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Creative industries impact on national economy in regard to sub-sectors

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Abstract

This paper aims to define impact of creative industries (CI) on national economy in regard to sub-sectors. Employing systematic, logical and comparative analysis of scientific literature, as well as analysis of empirical data, authors define and classify the most important CI sub-sectors that impact national economy. Due to this, the value of this paper is theoretical definition, systematization and evaluation of the sub-sectors defining the impact of CI on national economy. The findings of this research provide the basis for targeted funding in order to foster and develop CI impact on national economy.

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Introduction

Creativity together with its different forms and expressions is equally available to any country in the world. By employing creativity, countries turn away from economic, political or natural restraints, so proper recruitment of creativity holds a competitive advantage in the global marketplace for smaller and less developed countries (Creative industries Development, 2004). At the same time CI is of increasing importance in the postindustrial knowledge economy: it can be defined by faster than average growth and creation of new jobs (Blair, Grey, Randle, 2001; Hotho, Champion, 2011; De Propris, 2013; Goede, Louisa, 2012), providing for expression of cultural identity and promoting cultural diversity (EC, 2010).

Purpose of this paper is to define impact of CI on national economy in regard to sub-sectors.

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Methodology used in this paper is systematic, logical and comparative analysis of scientific literature, as well as analysis of empirical data.

The main result of this paper is the definition and systematization of the most important sub-sectors that define the impact of CI on national economy as well as empirical research on the aforementioned indicators.

The value of this paper is theoretical definition, systematization and evaluation of the sub-sectors defining the impact of CI on national economy, based on the analysis of scientific publications and empirical research.

Practical implications. The definition and empirical research on the most important CI sub-sectors provide the basis for targeted funding in order to foster and develop CI impact on national economy.

1. Concept of creative industries

CI is an often used term, however authors offer different definitions emphasizing various features of the term. One of the most popular definitions is coined by the Labour Government in the Great Britain in 1998, the Creative Industries Mapping Document. It focuses on describing CI as a set of economic bodies that employ personal creativity, skills and talents in order to create wealth and jobs (Gibbon, 2011).

In order to define the CI authors mostly focus on personal features and skills, first of all being personal creativity (Ashton, 2011; Hotho, Champion, 2011; Lassur, Tafel – Viia, Viia, 2010; Malem, 2008; Thomassen, 2007). However, it is challenging to describe CI without providing the main sectors comprising it: 13 main sectors were named by the British Council and remain at the focus of researchers. Varying definitions as well as different concepts (Ashton, 2011; Jones, Comfort, Eastwood, Hillier, 2004) impede measuring the role of CI in the national economy not to mention comparison of roles internationally. UNCTAD (2008) distinguishes the most important characteristics the output of CI share, namely:
1. Their production requires some input of human creativity;
2. They are vehicles for symbolic messages to those who consume them;
3. They contain, at least potentially, some intellectual property that is attributable to individual or group producing the good or service.

It is important to distinguish between creative and cultural industries. The two concepts are deeply related, the main difference being obvious CI orientation towards profits by employing creativity and cultural heritage (UNCTAD, 2004), while cultural industries seek to lessen social exclusion, form national identity or preserve cultural heritage (32 Creative Economies in Action, 2013) or aim towards other non-economic goals.

In today's global economy it is hardly imaginable that CI could exist without creative economy. According to the British Council, at the heart of the creative economy are the creative and cultural industries that lie at the crossroads of arts, culture, business and technology.

