

Chapter III.
Mapping out the economy of culture in figures

SECTION I. CONTRIBUTION TO EUROPEAN GDP, GROWTH AND EMPLOYMENT

This chapter is about the direct and quantifiable contribution of the cultural & creative sector to the Lisbon Agenda.

The process of measuring the economy of culture in Europe focuses on the “value added to the economy” i.e. the increase in wealth due to the cultural & creative sector. The methodology used provides with the turnover and value added to the European GDP (1.2), a comparison with other sectors of the economy (1.3) and its contribution to European economic growth (1.4).

The section further investigates employment in the cultural sector (II) and concludes with an insight into cultural consumption (III) and an outlook on expected future developments (IV).

A SNAPSHOT

Turnover:	➤➤➤➤	The cultural & creative sector generated a turnover of more than € 654 billion in 2003.
Value-added to European GDP:	➤➤➤➤	The cultural & creative sector contributed to 2.6% of the EU GDP in 2003.
Growth:	➤➤➤➤	The growth of the cultural & creative sector in Europe from 1999 to 2003 was 12.3% higher than the growth of the general economy.

I. CONTRIBUTION TO THE EUROPEAN ECONOMY AND GROWTH

The sectors analysed in this section, in line with the delineation of the cultural & creative sector proposed in Chapter II, are the following:

- The arts field including: visual arts (crafts, painting, sculpture, photography), performing arts (theatre, dance, circus) and heritage (museums, arts and antiques market, libraries, archaeological activities, archives).
- Cultural industries including film & video, radio & television broadcasting, video games, book & press publishing and music.
- Creative sectors including design (fashion design, interior design, graphic design), architecture and advertising.

However the methodology adopted does not allow capturing exhaustively the wealth generated by these sectors.

More details on the different sub-sectors and the corresponding activities and statistical categorisations retained under each sector can be found in Annex 2 (the Statistical Matrix).

Additional figures and analyses on the different sectors can be found in the sector profiles presented in Annex 1.

CIRCLES	SECTORS	SUB-SECTORS	SOURCES
CORE ARTS FIELD	Visual arts	CRAFTSPAININGS - SCULPTURE PHOTOGRAPHY	Amadeus (+Eurostat for photography)
	Performing arts	THEATRE – DANCE – CIRCUS- FESTIVALS.	Amadeus
	Heritage	MUSEUMS – LIBRARIES- ARCHIVES. ARCHAEOLOGICAL SITES	Amadeus + UNESCO
CIRCLE 1: CULTURAL INDUSTRIES	Film and Video		Amadeus except European Audiovisual Observatory for video sale through and rental
	Television and radio		Amadeus
	Video games		Amadeus + Eurostat
	Music	RECORDED MUSIC MARKET	Eurostat+Amadeus
		LIVE MUSIC PERFORMANCE REVENUES OF COLLECTING SOCIETIES IN THE MUSIC SECTOR	
	Books and press	BOOK PUBLISHING MAGAZINE AND PRESS PUBLISHING	Eurostat+Amadeus
CIRCLE 2: CREATIVE INDUSTRIES	Design	INTERIOR, GRAPHIC. FASHION, PRODUCT	Amadeus
	Architecture		Eurostat
	Advertising		Eurostat
CIRCLE 3: RELATED INDUSTRIE	PC and MP3 player manufacturers, mobile industry, etc...		

= sub-sector included into data research and extraction

1.1. Measuring the economy of culture

• The “value-added” approach

The methodology adopted focuses on the “value added to the economy”. As mentioned above, it is the increase in wealth resulting from the activities of the cultural & creative sector.

The point of departure is the **Gross Domestic Product (GDP)**. This measures the total annual output of goods and services produced by residents of a particular country. It includes exports but excludes income from abroad. When this income is added to GDP, the result is **Gross National Product (GNP)**. GNP and GDP measure the economy’s output. The gross output of an industry measures the industry’s value of sales in a particular year. However, gross output of an industry overestimates an industry’s contribution to national income because it also includes the value of inputs produced by other industries. **Gross Value Added** is therefore usually taken to represent the true contribution that an industry makes to the national economy. This is the value of gross outputs minus the value of inputs from other industries. This added value of a particular industry is equivalent to the total staff costs plus profits before tax.

