

# Executive Summary

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## Context

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In March 2000, the EU Heads of State and Government meeting at the European Council in Lisbon agreed on an ambitious goal: making the EU by 2010 "*the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*".

Lisbon is pushing to boost R&D spending by governments, universities and corporations. The belief is that growth and employment will be achieved by investing in ICT industries – the flagship industries of the digital economy –, and boosting innovation, in particular in the “knowledge economy”.

**The role of the cultural and creative sector within this context is still largely ignored.** Indeed, the move to measure the socio-economic performance of the sector is a relatively recent trend. Moreover, the exercise is a contentious one. For many, the arts are a matter of enlightenment or entertainment. That leads to the perception that the arts and culture are marginal in terms of economic contribution and should therefore be confined to the realms of public intervention. This may explain to a large extent **the lack of statistical tools** available to measure the contribution of the cultural sector to the economy whether at national or international level, in particular compared to other industry sectors.

**The present study aims to remedy this situation.** It is a first attempt to capture the direct and indirect socio-economic impact of the cultural sector in Europe, thereby assessing its contribution to the Lisbon agenda, and in particular in terms of realising growth, competitiveness, more and better jobs, sustainable development, and innovation.

**It shows how culture drives economic and social development, as well as innovation and cohesion.** The cultural and creative sector is a growing sector, developing at a higher pace than the rest of the economy. The same applies to employment. Indeed this sector provides many different and often highly skilled possibilities, and again the sector's growth in terms of jobs **out-performs the rest of the economy**. It also drives many other sectors of the European economy, and in particular innovation and ICT sectors.

The study also illustrates how **culture promotes European integration** and is a key tool to integrate the components of European societies in all their diversity, to forge a sense of belonging as well as to spread democratic and social values. Culture can contribute to “seduce” European citizens to the idea of European integration.

## The Cultural & Creative Sector

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The first step in assessing the economy of culture in Europe is **the need to define corresponding sectors and activities**.

This is no easy task given the divergence of national and international approaches to date.

Because of the study's objectives, its scope goes beyond the traditional cultural industries such as cinema, music and publishing. It also includes the media (press, radio and television), the creative sectors (such as fashion, interior and product design), cultural tourism, as well as the traditional arts fields (performing arts, visual arts, and heritage). The study also touches upon the impact of the cultural sector on the development of related industries, such as cultural tourism and, perhaps more importantly, ICT industries, and explores the links between culture, creativity and innovation in this respect.

Therefore the scope of the assessment includes:

- The “cultural sector”
  - **Non-industrial sectors** producing non-reproducible goods and services aimed at being “consumed” on the spot (a concert, an art fair, an exhibition). These are the arts field (visual arts including paintings, sculpture, craft, photography; the arts and antique markets; performing arts including opera, orchestra, theatre, dance, circus; and heritage including museums, heritage sites, archaeological sites, libraries and archives).
  - **Industrial sectors** producing cultural products aimed at mass reproduction, mass-dissemination and exports (for example, a book, a film, a sound recording). These are “cultural industries” including film and video, video-games, broadcasting, music, book and press publishing.
- The “creative sector”

In the “creative sector”, **culture becomes a “creative” input in the production of non-cultural goods**. It includes *activities* such as design (fashion design, interior design, and product design), architecture, and advertising. Creativity is understood in the study as the use of cultural resources as an intermediate consumption in the production process of non-cultural sectors, and thereby as a source of innovation.

**Consequently the study's scope of investigation is the “cultural & creative sector”**. This approach enables us to measure more accurately the economic and social, direct and indirect impact of culture and creativity. This is mapped out in the following table:

## Delineation of the cultural & creative sector

CIRCLES	SECTORS	SUB- SECTORS	CHARACTERISTICS
<b>CORE ARTS FIELD</b>	Visual arts	Crafts Paintings – Sculpture – Photography	<ul style="list-style-type: none"> <li>• Non industrial activities.</li> <li>• Output are prototypes and “potentially copyrighted works” (i.e. these works have a high density of creation that would be eligible to copyright but they are however not systematically copyrighted, as it is the case for most craft works, some performing arts productions and visual arts, etc).</li> </ul>
	Performing arts	Theatre - Dance – Circus - Festivals.	
	Heritage	Museums – Libraries - Archaeological sites - Archives.	
<b>CIRCLE 1: CULTURAL INDUSTRIES</b>	Film and Video		<ul style="list-style-type: none"> <li>• Industrial activities aimed at massive reproduction.</li> <li>• Outputs are based on copyright.</li> </ul>
	Television and radio		
	Video games		
	Music	Recorded music market – Live music performances – revenues of collecting societies in the music sector	
	Books and press	Book publishing - Magazine and press publishing	
<b>CIRCLE 2: CREATIVE INDUSTRIES AND ACTIVITIES</b>	Design	Fashion design, graphic design, interior design, product design	<ul style="list-style-type: none"> <li>• Activities are not necessarily industrial, and may be prototypes.</li> <li>• Although outputs are based on copyright, they may include other intellectual property inputs (trademark for instance).</li> <li>• The use of creativity (creative skills and creative people originating in the arts field and in the field of cultural industries) is essential to the performances of these non cultural sectors.</li> </ul>
	Architecture		
	Advertising		
<b>CIRCLE 3: RELATED INDUSTRIES</b>	PC manufacturers, MP3 player manufacturers, mobile industry, etc...		<ul style="list-style-type: none"> <li>• This category is loose and impossible to circumscribe on the basis of clear criteria. It involves many other economic sectors that are dependent on the previous “circles”, such as the ICT sector.</li> </ul>

