

The Creative Industries: Before and After the Crisis

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Creative industries clearly proved their potential for economic growth in the period before the crisis in Europe as well as across the world. However, the crisis has significantly changed the way of doing business and many sectors have been affected – some businesses managed to survive while others have been forced to close down. The present paper aims to examine whether creative industries have undergone a downturn as a result of the economic crisis or they managed to preserve their revitalising effect on countries, regions and cities.

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The creative economy has an important contribution to the creation of the gross domestic product. This contribution is generated by a set of sectors and industries that are intermingled and overlapping as

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concerns the object of activity; these sectors and industries are symbolically called creative industries. These sectors and industries have grown in recent years, both before and after the crisis in the context of the global knowledge and innovation –based economy. They have acquired an increased economic and social importance and are based on ideas, talent, experience and work, being mainly dependent on individual identities [1].

According to the Creative Economy Report [2], creative industries play an important role in the process of economic development. This is due to the following:

- besides the obvious economic benefits generated by the creative industries, they also generate non-monetary value, which significantly contributes to the human inclusive sustainable development. Non-monetary values reside in cultural expression, cultural heritage, urban planning and architecture;
- culture becomes a driver of economic, social and environmental development processes. In this context, the community can develop around values and institutions that are specific to culture, generating economic value (both material and non-material welfare), social value (social cohesion, social stability), environmental value (deriving from natural resources and ecosystems) and cultural value (intrinsic benefits of arts and culture, which lead to individual and group accomplishment);
- creative industries generate opportunities by identifying and mapping the resources of the creative economy. Resource mapping should be done by getting all stakeholders involved and by using a well-established methodology, which should be adapted to the place, be it a region or a town;
- providing data on the creative economy by rigorously collecting the data, which is a valuable enterprise for any creative economy development policy. Mapping resources is not enough. Data collection

is absolutely necessary in order to measure the economic contribution of culture to the development of places;

- analysing the connections between the formal and the informal sectors of the creative economy in order to design creative economy development policies;

- analysing determinants of the creative economy development. The most important success determinants are: the role of history and traditions in current practices; investment in infrastructure; cooperation among agents, intermediaries and institutions; participative decision-making processes, which should include local actors and communities; training capacities; copyright strengthening; building networks by creating creative clusters; meeting development and welfare needs for the community; the role of international trade; access to global markets and digital connectivity;

- investment in creative sustainable development by taking into consideration learning and innovation processes, which imply initiatives for supporting talents and new forms of creativity, the adaptation of urban spaces, social inclusion;

- local investment meant to support creative workers and creative entrepreneurs, as well as other agents that are part of the creative economy;

- fostering cooperation among countries, cities, towns, communities;

- including culture in local economic and social development programmes, despite their inherent opportunity costs, especially because local actions can be achieved more easily than national actions. However, it is mandatory to have a national strategy as well, which should coordinate these local programmes and initiatives, and investment in cultural-creative industries in order to achieve inclusive economic growth and social development. Also, the government needs to cooperate with the actors involved on all levels, by offering individuals and communities the freedom to control the local creative-cultural production and to participate at the cultural life.

The success of companies and products that belong to the creative economy depend on factors such as price or income to a lesser extent and to intrinsic values and identities to a larger extent. A particular feature of the creative economy is the high risk that organisations have to bear. However, creative and cultural industries can benefit from the imperfect competition dynamics, but most important for their success in the market are the specificity, history and connections of the place to the rest of the world. In developing countries, a distinctive feature of the creative economy is its informal nature – many of the activities carried out are not accounted for or reported. In this context, one has to notice that, while most of the traditional industrial production comes from countries like India and China², the western world creates most of the creative industries products. The only exception is the pair video games-Internet, which come equally from the three continents: Europe, Asia and America. The only problem encountered by the creative industries in developing countries is that of lack of institutional and regulation conditions, as well as insufficient protection of intellectual property rights, insufficient public financing for those industries that depend on such financial support, a small taxation basis etc.

