

Key role of cultural and creative industries in the economy

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Abstract

As culture and creativity become an increasing driving force in the international marketplace, it is essential to measure their impact not only on the economy but also on society at large. UNESCO has always been at the forefront of addressing the dual cultural and economic nature of cultural goods and services, working on both the theory and the practice. The Organization's Institute of Statistics (UIS) is currently seeking to redefine international data collection standards for the culture and creative sector so that they take into account the needs and specificities of the developing world.

Providing an overview of the main approaches to assessing the economic and social importance of culture, this paper highlights the numerous limitations in current statistical information. It also includes a series of proposals based on the pragmatic approach currently being developed at UIS.

Introduction: Increasing role of cultural and creative industries

In this era of extraordinary change and globalization, many acknowledge that creativity and innovation are now driving the new economy. Organizations and even economic regions that embrace creativity generate significantly higher revenue and provide greater stability into the future.

Based on ideas rather than physical capital, the creative economy straddles economic, political, social, cultural and technological issues and is at the crossroads of the arts, business and technology. It is unique in that it relies on an unlimited global resource: human creativity. Growth strategies in the creative economy therefore focus on harnessing the development potential of an unlimited resource and not on optimizing limited resources (as in traditional manufacturing industries).

Many stakeholders are involved in this process: the public sector which includes cultural institutions, e.g. museums, public service broadcasting organizations, etc.; the private sector which covers a wide range of commercial operations in all fields of cultural production and distribution; the non-profit sector including many theatre and dance companies, festivals, orchestras, which may receive government subsidies; and non-governmental organizations such as advocacy agencies, actors and musicians' unions.

Culture and creative industries have been increasingly integrated into the policy agenda of both developed and developing countries. In 2005, the United Kingdom's Commission for Africa reported that there was a 'real danger that a lack of attention to culture in policy making [...] will overwhelm many of the collective mechanisms of

survival which are part of Africa's cultures' (Commission for Africa 2005;130). In early May 2007, the European Commission announced its decision to adopt a strategy on the contribution of culture to economic growth and intercultural dialogue (European Commission, 2007).

Culture is increasingly finding a route to the market, which is leading to radical transformations in the way people create, consume and enjoy cultural products. Globalisation and the convergence of multimedia and telecommunications technologies has transformed consumers from passive recipients of cultural messages into active co-creators of creative content. Digital distribution in industries such as design and music has transformed global markets and allowed new industries and consumers to emerge in developing regions such as Africa and Asia (OECD-2, 2005). It is estimated that licensed digital distribution of recorded music will rise from \$653 million in 2005 to \$4.9 billion in 2010, which represented a 49.5% compound annual increase (PWC, 2007).

The digital distribution of music is but one aspect of much larger economic phenomena, as will be discussed in this paper. Yet it is important to note that culture and creativity also have a tremendous impact on social cohesion and development. In Europe, the role of culture in development shows that 'the arts enrich the social environment with stimulating or pleasing public amenities.... [and] artistic activity, by stimulating creativity... [and enhancing] innovation. Works of art and cultural products are a collective "memory" for a community, and serve as a reservoir of creative and intellectual ideas for future generations. Arts and cultural institutions improve the quality of life' (Council of Europe, 1997). Likewise, Australia has underscored the fact that 'the culture and leisure sector contributes to economic development through facilitating creativity innovation and self reflection' and, as such, recognises culture as a key component of society's well-being (ABS, 2001). Culture should not only be considered as a means (or a barrier) to achieve economic growth but also as a factor of social cohesion and human development.