: “the cultural sector”  
 : “the creative sector”

## Development of specific methodological tools

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In relation to direct impact, existing **statistical tools are not appropriate and available statistics are scarce**. Statistical tools do not enable the cultural & creative sector to be captured properly. At European and national level, statistical categorisations are often too broad. Data are rarely comparable. A considerable amount of cultural activity takes place in establishments whose primary classification is non cultural and therefore not recorded within existing classifications. Self-employed cannot be identified. Electronic commerce, which represents a growing share of the economy of culture, is not taken into account. And it is not possible to properly assess the public economy of culture at pan-European level.

Consequently, the study has required the development of specific definitions, statistical tools, and data collection processes.

In relation to industrial data, in the absence of standardised data categorisations and in order to take into consideration considerable gaps in existing databases, a specific methodology was developed:

- It uses to the extent possible existing statistical categorisations (four-digit NACE) that embrace the sector, and collects the Eurostat data corresponding to these categorisations.
- To complete data gaps due to the absence of harmonised data gathering related to the sector in Europe, the Amadeus database was used. It is the most comprehensive pan-European database containing financial information on approximately 8 million public and private companies from 38 European countries, developed by the Bureau van Dijk Electronic Publishing.

Similar problems were faced in relation to employment data. The study uses the only methodology able to picture employment in the cultural sector to date – a methodology developed by Eurostat Task Force on cultural employment. It is based on a more restricted delimitation of the economy of culture than the delimitation used for the purpose of extracting industrial data.

To address identified loopholes in data collection, the study provides sectors' profiles and case studies to cover specific aspects of the economy of culture, not rendered by current official data collection (notably on the value of collective rights management, and the value of e-commerce).

For these problems to be remedied in the future, more work needs to be done at national and European level to adopt appropriate standards and definitions as well as to prioritise the collection of statistically sound data right across the cultural & creative sector.

## **Socio-economic results: Quantifiable contribution to the Lisbon targets**

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*“Not everything that counts can be measured, and not everything that can be measured counts”,*  
Albert Einstein.

The main direct quantifiable socio-economic impacts of the cultural & creative sector are presented below. Despite shortcomings in data availability leading to a blatant under-estimation of the real weight of the sector, the figures show that the cultural & creative sector plays an important economic and social role in Europe: **the sector is performing well, increasing its trend share of economic activity.**

## Quantifiable socio-economic impact of the cultural & creative sector (EU30)

### TURNOVER



**The sector turned over more than € 654 billion in 2003.**

The turnover of the car manufacturing industry (1) was € 271 billion in 2001 and the turnover generated by ICT manufacturers was € 541 billion in 2003 (EU-15 figures) (2).

### VALUE ADDED TO EU GDP



**The sector contributed to 2.6% of EU GDP in 2003.**

The same year:

- Real estate activities accounted for 2.1% of contribution to EU GDP
- The food, beverage and tobacco manufacturing sector accounted for 1.9% of contribution to EU GDP
- The textile industry accounted for 0.5% of contribution to EU GDP
- The chemicals, rubber and plastic products industry accounted for 2.3% of contribution to EU GDP (3)

### CONTRIBUTION TO EU GROWTH



The overall growth of the sector's value added was 19.7 % in 1999-2003.

**The sector's growth in 1999-2003 was 12.3% higher than the growth of the general economy.**

### EMPLOYMENT



In 2004 5.8 million people worked in the sector, equivalent to **3.1% of total employed population** in EU25.

**Whereas total employment in the EU decreased in 2002-2004, employment in the sector increased (+1.85%)**

- 46.8% of workers have at least a university degree (against 25.7% in total employment)
- The share of independents is more than twice as in total employment (28.8% against 14.1%)
- The sector records 17% of temporary workers (13.3% in total employment)
- The share of part-time workers is higher (one worker out of four, against 17.6% in total employment).

(1) "The European Motor Vehicle Industry, Key Figures 2005", a report from the ACEA (Association des Constructeurs Européens d'Automobiles – European Automobile Manufacturers Association), Brussels, March 2006.