One of the problems associated to the creative industries is that they are the result but also the cause of economic inequalities. Thus, large companies are located or based in large cities or in the most economically developed regions or in the richest places from a historic and cultural point of view in the North. Small-scale producers of cultural goods earn more in more prosperous regions and less in

² In China, there is a transition from *Made in China* to *Created in China* underway. *Made in China* refers to products manufactured in multinational companies located in China. The Chinese do not own intellectual property rights over these products. *Created in China* refers to products invented in China, and national brand that developed their own products. The transition from *Made in China* to *Created in China* is one of the main Chinese economic objectives. Although China has already made the first steps to independent innovation, the transition has not ended, the main obstacle being the insufficient protection of intellectual property rights.

poorer or deprived areas. In their turn, certain creative industries generate inequality as a result of labour division within certain activities like: clothing, fashion, jewellery, etc. – on certain levels of the production chain, especially in the execution phase where wages are low.

As concerns the creative economy financing, the International Fund for Cultural Diversity was created [3]. It was created under article 18 of the 2005 Convention on the Protection and Promotion of Cultural Expressions. The purpose of the fund is to promote sustainable development and poverty reduction in developing countries and underdeveloped countries that signed the Convention. The two objectives are reached by supporting projects in the cultural sector, especially activities leading to the creation of new cultural policies and creative industries or by strengthening existing policies. The support can be of legal, technical, financial or expertise nature. Another objective of the fund is to foster cooperation among countries, regions, cities and communities. The Fund became operational in 2010 and during its first three years it offered over 3.5 billion USD, financing 61 projects in 40 developing countries.

Risk and uncertainty in the creative industries lead, in some cases, to their industrial organisation, through various activities such as: the establishment of guilds and associations, the enforcement of legal norms for protecting creative producers, the training of auxiliary personnel (intermediaries, agents, etc.) and by public financing of certain industries. It is considered that excessive organisation and centralisation of decision-making processes can generate prejudices to creativity [4]. There are authors who consider that there are many types of uncertainty, each with different effects on strategies. Miller and Shamsie [5] distinguish between the following types of uncertainty: industry-specific uncertainty, environment-related uncertainty, organisational uncertainty and individual uncertainty. There is also one type of uncertainty deriving from the way financial

and artistic talent mix and one related to the unequal nature of investment flows and the stochastic nature of market demand. Lampel, Lant and Shamsie [6] bring into discussion certain polarities and tensions in the field of creative industries. In order to facilitate the activity under risk and uncertainty conditions, creative businesses have resorted to project-based organisation and contracts and informal social networks (which confer autonomy due to informal and tacit mechanisms of control and coordination).

The development of project-based organisation forms was interpreted as a reaction to technological and market environments that are changing extremely fast, thus requiring a reconfiguration of resources and people. This reconfiguration largely depends on people's capacity to develop new abilities or to use previously-acquired skills in totally new ways.

The conclusion is that those companies operating in this way are innovative, create on a continuous basis and reconfigure the teams whose members possess very well developed skills for multi-task purposes to use their knowledge in new situations, such as those in which new technologies are rapidly assimilated and developed. The persons involved in these projects belong to technical communities within which they create, store and use knowledge.

In two of his books, international best-sellers in the field, *The Rise of the Creative Class* and *The Flight of the Creative Class*, respectively, Richard Florida analyses the possible insertion paths of the creative class. Thus, a creative class may settle in some regions of the world such as town in which the 3T's – talent, technology, tolerance – are well represented. On the other hand, the author also describes the way in which these creative classes can be chased away from the regions that were initially propitious for the development of the creative industries and classes due to the fact that they become more and more costly and inhospitable for the potential creative class. Consequently,

the creative class changes its options and reaches, via migration, more hospitable regions from the living costs point of view.

According to the author, the United States of America cannot rely on their constantly being a mecca for the most creative and best prepared people. In his opinion, places like Massachusetts became exclusivist due to the high costs, as is the case of other creative regions. Places like Silicon Valley, Cambridge, Massachusetts and even New York were once places where the young creative people, new immigrant families, the people with difficult economic and social condition and entrepreneurs could start a career or a business.

These regions have become among the most expensive in terms of accommodation [8], and that is why Richard Florida sounds the alarm saying that intellectuals and scientists shall no longer choose the United States of America as their destination [9].

Sands & Reese [9] study the correlation between the creative class indicators and the economic health in the metropolitan regions of average size in the United States of America, both before and after the recession. The authors intended to study whether the creative communities managed to avoid the economic crisis that took place at the end of the last decade or if they were affected by a smaller decrease in activity compared to those communities where the presence of the creative class is weaker. The conclusions of the researchers were that those creative communities are equally affected by the economic decline and its severity is comparable to that recorded in the less creative regions.