Before exploring the social and economic importance of culture any further, certain conceptual differences should be discussed. One choice of orientation, already highlighted in the very title of this session, is to differentiate between 'cultural' industries and 'creative' industries¹. (Another approach, adopting the term 'copyright' industries, is considered briefly below while other categorisations, such as design industries, lie beyond the scope of this paper). Cultural industries relate to the creation, production and commercialisation of the products of human creativity, which are copied and reproduced by industrial processes and worldwide mass distribution. They are often protected by national and international copyright laws. They usually cover printing, publishing and multimedia, audiovisual, phonographic and cinematographic productions, crafts and design. Creative industries encompass a broader range of activities than cultural industries including architecture, advertising, visual and performing arts. The United Kingdom's Department of Culture, Media and Sport (DCMS) placed its definition of creative industries at the heart of its policy-marking agenda in the late 1990s and defined creative industries as those requiring creativity, skill and talent, with the potential for wealth and job creation through exploitation of their intellectual property. The principal practical difference between these approaches has been the definition of the sectors and occupations to be included in the statistics.

¹ The development of notions of 'creative industries' in the last ten years stems from the UK Dept of Culture Media and Sport Creative Industries Mapping Document (London 1998), with a revised version in 2001.

Diverging conceptual terms is not, however, the only difficulty when trying to measure the impact of culture and creativity. For an organization like UNESCO, which is primarily concerned with developing countries, a lack of key data poses a major problem. Since most data on culture are from the developed world, such as OECD and the European Union (EU) countries, the most significant challenge facing UNESCO's Institute for Statistics (UIS) is to develop cultural indicators which are relevant to the developing world, especially Africa. A different approach to measuring culture must therefore be advocated but what form should it take? A certain number of proposals are presented in the latter half of this paper but first it is important to understand fully the economic and social role of culture.

Key statistics on the economic and social role of culture

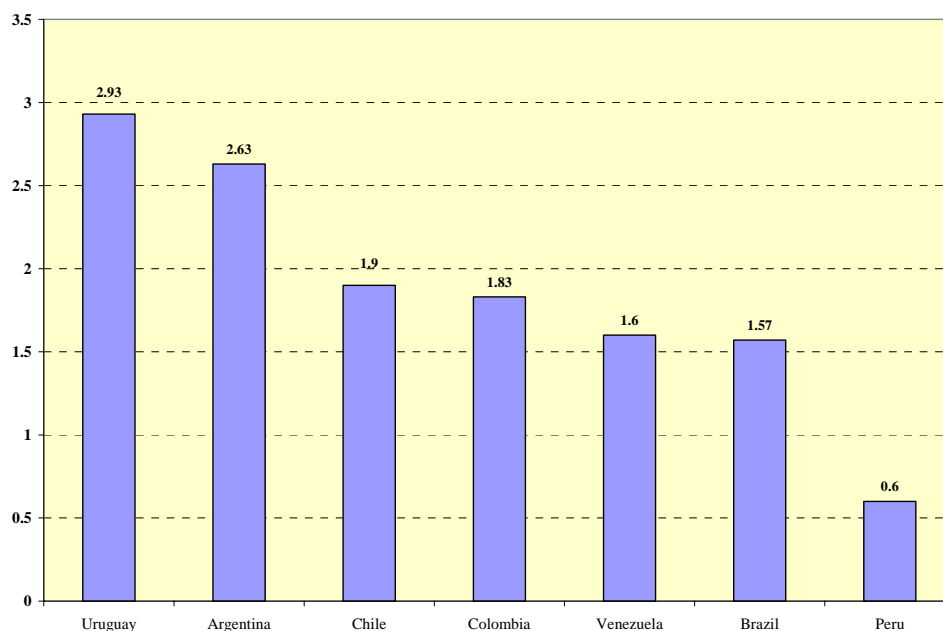
The entertainment and media industry are forecast to grow from \$1.3 trillion in 2005 to reach 1.8 trillion by 2010 (PWC, 2007).² Asia is expected to record the highest growth rate of all regions in the entertainment and media industry, increasing from \$274 billion to \$425 billion (with a 9.2% compound annual growth rate (CAGR)) and China will have the fastest growing industry in the world, with a 26% CAGR. In 1990s, the creative economy in OECD countries grew at an annual rate twice that of service industries and four times that of manufacturing (Howkins, 2001).