2. The main impact measures of CI on national economy

Analysis of the scientific literature confirms that CI is a popular topic of academic discourse: authors focus on different characteristics of the CI, define the factors that help them to emerge, form and develop. One of the most important yet still underdeveloped area of scientific interest is the impact of CI on national economy. In order to define the indicators allowing to evaluate the impact of CI on national economy, the authors analyzed and grouped all the indicators discussed in 47 different publications. Thorough analysis suggests that the most important areas of national economy under the influence of CI fall into one of the following 8 groups:
1. Fighting unemployment, mentioned in 39 publications.
2. Part in GDP, value added, mentioned in 32 publications.
3. Foreign trade (export), mentioned in 13 publications.
4. Social inclusion, mentioned in 11 publications.
5. Social and cultural development, mentioned in 6 publications.
6. Increasing quality of life, mentioned in 5 publications.
7. Fighting youth unemployment, mentioned in 3 publications.
8. Other indicators of socio – economic impact.
The analysis suggests that not all the indicators are of the same importance, with (1) fighting unemployment, (2)

part in GDP and (3) foreign trade (export) gathering significantly more attention; in addition to this, the mentioned indicators are of a wider nature: being able to contain some narrower indicators within. This draws to an assumption that indicators can be grouped:
- Fighting unemployment: decreasing unemployment, decreasing youth unemployment.
- Contribution to GDP: part in GDP, value added creation.
- Contribution to foreign trade (export): part in foreign trade.

As literature analysis suggest, CI foster creation of new jobs, help to increase turnovers in CI and CI-related enterprises and its contribution to GDP as well as promote exports.

It is crucial to emphasize that CI emerge, develop and thrive in certain environment: it contains business-favorable conditions, adequate workforce and other features. CI is an integral part of national internal and external surroundings, just as it is formed by national economy, history and culture, meaning CI and national economy are connected in a two-way relationship. However, the scope of this paper is to determine how CI impact national economy.

3. Impact of creative industries on Lithuanian national economy

As determined before, the main CI impact on national economy measures are the following: creating jobs, contributing to GDP and exports.

Fighting unemployment. Significant shift towards arts- and culture-based economic activities ignited emergence of new professions that are based on combining cultural and business activities. It is important to note the most important prerequisite for CI to thrive is high quality of life as well as open cultural infrastructure (White, Gunasekaran, Roy, 2014, Minska – Struzik, 2014).

In addition to the quality of human resources and ability to attract creative individuals, it is important to measure the density of creative enterprises. CI is characterized by very high numbers of micro and small enterprises as well as self-employed professionals. According to recent research (EC, 2013), roughly 50% of enterprises in CI have 1 to 3 employees. On the other hand, only 1-4% of enterprises have more than 50 employees; however it is the latter enterprises creating approximately 50% of turnovers in their respective sub-sectors.

Data for 2010 – 2012 shows that the case of Lithuania closely reflects main trends in the EU, where 6 main sectors employ 60% of CI employees, (EC, 2013): 5 main sub-sectors in Lithuania employ 72% of all the employees hired in CI (see table 1 for details).

Table 1. Employment analysis of sub-sectors of creative industries in Lithuania, 2010 – 2012 (data source: Statistics Lithuania)

	2010	2011	2012
Employment in CI, % of total employment	**2.83%**	**3.00%**	**3.07%**
Software and computer service	0.36%	0.42%	0.47%
Architecture	0.27%	0.27%	0.27%
Engineering and technical support*	0.53%	0.54%	0.56%
Advertising	0.38%	0.39%	0.43%
Publishing (periodicals)	0.28%	0.25%	0.24%
Employment in the largest sub-sectors of CI, % of employment in CIs	**72.47%**	**71.87%**	**72.28%**

* Engineering and technical support is part of Software and computer service sub-sector but due to its importance, we analyze it separately.

Statistical data suggests that CI is of growing importance due to ability to create jobs. While it is still relatively small in terms of employment, tendencies in Lithuania and bigger regions hold the same: 3.3% and 5% of active population is employed in the EU and the Americas respectively (EY, 2014; Oxford Economics, 2014). It is extremely important in a turbulent economic environment faced globally: in accordance to regional political climate, the sectors of energetics, mining, production might be stripped of the crucial natural supplies, while CI sector relies on personal creativity. What is more, this sector proves to be exceptionally effective in a way it requires minimal initial investments and develops based on personal skill and talent. Its ability to create added value is limitless.