Another study written by Donald and Gertler [11] tackles the evolution of creative workers starting from the economic crisis in 2007-2008. There are numerous opinions according to which the creative economy is a significant propeller and a fundamental source of change in the economy. However, opinions differ as concerns the significance of this change for the creative workers and workforce. There are studies showing that the creative workforce was able to

cope with the less favourable economic conditions in a much better way than those workers who perform routine or manufacturing activities. At the other side, there are other authors who do not agree to this statement and who insist on the growing instability and vulnerability of the creative activity. The conclusions of Donald and Gertler are that the nature and degree of vulnerability are affected and influenced by the larger macroinstitutional structures in which this type of activities are carried out.

Pratt and Hutton [12] study the relation between the creative economy and cities in the context of the financial crisis. The authors have drawn lessons from the impact – both the actual and the expected one – of the financial crisis on the creative economy and cities. Also, the authors synthesize the main evolutions of the relation between the creative economy and the city during the last twenty-five years.

The third edition of the Creative Economy Report, published in 2013 [13], analyses the global evolution of the creative economy. The two previous reports, from 2008 and 2010, aimed at identifying and explaining the way the creative economy works, with a special focus on its role on international trade. The two reports revealed that investment in the creative-cultural sector can represent a powerful source for development and that despite the recent world recession, the creative economy kept growing, often at growth rates above the rate of other sectors. The third report tackles creativity and culture as development drives and determinants [14].

It is important to analyse the way the creative industries evolved during and after the economic crisis. The authors who studied this issue come forward with different or partial conclusions due to the heterogeneity of the activities included in this field. In an attempt to minimise public spending, the creative industries are among the first on the list of those industries for which funds should be cut [15]. These harsh measures affected certain creative industries and during

2008-2010, arts, recreational and entertainment services shrank to a larger extent than information and communication activities [16].

Below I will make a comparative presentation of the main creative economy evolutions, in 2002 and in 2011, illustrated in Fig. 1, Table 1 and Fig. 2.

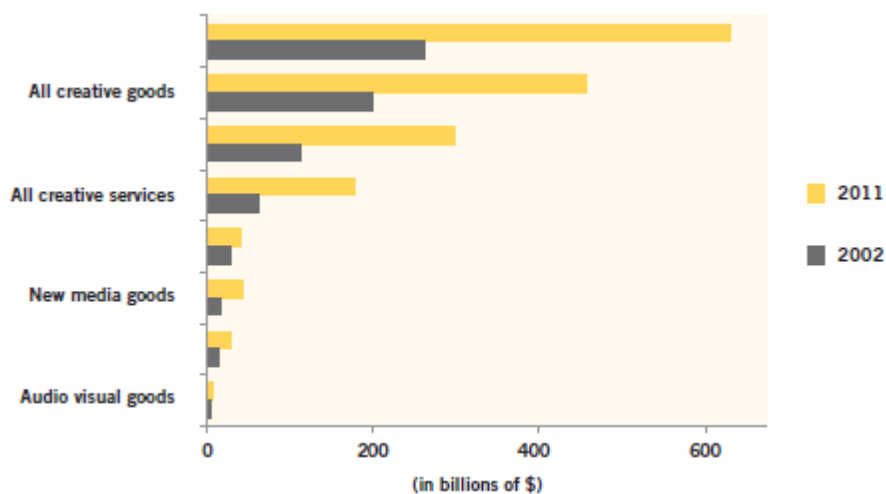
In 2011, world trade with creative goods and services totalled 624 billion USD, showing an increase from 559.5 billion USD in 2010. This increase by 11.53% was reported in the UNCTAD Global Database on the Creative Economy. World exports of creative goods and services such as crafts, books, graphic and interior design works, fashion, films, new media, printed media, visual and audio-visual products increased from 559 billion USD in 2010 to 536 billion USD in 2011 – which is an increase of 4.29%, in the context of quite unfavourable economic conditions.

The sector exceeded the peak recorded in the period before the crisis, 620.4 billion USD in 2008. After 2008, the total consumption of creative products decreased slightly, which is a proof of the after-crisis economic recovery especially in developed countries, due to the increase in public deficits, of the exchange rate volatility, of high unemployment rates, etc.