The growth of the cultural and creative sector in the European Union from 1999 to 2003 was 12.3% higher than the growth of the overall economy (European Commission, 2006). Turnover of the culture and creative sector in the EU, which comprises television, cinema, music, performing arts, and entertainment, generated €654 billion and contributed to 2.6% of the European Union's GDP in 2003. The culture sector employed at least 5.8 million people in Europe in 2004, which is more than the total working population of Greece and Ireland put together. Furthermore, it is often noted that the quality of jobs generated in the creative industries may provide higher levels of job satisfaction, given a strong sense of commitment to the sector and involvement in cultural life.

While these statistics are vital to our understanding of the increasing economic contribution of culture, it should be noted that there are several other ways to measure the importance of cultural industries. One such alternative source of data can be found in national satellite accounts, which are being adopted by several MERCOSUR countries. Initial results are provided in Figure 1, where it is shown that the contribution of culture (here understood as publishing, leisure, cultural services and sports) to the GDP for the MERCOSUR countries was less than 3% in 2003. While this figure seems to be lower than for European countries, varying definitions may explain these differences; for example, the European study incorporates gambling and casinos and internet transactions, which is not the case for MERCOSUR.

² The media and entertainment industry includes filmed entertainment; TV; recorded music; radio and out-of-home advertising; internet advertising and access spending; video games; business information; magazine publishing; newspaper publishing; book publishing; theme parks and amusement parks; casino and other regulated gaming; sports.

Figure 1: Contribution of the value added of selected cultural industries to the GDP for MERCOSUR countries in 2003 in percentage



Source: Cuenta satélite de cultura, Secretaria de cultura, Argentina, 2006.

Another way of assessing the creative economy is by examining what is referred to as the copyright industries. The World Intellectual Property Organization (WIPO, 2003) developed a framework that enables countries to estimate the size of their creative and information sector. The guide separates out this sector into four categories of industries, which are the Core Copyright Industries, the Interdependent Copyright Industries, the Partial Copyright Industries, and the Non-Dedicated Support Industries. These industries differ by their level of involvement in creation, production and manufacturing in the literary, scientific and artistic domain. The core copyright industries³ are usually those characterized as typical cultural industries.

Table 1 shows the contribution to GDP and employment of the Core Copyright Industries and Copyright Industries as a whole (including the Interdependent and Partial Copyright sectors). When all copyright industries are factored into the economic model, the total value of the contribution to GDP or the workforce can vary considerably depending on how they are defined.

³ The core copyright industries are industries that are wholly engaged in creation, production and manufacturing, performance, broadcast, communication and exhibition, or distribution and sales of works and other protected subject matter,

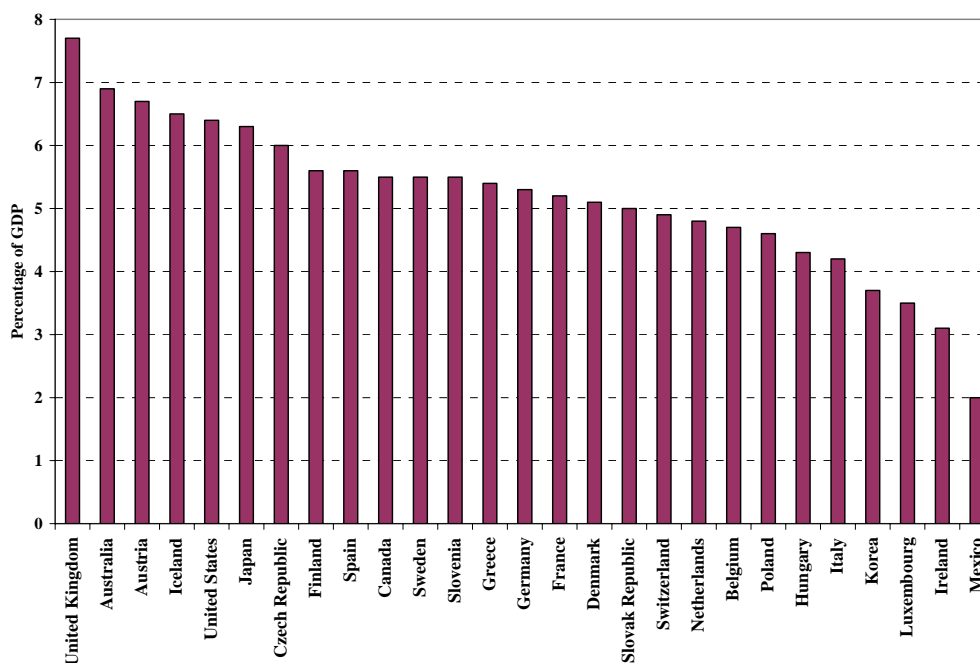
Table 1 Contribution of copyright industries to the GDP and employment in % for several countries in 2001