• Implementing the value added approach – The issue of extracting appropriate data at European level

In an ideal world, national and European databases related to cultural & creative sectors and activities would be harmonised, using the same definitions and statistical classifications thereby enabling a consistent application of the “value added approach”. Unfortunately the reality is rather different:

- There is no uniform definition of the cultural sector & creative at national and European levels
- The current NACE¹ statistical classifications are not capable of covering the entire cultural sector
- Data is neither comprehensively nor efficiently collected at national levels

The LEG-Culture project on cultural statistics in Europe

A creditable attempt at setting-up an appropriate approach for the purposes of the statistical analysis of the cultural sector in Europe is the LEG-Culture project on cultural statistics in Europe (see also under Chapter II, point I.2.2.). The Report produced by LEG-Culture in 2002 presented very interesting and comprehensive suggestions and recommendations for the categorisation of the cultural sector & creative sector and their translation into corresponding NACE categories. It gives excellent guidelines for the development of a coherent statistical infrastructure in Europe.

Unfortunately, current statistics collected do not enable the implementation of the LEG guidelines:

- Classifications differ amongst the many countries, **making the comparison difficult or in some cases impossible**
- Current **statistical categorisations are often too broad or co-mingle activities, making it impossible to analytically grasp various cultural sectors.**

The problems resulting from the deficiency of detail in European classification standards, the disparity of the classifications used in each country, and the absence of any operational framework for international comparative measurement of the cultural sector was further stressed in a recent OECD Report.²

¹ **NACE** is the acronym (from the French 'Nomenclature statistique des Activités économiques dans la Communauté Européenne'-Statistical classification of economic activities in the European Community) used to designate various statistical classifications of economic activities developed since 1970 by the European Union. It is designed to categorise data relating to “statistical units”, in this case a unit of activity, for example an individual plant or group of plants constituting an economic entity such as an enterprise. It provides the basis for preparing a large range of statistics (output, inputs to the production process, capital formation and financial transactions) of such units.

Alternative methodology implemented in this Study

As a result, Eurostat industry statistics present large gaps as far as the coverage of countries and the coverage of some categories all together are concerned. A methodology was developed in the framework of the present study by Media Group, to try and overcome the problems identified by widening the sources of data and by standardising the categorisation of data to the furthest extent possible:

- As a first step, a matrix listing each sector and corresponding activities that were subject to the data collection, with the respective NACE categorisations was set up. It can be found in Annex 2.

- As a second step, for each activity and NACE categorisation, the availability of data was inspected, and as a consequence:
 - Eurostat database was exclusively used for *advertising*.
 - In relation to the other sectors investigated, several databases, and in particular the Amadeus database, were used in order to complete and fill-in data gaps due to the absence of harmonised data gathering related to these sectors. The Amadeus database, developed by Bureau van Dijk Electronic Publishing, is the most comprehensive pan-European database containing financial information on approximately 8 million public and private companies from 38 European countries. This methodology had already been used by Media Group in completing the 2003 study on the contribution of copyright and related rights industries to the European economy for the European Commission DG MARKT. As a result:
 - A combination of Eurostat and Amadeus databases was used for: *photography, software games, music, books and press*.
 - The Amadeus database was exclusively used for: *design, crafts, painting, sculpture, theatre, dance, circus, radio and television*.
 - A combination of Amadeus and the European Audiovisual Observatory databases was used for: *film and video*.
 - A combination of Amadeus and UNESCO databases was used for *museums, arts and antiques market, libraries, archaeological sites, archives*.

Limits of the methodology adopted

Whereas Eurostat includes the total figures for each country, the Amadeus database provides representative samples of actual company data³, **excluding, however, the self-employed, small companies, and large parts of the public economy.**

Whereas the Eurostat data portrays a landscape of the industry in terms of *value* and contribution, the Amadeus data enables one to observe the *trends* developing in these industries. The estimates provided in the study are conservative.

Assessing the under-estimation of the sector's economic weight is impossible to carry out in the absence of more adapted statistical tools.