On the other hand, exports of creative services grew to 172 billion USD in 2011 from 163,8 billion USD in 2010 – a 5% increase. At the same time, the value of exports of creative services tripled in the period 2002-2011. The most representative creative services are: architecture, cultural-recreational services, audio-visual services, advertising, and research-development services.

On the whole, in the period 2002-2011 world trade with creative products grew by more than 100%, with an average annual rate of 8.8%. Developing countries recorded an average of 12.1% for exports. Exports of creative goods and services totalled 227 billion USD, which is 50% of the total global value.

Figure 1
EVOLUTION OF WORLD EXPORTS OF CREATIVE
GOODS AND SERVICES, COMPARISON 2002 AND 2011



Source: Creative Economy Report, 2013

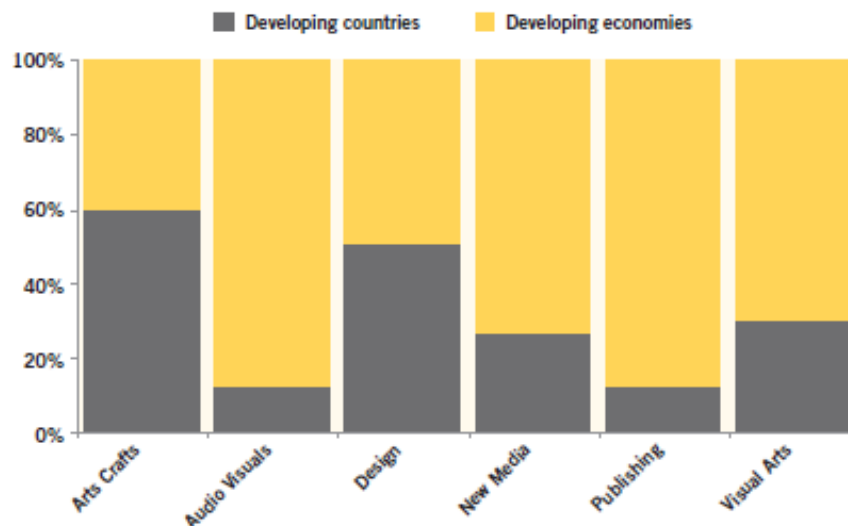
Table 1
CREATIVE GOODS: EXPORTS, COMPARISON 2002 AND
2011 (IN MILLIONS OF USD)

	World		Developing		Developed		Transition	
	2002	2011	2002	2011	2002	2011	2002	2011
All creative goods	198.240	454.019	73.890	227.867	123.169	222.597	1.181	3.555
Arts Crafts	17.503	34.209	9.201	23.383	8.256	10.653	45	172
Audio-visuals	455	492	35	90	417	400	3	2
Design	114.694	301.262	53.362	172.223	60.970	127.239	362	1.800
New media	17.506	43.744	4.412	14.607	13.071	28.918	23	219

Performing arts	2.754	-	250	-	2.478	-	26	-
Publishing	29.908	43.077	3.157	8.106	26.061	33.650	690	1.321
Visual arts	15.421	31.127	3.474	9.456	11.916	21.631	31	40