		Contribution of copyright industries % to	
Countries	Industries	GDP	Workforce
Singapore	Copyright industries	5.7	5.8
	Core copyright industries	2.9	3.6
Canada	Copyright industries	5.3	7.0
	Core copyright industries	3.9	
USA	Copyright industries	12.0	8.4
	Core copyright industries	7.8	4.0
Hungary	Copyright industries	6.8	7.1
	Core copyright industries	4.0	4.2
Latvia	Core + interdependent	4.0	4.4

Source: WIPO, National Studies on Assessing the Economic Contribution of the Copyright-Based Industries, 2006.

A final key source of data on the creative economy is information related to the consumption of cultural activities or products, which can be captured by statistics on household spending on recreation and culture. The inclusion of recreation covers domains beyond the common definition of creative industries, such as the purchase of leisure equipment for camping. The percentage of GDP spent on household expenditure on recreation and culture for most OECD countries shows a positive correlation with per capita income (OECD, 2007). The richer a country is, the more chance there is that the population will spend a higher percentage of their income on culture and leisure. However, there are some anomalies: in Ireland, considered a rich country, the population spends relatively little on recreation and culture, while the Czech Republic, considered a poorer country, spends a rather high share. Figure 2 shows that in OECD countries, the percentage of household expenditures on recreation and culture is included in a range between 2% for Mexico and 8% of the GDP for the United Kingdom. The trend has remained fairly stable at around 5% of GDP over the last decade.

Figure 2 Household expenditure on recreation and culture as percentage of GDP ⁴ in 2005 or latest year available



Source: OECD, OECD Factbook 2007 - Economic, Environmental and Social Statistics, 2007.

Measuring progress: the limits of current cultural statistics

Despite these different methodologies to measure the creative economy, there are a number of limitations to such data collection. Not only do varying definitions and categorizations often make information incomparable, as we have already seen, but data is also frequently scarce or at best incomplete. Furthermore, there is a widespread lack of resources and expertise to ensure high quality statistical work, especially in the developing world, as data collection on the creative sector remains a low priority area for many countries.

Many different initiatives to measure culture and map out cultural and copyright industries have been developed in Latin America in the past ten years, not only at the local and national level but also sub-regionally (e.g. Mercosur, Grupo Andino and CONACULTA). Statistical data and indicators have reached an advanced level of detail and sophistication in some cases (such as Colombia and Chile), but are non-existent in

⁴ Household expenditure on recreation and culture includes purchases of audio-visual, photographic and computer equipment; CDs and DVDs; musical instruments; camper vans; caravans; sports equipment; toys; domestic pets and related products; gardening tools and plants; newspapers; tickets to sporting matches, cinemas and theatres; and spending on gambling (including lottery tickets) less any winnings. It excludes expenditures on restaurants, hotels, and travel and holiday homes but includes package holidays.

other countries of the region, particularly those in Central America. The Organization of American States and the Organization of Ibero-American States are currently striving to establish cultural information systems (CIS) through knowledge-sharing activities among countries in the region. However, these tend to be highly descriptive and a common set of core indicators has yet to be identified.