(2) "Restoring European economic and social progress: unleashing the potential of ICT", a report for the Brussels Round Table (BRT) by Indepen, Brussels, January 2006.

(3) Eurostat Structural Business Statistics

## **Indirect socio-economic impact: The non-quantifiable contribution to Lisbon**

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**The contribution of the cultural & creative sector to the European economy is not limited to its direct and quantifiable impact.**

The sector also generates important economic performance in other non-cultural sectors, thereby indirectly contributing to economic activity and development, and in particular in the ICT sector as well as in relation to local development.

### **• The interdependence between the cultural & creative sector and ICT**

Broadband penetration has grown exponentially over the last years and broadband uptake is continuing. The diffusion of wireless Internet connections and the mass adoption of 3G mobile phones have turned into a reality the promise of being connected “anywhere, anytime”. The switch-over from analogue to digital broadcasting has already happened (for radio) or is foreseen for the years to come (for TV).

The EU totalled 52,624,403 broadband fixed access lines in October 2005 (from 10,298,139 in October 2002). Broadband penetration rates stand at an average 11% in the EU (from 10% in Greece to 23% in Denmark and 24% in Finland). By way of comparison, average broadband penetration at the end of 2005 was 15% in the US and 16% in Japan. The ICT industry will supposedly drive 25 % of the overall European growth in the years to come.

**The growth of creative content and the expansion of the ICT sector are the two sides of a same coin.**

Technology and in particular the growing diffusion and importance of the Internet is the major driver for growth in the creative media and Internet industry (provided the issue of piracy is properly addressed). The impact on media consumption has been huge in recent years and it will be the major factor for the sector in the future. At the same time creative content is a key driver for ICT uptake. The consultancy firm PriceWaterhouseCoopers estimates that spending on ICT-related content will account for 12% of total increase in global entertainment and media spending until 2009.

**Indeed, the development of new technology depends to a large extent on the attractiveness of content:**

- Sales of DVDs, recordable devices, MP3 devices, home cinema systems, set-top boxes and flat screen TVs are dependent on the availability of attractive content (games, films, music).
- The development of mobile telephony and networks is based on the availability of attractive value-added services that will incorporate creative content.

Music has experienced a true business revolution which has not been painless for the industry. Video games are heavily dependent on transformations in technology. Film and video as well as the publishing industry are currently undergoing similar radical business changes. Even traditional arts sectors such as heritage, visual arts and performing arts cannot escape significant adaptations to the new technological environment.

## • Creative hubs and the contribution of culture and creativity to local development

Firstly, the characteristics of cultural and creative goods are that they cater essentially for a local audience, its languages and cultures. This makes it difficult for the production of cultural goods and services to shift to other continents. Therefore **off-shoring is less developed than in other sectors** of the economy (even at manufacturing level). Job losses in the cultural & creative sector tend to be the result of restructuring, for example due to new forms of distribution and the emergence of new business models. Because of this characteristic (non-delocalisation), and given that Europe is a major producer of intellectual property assets in the world, it would be well advised to try and make the most out of this potential to boost its economy.

Secondly, there is a competitive race to attract talent and creators (*“the creative class”*) to localised environments supporting the clustering of creativity and innovation skills. Europe risks experiencing a talent drain in sectors such as video games and cinema attracted abroad by better conditions, essentially financial.

**Moreover, culture and innovation play a crucial role in helping regions attract investment, creative talents and tourism.** Paradoxically, whereas we are living at a time where information technologies have abolished distance and time constraints, “physical location” and the “socialisation” factor remain decisive for economic success. The “location market” is a reality. Cities and regions are competing to attract foreign direct investment and creative talents. In order to succeed they need to attach several new strings to their bows: diversified cultural offerings, quality of life and life style. Culture has become an important soft location factor and a key factor for boosting local and regional attractiveness.

Thirdly, **culture is a main driving force for tourism**, one of Europe’s most successful industries representing 5.5% of the EU GDP and where Europe holds a 55% of the global market share. Europe is the most-visited destination in the world. In 2005, the continent recorded 443.9 million international arrivals.<sup>1</sup>

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<sup>1</sup> United Nations World Tourism Organization (UNWTO)



## **Contributing to Lisbon's social objectives**

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Another more pervasive effect of culture on local socio-economic context is that **it serves as a tool of social integration and territorial cohesion.**

In many European territories today a growing polarisation is seen between “resource-strong” and “resource weak” communities, groups and individuals such as ethnic minorities, immigrants, youth in difficulty, or long-term unemployed, as well as difficult territories such as mega-poles' suburbs, industrial areas in decay, isolated and declining agricultural areas, etc.

Strategies for “empowerment” aim at giving marginalised citizens and deprived neighbourhoods possibilities to develop those resources. Culture is a useful tool in this regard.