Source: Creative Economy Report, 2013

Figure 2
SHARE OF CREATIVE GOODS IN WORLD EXPORTS, 2011

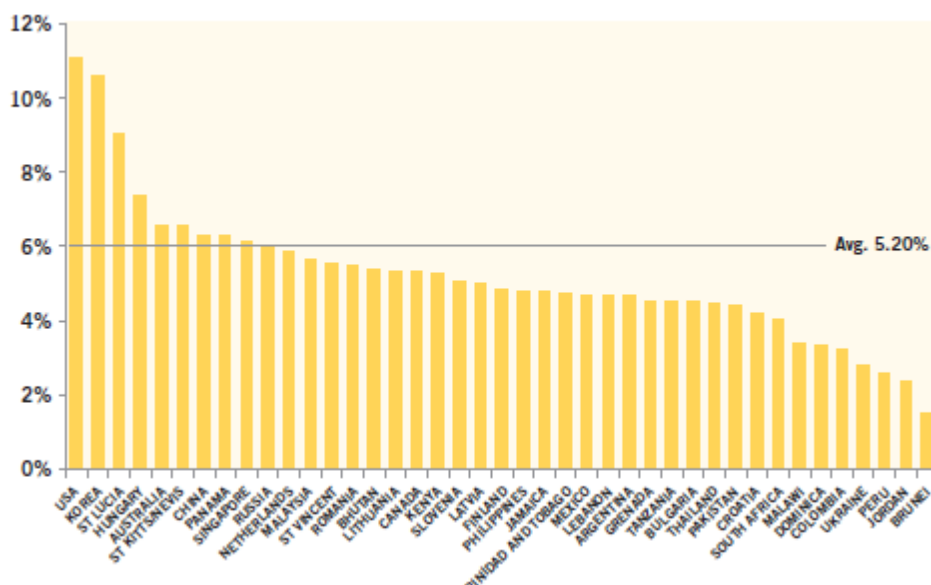


Source: Creative Economy Report, 2013

In 2013, WIPO conducted a study that comprised 40 countries, among which Romania. The study revealed that the sizes of the creative sector are much bigger than anticipated. Also, the study revealed that copyright industries have a major contribution to the GDP, with variations from country to country. Approximately three quarters of the analysed countries have a contribution of 4-6.5%, with

an average of 5.20%. Countries with a contribution above the average are those that also experienced higher growth rates. Romania recorded an average value, as can be seen in Fig. 3.

Figure 3
CONTRIBUTION OF COPYRIGHT INDUSTRIES TO GDP,
2012



Source: WIPO

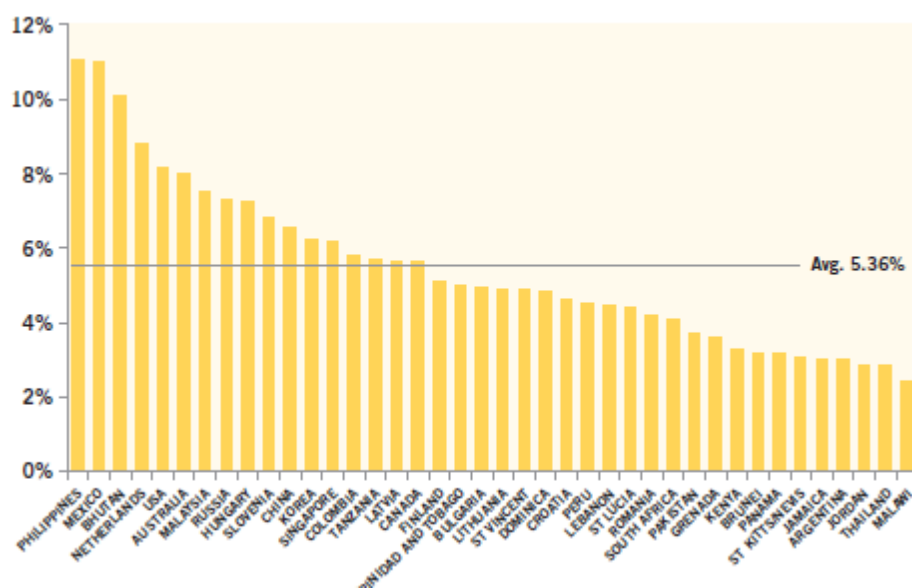
On average, employment in the creative industries is around 5.36%, with three quarters of the analysed countries having values between 4% and 7%. Romania's value is below the average, as can be seen in Fig. 4. Most of the countries having recorded a contribution above the average for the GDP contribution also record values above the average for the employment.

The same study revealed that in many countries, creative industries play a more important role than traditional industries. Creative

industries in such countries are mainly supported by the government, the legal system and the business environment.