As for Africa, the role of cultural industries in the continent's development was acknowledged in the 1992 Dakar Plan of Action (UNESCO, 1992). The document serves as a reference point for current strategies in this area, as described in the New Partnership for Africa's Development (NEPAD) plan for culture and development (UNESCO, 2003). Having said this, few culture statistics are currently collected on a regular basis, despite increasing policy needs to assess the importance of revenue generated from cultural industries which thrive on the continent, such as music and crafts. This requires a better characterization within international classification systems in order to provide clear guidance to National Statistics Offices.

On a more global scale, one of the major failings of current statistical data is that it does not accurately capture copyright flows and other intangible assets. World trade in 'core' cultural goods – taken as recorded media (music, CDs, etc) and printed media (books, newspapers, periodicals, etc.) – amounted to almost \$60 million in 2002 (UIS, 2005). However, these figures do not capture the value of copyright cultural products traded worldwide. Trade statistics are captured through customs data and therefore relate only to the physical characteristics of products. What they fail to take into account is the value of ideas, creativity and innovation which, in most cases, are transformed into productive capacity requiring intellectual property protection. As mentioned in the introduction, the cultural sector exploits an infinite raw material – creativity – which proves difficult to trace in physical form.

Data on imports and exports of films can be used to indicate diversity in production and exchange by indicating diversity in the origin of films entering a country, but it presents the severe limitations of customs and balance of payments data (UIS, 2005). Typically, films are exported to the destination market, then copied and distributed locally. As a result, the level of exports may bear little relation to the volume distributed in the recipient country. While an exported film has an almost negligible value at customs, the bulk of international exchanges relating to its export are compiled in data from balance of payments, in the form of receipts for royalties and licences through copies, exhibition rights and reproduction licence fees.

Another major challenge to data collection is the question of how to measure cultural employment. In order to understand cultural employment within a country, occupations within cultural industries need to be supplemented with cultural occupations in non-cultural industries. These could include, for example, design activities in manufacturing and other sectors. Furthermore, cultural occupations in developing countries are often a secondary occupation for agricultural labourers or other workers and, as such, are often not declared or captured in censuses and labour force surveys.

The International Standard Classification by Occupations (ISCO) currently does not provide the level of detail required to identify cultural occupations in a truly comprehensive manner. In some cases, it is necessary to link employment data with industry data to calculate total cultural employment. These hidden or 'embedded' cultural occupations may not include a large enough number of practitioners to be accurately measured in sample surveys. Moreover, self-employed or informal work, and even small companies of less than ten people are not captured in surveys. In this respect, even European statistics may well underestimate cultural employment.

UIS's role in defining standards

In 2006, the UIS began to revise the 1986 UNESCO Statistical Framework for Culture. Preliminary proposals have been well received by countries and present a further opportunity to rally countries around a common standard. It is recognized that, in the past, such initiatives have often failed as few countries have sufficient resources for dedicated surveys of culture, and that earlier standards have seen to be centred on OECD or EU perspectives rather than those of developing countries. Instead, UIS will concentrate on a pragmatic approach building on a regular collection of statistical instruments, such as labour force surveys and population censuses. Proposals will focus on standard-setting, which involves marginal adaptations to these existing data collection instruments, thus minimizing costs and maximizing the potential for regular collection of cultural data once the project has been completed. They will present a comprehensive approach to measuring culture in both social and economic spheres while allowing countries the flexibility to identify different national priorities.⁵

UIS has produced two reports on the international trade in cultural goods, but the Institute must now also consider the question of the consumption of cultural goods. 'Consumption' is seen by some as an economic approach whereas culture demands a wider view in which 'enjoyment' has more than an economic value. Nevertheless, specialists in the culture field are quick to point out that 'participation' in cultural activities has strong social benefits, such as confirming identity with a social group, increasing social cohesion, or, through an encounter with a different culture, allowing people to question assumptions about how they act or think about their own emotional and moral values.