To provide a more comprehensive view on the economic and trade size of the sectors, Annex 1 of the study provides "sector profiles". They are based on research and information made available by trade associations as well as public bodies. This

² OECD, International measurement of the economic and social importance of culture, draft report prepared by Joahn C. Gordon and Helen Beilby-Orrin, Statistics Directorate, August 2006

³ Business activities are categorised by the classifications provided by the companies *themselves* to public sources, as found in the Amadeus database. Consequently, the cultural and creative aspects of a company's output are not systematically taken into consideration when a company defines itself, for statistical purposes, as principally active in other fields as culture. Without additional coding in relation to a company's "secondary activities", these activities that are often linked to culture (such as design activity in a car company), are not visible.

-Additionally, some large cultural players (such as some broadcasting groups) are defined by company classifications as "holding company", which excludes them from the strict remit of cultural and creative companies.

data has been used solely to profile some important sectors of the economy of culture. To respect the coherence of the methodology, they were not added to obtain aggregate figures.

The following paragraphs present the study's quantitative findings.

I.2. A well-performing economic sector

In 2003, the turnover of the cultural & creative sector in Europe amounted to € 654,288 million. In terms of value added to the European economy as a whole, it represented 2.6% of Europe's GDP.

The relative importance of the cultural & creative sector becomes more apparent when its value added to Europe's GDP is compared with that of other industries. For instance, real estate activities (including the development, buying, selling and letting of real estate), one of the driving sectors of the European economy in the last years, accounts for 2.1% of Europe's GDP – a figure that is inferior to the cultural & creative sector's contribution. The economic contribution of the cultural & creative sector is also higher than that of the sector of food, beverages and tobacco manufacturing (1.9%), the textile industry (0.5%) and the chemicals, rubber and plastic products industry (2.3%)⁴.

Table 3 below summarises the findings of the study with regard to the economic contributions from the cultural & creative sector in Europe. Data refers to 2003 figures and is presented on a country-by-country basis:

⁴ Extensive data on the contribution of various manufacture and service industries to the European economy are available in annex. See Annex 2.

Table 3: Contribution of the European cultural & creative sector to the European and national economies

	Turnover 2003, all sectors included (€ million)	Value added to national GDP (all sectors included)
Austria	14,603	1.8%
Belgium	22,174	2.6%
Cyprus	318	0.8%
Czech Republic	5,577	2.3%
Denmark	10,111	3.1%
Estonia	612	2.4%
Finland	10,677	3.1%
France	79,424	3.4%
Germany	126,060	2.5%
Greece	6,875	1.0%
Hungary	4,066	1.2%
Ireland	6,922	1.7%
Italy	84,359	2.3%
Latvia	508	1.8%
Lithuania	759	1.7%
Luxembourg	673	0.6%
Malta	23	0.2%
Netherlands	33,372	2.7%
Poland	6,235	1.2%
Portugal	6,358	1.4%
Slovakia	2,498	2.0%
Slovenia	1,771	2.2%
Spain	61,333	2.3%
Sweden	18,155	2.4%
United Kingdom	132,682	3.0%
Bulgaria	884	1.2%
Romania	2,205	1.4%
Norway	14,841	3.2%
Iceland	212	0.7%
Total EU 25	636,146	
Total 30 countries*	654,288	

Source: Eurostat and AMADEUS

Data elaborated by Media Group

*The countries covered by the statistical analysis include the EU25 Member States plus the two countries that will join on first January 2007 (Bulgaria and Romania), plus the three EEA countries – Iceland, Norway and Liechtenstein. However for lack of available data Liechtenstein is not systematically covered in all tables.

Table 3 leads to the following observations:

- **Prevalence of large countries.** The economic output is concentrated in the largest countries, especially in the UK and Germany. The five largest EU Member States (UK, Germany, France, Italy and Spain) account for almost three quarters of the economy of the cultural & creative sector in Europe. This is in line with the general economic outlook of Europe, whereby the sum of the national GDPs of the five largest economies equals around 74% of the EU25 GDP.
- **Situations at national levels.** As far as national economies are concerned, the value added of the cultural & creative sector to national GDP is at its highest in France, UK, Norway, Finland and Denmark. In all of these countries the contribution of the cultural & creative sector to the respective national economies is higher than 3%.
In the following national economies the contribution of the cultural & creative sector is between 2% and 3%: Belgium, Czech Republic, Germany, Estonia, Spain, Italy, the Netherlands, Slovenia, Slovakia and Sweden.