Figure 4

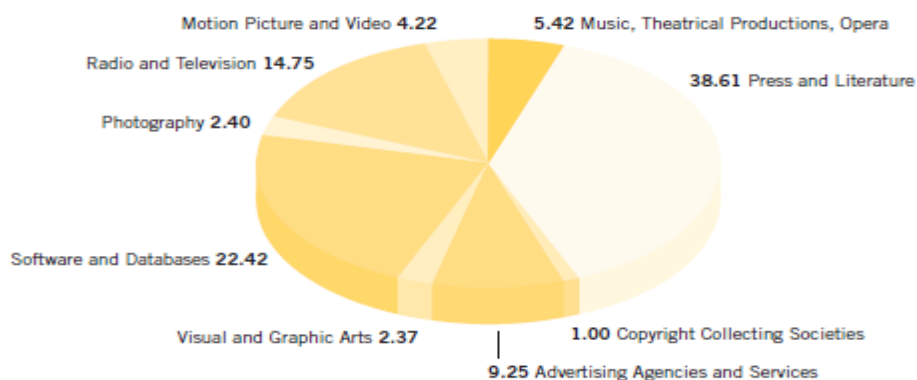
CONTRIBUTION OF COPYRIGHT INDUSTRIES TO NATIONAL EMPLOYMENT



Source: WIPO

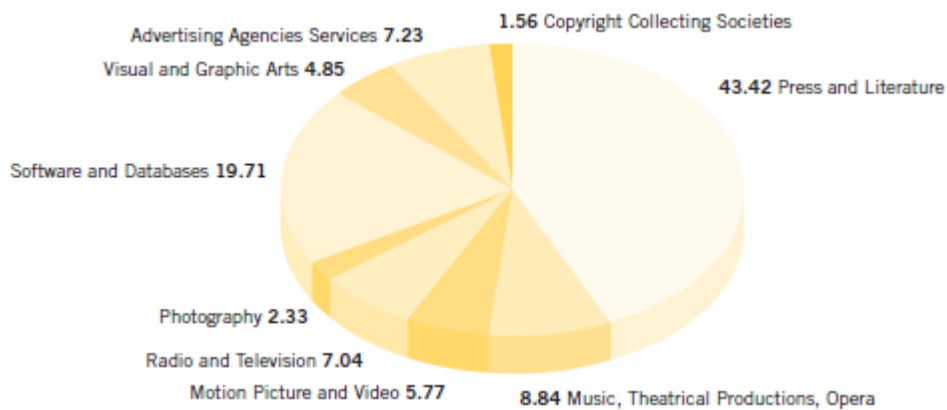
WIPO also analysed the contribution of core copyright industries to GDP and the contribution of the core copyright industries to employment. The findings are shown in Fig. 5 and Fig. 6 below.

Figure 5
CONTRIBUTION OF CORE COPYRIGHT INDUSTRIES
TO GDP BY INDUSTRY (IN %)



Source: WIPO

Figure 6
CONTRIBUTION OF CORE COPYRIGHT INDUSTRIES
TO EMPLOYMENT BY INDUSTRY (IN %)



Source: WIPO

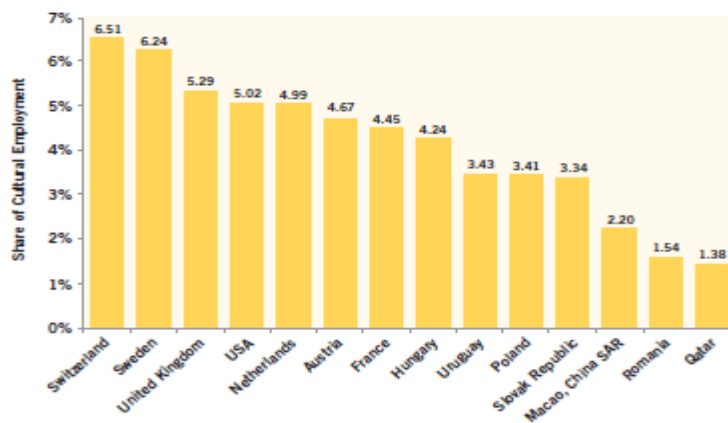
UNESCO Institute for Statistics performs an analysis of the employment in the cultural field in total employment. The findings of Year XVII no. 54

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this analysis are that the top countries in this respect are Switzerland with 6.51% and Sweden with 6.24%. Romania has a weak share, of 1.54%, below the values of most European countries, as can be seen in Fig. 7.

Figure 7

SHARE OF CULTURAL EMPLOYMENT IN TOTAL EMPLOYMENT



Source: UNESCO Institute for Statistics, 2013

As a conclusion, despite the obvious differences recorded by various countries, the creative economy was affected by the crisis, but its recovery was much faster and stronger than traditional industries, especially in developed and developing countries.

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