UIS is therefore interested in developing instruments for national and international studies, which will evaluate participation in a wide range of cultural activities. The Institute's approach is a fundamentally pragmatic one since it realises that estimating the full 'value' of cultural goods would be too costly. Developing countries in particular do not have the financial resources to carry out extensive surveys to assess cultural value, and expertise on the special methodologies involved is scarce. Instead, UIS recommends that countries take a broad-based approach, while understanding the inevitable imperfections of the results produced. A measurement strategy, which draws on common existing statistical instruments and standards, is required. As such, UIS advocates the use of the International Standard Industrial Classification (ISIC) and Classification of Occupations (ISCO).

UIS is currently working with the International Labour Organization to ensure that they represent the full range of cultural employment. At the same time, UIS will advise national statistical offices that, while adhering to international standards, they should aim to identify the informal sector in any cultural industries that are a national priority. For example, all national statistical offices conduct a labour force survey and, if such surveys asked about a *second* occupation, it is likely that many craftsmen would be identified.

In addition to making small adjustments to existing surveys, it is always possible for countries to undertake dedicated surveys for priority issues. In the realm of culture,

⁵ It is suggested that the Framework will allow countries to choose the sectors which are most appropriate for their national policy, but that the sector definitions will be based on international standards. As such, while countries may choose different sectors, they will be able to compare themselves with other countries that choose the same sector or sectors.

dedicated surveys could be used to ‘drill down in depth’ in a particular sector, to consider the implications of a particular event, or to measure the overall participation of a certain population in cultural activities. In the case of a sector study, considerable care should be taken with sample design to ensure that informal, artisan, and amateur craft production is captured.

Another common form of survey covers a particular event or place, usually registering the number of visitors to a site, event or festival. While in OECD countries it is easy to separate tourists and audiences from locals and performers respectively, this is more difficult in other countries in the world. Many sites, whether natural or architectural heritage, play a central role in the lives of local communities. This means that local participation and use of these sites should be surveyed alongside those of visitors from further a field. Similarly, in many festivals in non-OECD countries audience and performers cannot be separated as people move between roles at different times. This is clearest in music, dance and drama, and artistic production where local shows are often an opportunity for artists to exchange ideas and inspirations as much as they are about displaying works to the general public.

Recognizing the many limitations of current cultural statistics, UIS proposes three main aspects in which data collection on a particular cultural industry may require data of other forms: education, traditional knowledge, and archiving and preserving. Education teaches people how to value culture and is the principal means of transmitting culture from one generation to the next. Enrolment rates in cultural education programmes are therefore useful indicators on how different aspects of culture are covered in school and higher education. Traditional knowledge represents cultural production that is not included in the conventional market because it is subject to informal exchange, non-monetary exchange (e.g. exchange of gifts) or amateur/informal production. Examples might include the practice of traditional medicine, rural textile production, production of traditional musical instruments or dress. While these articles may not enter the market, their production can be a very significant share of cultural production in a particular sector and many countries will want more accurate data on the scale of this production. Archiving and preserving is not merely the way in which significant works of art are conserved and safeguarded for posterity. Important works of art or traditions can be powerful forces for acculturation and inspiration for future artists. Works of art, heritage sites and intangible heritage are therefore assets, which, if invested in, can provide returns in terms of new cultural products, and visitor revenues. Figure 3 shows an initial view of some sectors showing how the three suggested transverse dimensions might be measured.

Fig. 3 Examples of some indicators for cultural industries across four sectors and the three transverse dimensions

	ISICs nuanced by occupation and product classifications			
	Arts Visual, fine, performing arts	Heritage Natural Cultural Tangible and Intangible	Audio-visual Film, video, new media	Books & Press
Production & Consumption	Employment Value Performances	Employment Value	Employment Value No of titles	Employment Value No of titles
Education	Enrolment Performances in/by schools	Enrolment Attendance (visitors & locals)	ICTs in education	School textbooks
Traditional knowledge	Craft artisan Story tellers Festivals (\$, attendance)	Intangible heritage (no of themes) Biodiversity , language, medicines	Traditional knowledge on the Internet Audio-visual documentaries	Languages in print
Archiving & Preserving	Document centres	Conservation (jobs, spending)	Film archives (volumes)	Libraries (volumes, transactions)