Relevant cultural activities in this context include:

- Fostering grass-roots initiatives aimed at achieving social and socio-economic empowerment (social cultural projects, cultural associations, amateur theatre or dance companies, volunteers launching a festival),
- Top-down projects initiated from administrations and institutions (for example local policies aimed at recycling brownfield sites to socio-economically improve an abandoned area).

Although these strategies do not have as a main purpose economic performance, they are beneficial to the economic environment as they:

- Participate in reinforcing social integration and in building an « inclusive Europe ».
- Contribute to fostering territorial cohesion.
- Participate in providing skills that are transferable in other fields of activity and contribute to strengthening the “employability” of their beneficiaries. They contribute to reinforcing self-confidence of individuals and communities.
- Participate to the expression of cultural diversity.

**Culture and creativity used with a social purpose contribute to sustainable development and societies.**

## Recommendations: Strategy for a creative Europe to achieve Lisbon

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The “Lisbon potential” of the cultural & creative sector is very important and a specific strategy is required to unleash this potential.

In recent years national strategies have shown considerable interest in integrating cultural and economic policies more closely. However efforts of coordination remain scarce and the sector is still marginalised from a policy point of view, in particular at European level.

The proposal is to create in Europe a market that stimulates and encourages creativity. The report presents a strategy with concrete steps to establish a creative Europe which realises the culture & creative sector’s Lisbon potential and boosts Europe’s performance in economic and social terms.

The main recommendations to realise the creative Lisbon potential are the following:

### 1. Intelligence gathering

- Establish a **strong quantitative evidence base for policy makers**  
A strategic approach to the sector needs to be informed by the development of appropriate statistical tools and indicators at both national and European level. In analogy with tools developed to measure the degree of innovation, an index to measure and monitor “creativity” should be developed (“the EU creativity scoreboard”).

### 2. The Lisbon agenda

The creative & cultural sector needs to be integrated into the Lisbon agenda. The Lisbon agenda should include as part of its objectives:

- Increasing and improving investment in creativity.
- Improving creation, production, distribution, promotion of, and access to, cultural activities and content.

Priority actions should be:

- Use and **make the most of existing EU support programmes**.  
The 7<sup>th</sup> Framework Programme, EU structural funds and support to SMEs should be used to foster creativity and engage with the creative sector and its SMEs. The EU budget should focus as much on creation as on innovation. It should support as a matter of priority the digital shift – to make the most of opportunities fuelled by technological innovation.
- **Reinforce the Internal Market for creative people, products and services**.  
Encourage artists’ mobility, overcome fiscal and social barriers, adapt accounting standards to promote the valuation of intangible assets.  
This includes support to the testing and development of business models adapted to the constraints of the European market (with its localised markets due to languages and cultures) as well as the support to the digital shift, notably in distribution.

- **Promote creativity and business education** from school through to professional levels.
- Promote **links between creators and technology** by clustering the various competences in creativity platforms. The i2010 initiative, structural funds and the 7<sup>th</sup> FP are insufficiently engaging with the cultural and creative sector.
- **Maximise the use of financial instruments** of the EIB and the EIF, in line with the EIB i2010 Initiative. It is proposed to establish a creative industries bank specialised in financing (or in supporting the financing of) projects based on investment in intangible assets.
- **Integrate the cultural dimension in cooperation and trade agreements** between the EU and third countries with a view to develop exchanges, promote cultural diversity and implement the UNESCO convention.

### **3. Structural reform**

- **Reinforce coordination of activities and policies impacting on the cultural & creative sector within the European Commission.**
- Promote better interaction between European institutions and the cultural & creative sector to ensure proper representation and consultation with such an important sector of the European economy. The focus should be on the maximisation of the sector's economic and social contribution to the European project.
- **Ensure a comprehensive and coherent implementation of article 151.4. of the EC Treaty to take into account the specificities of the sector when implementing notably internal market, competition and trade policies.**

**A strategy for a creative Europe**  
**Main recommendations to realise the creative Lisbon potential**

**INTELLIGENCE  
GATHERING**



- Establish a strong quantitative evidence base for policy makers.

**THE LISBON AGENDA**



- Use and make the most of existing EU support programmes (7thFP- structural funds - support to SMEs).
- Reinforce the Internal Market for creative people, products and services.
- Promote creativity and business education from school through to professional levels.
- Promote links between creators and technology by clustering the various competences in creativity platforms.
- Maximise the use of financial instruments of the EIB, and the EIF, in line with the EIB i2010 Initiative.
- Integrate the cultural dimension in cooperation and trade agreements between the EU and third countries with a view to develop exchanges and promote cultural diversity.

**STRUCTURAL REFORM**



- Reinforce coordination of activities and policies impacting on the cultural & creative sector within the European Commission.