Contributing to GDP. According to EC (2013) approximately 1 million enterprises reached the turnover of roughly 402.2 billion EUR, of which 38% is accounted for added value. Challenges arise when describing impact of creative industries on GDP: this sector creates GDP directly as well as through other sectors since innovation is a result of creative thinking. This sector contains a high number of micro- and small enterprises, so it is natural that the sub-sectors with high number of enterprises create largest turnovers.

According to the number of enterprises and their turnovers, 5 most important sub-sectors are: (1) advertising, (2) software and computer service, (3) engineering and technical support, (4) architecture, and (5) other professional, scientific – academic and technical activities.

On the EU level 5 most important sub-sectors contribute 56% of all the CI turnover and over 60% of aggregate CI value added (EC, 2013). The same tendency is present in Lithuania: over 55% of all CI contribution to GDP is created in the 5 mentioned sub-sectors (see table 2 for details).

Table 2. Analysis of contribution to GDP of sub-sectors of creative industries in Lithuania, 2010 – 2012 (data source: Statistics Lithuania)

	2010	2011	2012
CI contribution to GDP, % of national GDP	**4.11%**	**4.26%**	**4.13%**
Software and computer service	0.56%	0.63%	0.65%
Architecture	0.29%	0.24%	0.22%
Engineering and technical support	0.53%	0.50%	0.54%
Advertising	0.67%	0.76%	0.75%
Other professional, scientific – academic and technical activities	0.23%	0.22%	0.18%
CI contribution to GDP (largest sub-sectors by turnover), % of GDP created in the CI	**55.75%**	**55.01%**	**56.71%**

Analyzing trends of employment and turnovers in CI, it is evident that while both indicators are of growing importance to Lithuanian national economy, contribution to GDP is of greater importance. This suggests that the creative sector is effective, in addition to this, theoretical analysis has revealed that CI does not need large initial investments, providing this sector is of increasing importance not only between regions in a particular country, but in the global market as well.

Contributing to foreign trade. Measuring competitiveness internationally most often comes to comparing foreign trade. CI internationalization provides for cultural and social development in addition to direct economic impact. In terms of exports, creative goods account for 4.3% of the EU-27's external exports (OMC, 2014).

It must be noted that 2010 still saw decreased exports in Lithuania, while exports in 2011 and 2012 signaled the recovering economy in the country. The aggregate CI export totaled for 0.41% in 2010, 0.18% in 2011 and 0.20% in 2012. CI exports comprised a larger share of total exports confirming theoretical assumptions that CI is more resistant to economic cycles and crisis (De Propris, 2013). Since the contribution to GDP is quite of a small impact, it is obvious that there is a lot of space for growth in terms of Lithuanian CI products export.

While theoretical analysis and empirical evidence claim that part CI comprise in foreign trade is of increasing importance as well as one of the most important upcoming sources of international competitiveness, in comparison with employment and contribution to GDP it is still at the early stages of development. Consequently, in order to measure sub-sectors of the most importance, we will take into consideration two main dimensions: employment and contribution to GDP (see fig. 1 for details).

Dividing the area into 4 quarters according to the average values in part of total employment (low – high, on X axis) and average values of total GDP (low – high, on Y axis) provides a clear view as which sub-sectors are of highest importance on the national economy and thus should receive more attention from the policy makers. Division is based on analysis of the scatter diagram, drawing the following assumptions:

I. Beginners. Sub-sectors that create a little share in GDP and create a moderate amount of jobs should receive special training and moderate investments in order to step into the next stage of development.

II. Up and coming sub-sectors create a big share in GDP while employing a moderate amount of professionals, are highly productive and thus should receive support for further growth maintaining the same productivity level.

III. Mature sub-sectors employ high numbers of people and create a fair share in the GDP. These enterprises are the ones that are ready to step out in to the foreign markets. They need governmental support to participate in various exhibitions, conferences, contact making events and so on.