UNESCO's approach to measuring creativity and culture

UNESCO has always been at the forefront of addressing the dual cultural and economic nature of cultural goods and services. The Organization has worked extensively on this interface, exploring both the theory and the practice.⁶ In May 2008, it is set to publish its next World Report on the theme of cultural diversity. Building on the considerable amount of critical reflection that lies behind the Universal Declaration on Cultural Diversity (2001) and its Action Plan, the report will aim to identify key policies and policy-making instruments to ensure that cultural diversity, sometimes perceived as a threat or a source of insecurity, is truly fruitful and can flourish for the benefit of all. This report is to include a statistical annex provided by UIS.

An example of UNESCO's practical involvement in the field, the Global Alliance for Culture Diversity is a pilot project that forges public-private partnerships to strengthen cultural industries and enterprises in developing countries. In terms of normative action, UNESCO adopted the Convention on the Protection and Promotion of the Diversity of Cultural Expressions in 2005. Following an unprecedented ratification rate, the Convention entered into force on 18 March 2007. This binding legal instrument promotes cultural industries as key to sustainable development and poverty reduction and seeks to strengthen international cooperation in the field of cultural industries. One of the aims of the Convention is to gain a greater understanding of how to measure the

⁶ UNESCO has published a number of works on the subject matter: *Our Creative Diversity*, report by World Commission on Culture and Development, 1995; *Culture, Creativity and Markets*, World Culture Report, 1998; *Cultural Diversity, Conflict and Pluralism*, World Culture Report, 2000 and *International Flows of Selected Cultural Goods and Services*, 1994-2003, UIS, 2005.

diversity of cultural expressions. To that end, UNESCO's international standards in the field of culture will be reviewed in close collaboration with UIS, in particular those related to creative industries and their impact on economic development.

Conclusion

A broader assessment of the economic impact of cultural sectors and products is key to providing a fuller picture of the real impact of culture. As a final example, we should consider the impact of the Great Wall of China. It attracts huge tourist income, investment by national authorities and local people. Yet a quick search finds the Great Wall also used as a symbol to sell a wide range of products, including a brand of car, a packaging machine, the Olympics, Chinese language courses, software, music, hotels, cigarettes, medicine, fireworks, food, hydraulic fluid and so on. The Wall contributes to the sale of all these products, extending its economic impact far beyond the heritage sector. In theory, an assessment of the economic impact of the Great Wall should take into account its value as a brand for all these products, its value to the people of China as a symbol of national identity as well as its value to the people of the world as an outstanding achievement of humanity. It is of course this latter aspect which has led to its inclusion on the UNESCO World Heritage lists.

The example of the Great Wall illustrates how far we have to go to measure the full impact of culture in the economy, as well as the extensive contribution that culture makes to both economy and society as a whole. Having said this, a sense of optimism should prevail since the studies cited at the beginning of this article indicate that an initial assessment of cultural industries using existing data can bring great benefits. All countries that have carried out such an assessment have been surprised by the extent to which such industries contribute to national economic performance. Such an initial study can help identify which industries are the most important and where the evidence requires further work to present a full picture.

Often the impact of an initial study into such cultural industries creates momentum for statistical agencies to examine the issue in greater depth. The more that the impact of cultural industries is studied using the approaches suggested in this article, the more officials and members of the public will be able to appreciate the breadth and richness of what culture has to offer a country. In addition, the more that the economic value of culture is appreciated, the more people are willing to invest in culture, whether they be public agencies or private companies who recognize the real returns that culture provides.

All these issues can only be addressed through close international co-operation. This must include partnerships between different international agencies (such as the OECD, EUROSTAT and UNESCO), professional associations (such as the International Federation of Library Associations) and national authorities for whom the resulting statistics should be relevant, timely and of high quality. Only then will we be able to measure the full impact on culture and creative on our economies and our societies.

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