned actors (“trial and error approach”), a good cooperation and network structure (between the involved actors on the national and regional level, but also between large companies and SMEs, private sector and academic environment, etc.).

Conclusions

Although the creative economy’s importance for development is widely acknowledged by both national actors and international organizations, from a theoretical perspective there is still no general consensus regarding the defining of the industries it comprises. This aspect, which is found at EU level, as well, creates various obstacles, discouraging the comparison between states/ regions/ studies or reports, thus diminishing the identification of good and reproducible examples or practices and, as a consequence, constraining the learning capabilities of policy makers and actors concerned with the matter.

By taking into account one of the perspectives for defining the cultural and creative sectors emphasized in *Boosting the competitiveness of cultural and creative industries for growth and jobs* report, prepared for the European Commission (Austrian Institute for SME Research; VVA Europe, 2016), it could be noticed that, overall, the CCIs provide a significant contribution to the EU economy, promoting growth, employment and economic recovery. Still, when the analysis is deepened at sub-sector level, elements of specificity arises, depicting structural and dynamic heterogeneity.

This underlines the fact that, in order to bring up viable solutions for development’s enhancement at regional level trough creative and cultural initiatives, the decision makers have to establish tools and specific ways for mapping and investigating thoroughly the local particularities of the sectors.

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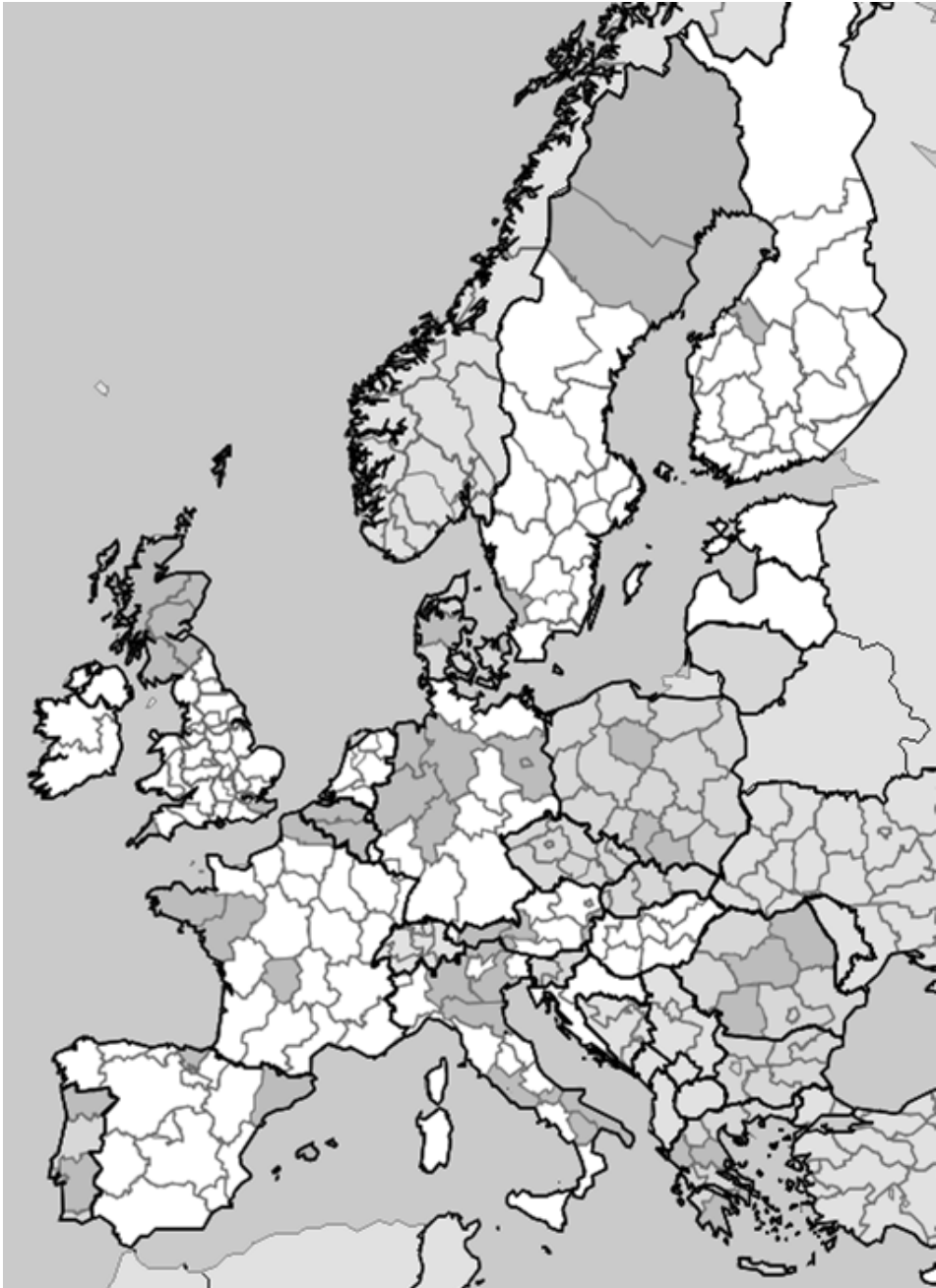
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Annex 1. Countries and regions registered on the S3 platform that have identified CCIs as one of their S3 priorities, October 2018



Source: European Commission, Joint Research Centre