IV. Ineffective sub-sectors create big amount of jobs but lack in impact on GDP and should receive special training and moderate investments in order to step into the next stage of development. These sub-sectors should aim to improve productivity as a faster way to leap-frog to the maturity stage.
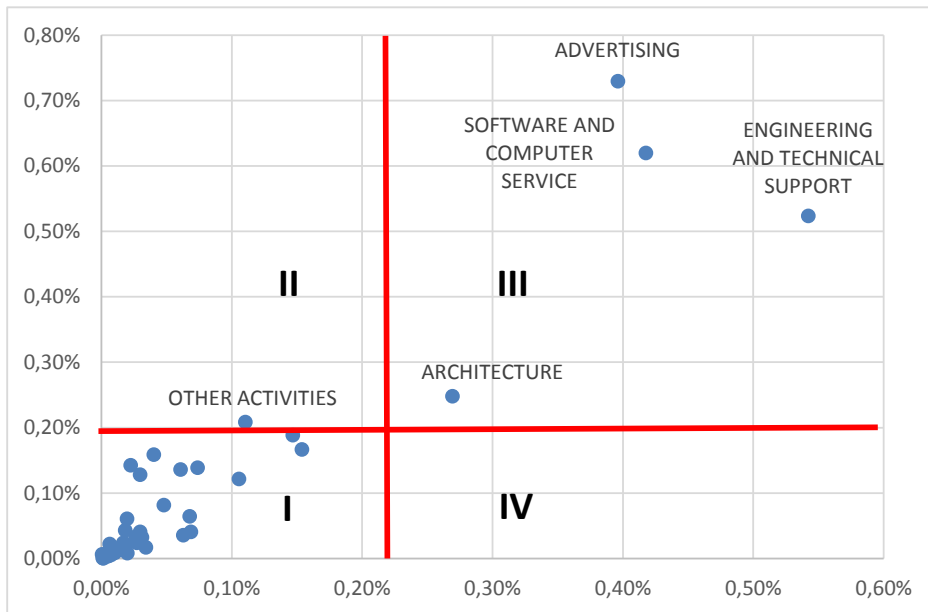

Fig. 1. Scatter analysis of CI sub-sectors in regard to employment and contribution to GDP (data source: Statistics Lithuania)

These assumptions must be checked empirically, however in this paper we seek to discuss CI impact on national economy in regard to the sub-sectors. What is evident from the scatter analysis (see fig. 1 for details) sub-sectors fall into 3 categories:

I. Beginners. Category with the highest number of enterprises. According to the statistical data, all the sub-sectors that fall into this category total for less than the leading 5-6 categories in both terms of employment and contribution to GDP. This category must be closely watched and measured periodically in order to recognize the fastest developing new sub-sectors. It does not need special attention since it is affected by all the macro environment changes intended for the most important sub-sectors.

II. Up and coming. This category contains only one sub-sector: other professional, scientific – academic and technical activities. Employing rather a small amount of CI professionals, this sub-sector manages to create a significant share in GDP due to the high value added of its services. In order to expand and develop this sub-sector, government should encourage respective education and create business-friendly environment.

III. Mature. This category contains architecture, advertising, software and computer service and engineering and technical support sub-sectors. All of them have reached the maturity stage and are the prospects for foreign trade in addition to growth within the country. In order to achieve that, governmental support for export measures must be applied.

Conclusions

Thorough scientific literature analysis provide a basis for general definition of the CI: it creates jobs and wealth by employing personal skill, talent and creativity. Containing loosely related sub-sectors, creative industries must not

be confused with cultural industries. The latter aims towards social and cultural goals while the creative industries emphasize the importance of economic success.

CI impact on national economy might be measured by its role in fighting unemployment, contributing to GDP and foreign trade amongst other indicators.

Taking into consideration jobs and GDP created within the CI, the most important sub-sectors are defined. In case of Lithuania, all the sub-sectors fall into 3 categories: beginners (high number of enterprises, micro enterprises), up and coming (professional activities, exceptionally efficient) and mature (relatively big enterprises capable of significant impact on national economy). Categorization of the sub-sectors allows for deeper insights and selection of the most suitable measures for each category in order to develop and foster it on national level.

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