The analysis of the economic weight of the cultural & creative sector on a country-by-country basis shows that the latter is stronger in Nordic countries (Scandinavia and Finland)..

The difficult comparisons with US assessments of creative industries

Comparisons with third countries' performances are difficult because of the problem with the comparability of definitions, statistical frameworks, data and indicators.

- According to the US' "Americans for the Arts" report of 2005, the number of so-called "art centric businesses" grew in the US by 5.5 % (548,281 to 578,487) as compared to a growth rate of only 3.83% for all US businesses (12.8 million to 13.2 million).

These "art centric businesses" include the following sectors: museums and collections; performing arts; visual arts and photography; film, radio and TV, design and publishing; as well as arts schools and services.

The sector was defined by using 643 eight-digit Standard Industrial Classification Codes. There is, however, no mention of "turnover" or "value added to national GDP".

- The Intellectual Property Alliance's report on "*Copyright industries in the US economy - 2002*" (completed by Stephen E. Siwek Economists Incorporated) states that:

- In 2001 the US copyright industries accounted for 5.24% of US GDP or USD 535 billion
- Over the last 24 years (1977-2001) the US' copyright industries share of the GDP grew more than twice as fast as the remainder of the US economy (7% vs. 3%)

However, the definition used in this report is different from the one used in the present study. It includes "*those [industries] represented by IIPA namely the producers of all types of computer software, including business software and entertainment software (such as video games CD-ROMs and cartridges, personal computer CD-ROMs and multimedia products) theatrical films, television programs, DVDs and home video and digital representations of audiovisual works, music, records, CDs and audiocassettes, and textbooks, trade books, reference and professional publications and journals (in electronic and print media)*".

1.3. Comparison with the performances of other sectors of the economy

While the cultural & creative sector in Europe generated over **€ 654 billion** during 2003, the turnover of the car manufacturing industry in 2001 was € 271 billion⁵ and the turnover generated by ICT manufacturers was € 541 billion in 2003 (EU-15 figures).⁶

Table 4 shows the contribution of the creative & cultural sector to the national economies of the countries examined in this study, as compared with contributions provided by other manufacturing and services sectors:

⁵ "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.

⁶ "Restoring European economic and social progress: unleashing the potential of ICT", a report for the Brussels Round Table (BRT) by Indepen, Brussels, January 2006.

Table 4: Contribution of the cultural & creative sector and of other industries to the European economy (percentage of GDP)

	Manufacture of food products, beverages and tobacco (%)	Manufacture of textiles and textile products (%)	Manufacture of chemicals, chemical products and man-made fibres (%)	Manufacture of rubber and plastic products (%)	Manufacture of machinery and equipment n.e.c. (%)	Real estate activities (%)	Computer and related activities (%)	Cultural and creative Sector (%)
Austria	1.7	0.5	1.1	0.7	2.2	2.2	1.1	1.8
Belgium	2.1	0.8	3.5	0.7	0.9	1.0	1.2	2.6
Cyprus	2.7	0.4	0.5	0.3	0.2	N/A	0.6	0.8
Czech Republic	2.8	1.0	1.3	1.5	2.3	1.4	1.2	2.3
Denmark	2.6	0.3	1.7	0.7	1.9	5.1	1.5	3.1
Estonia	2.2	1.9	0.6	0.6	0.6	2.8	0.7	2.4
Finland	1.5	0.3	1.1	0.7	2.1	1.8	1.5	3.1
France	1.9	0.4	1.6	0.7	1.0	1.8	1.3	3.4
Germany	1.6	0.3	1.9	0.9	2.8	2.6	1.4	2.5
Greece	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.0
Hungary	2.9	N/A	1.9	0.9	1.2	1.8	0.8	1.2
Ireland	5.3	0.2	11.5	0.3	0.5	1.2	1.7	1.7
Italy	1.5	1.3	1.2	0.7	2.1	1.0	1.2	2.3
Latvia	3.2	1.2	0.5	0.3	0.5	2.1	0.7	1.8
Lithuania	2.5	1.6	0.4	0.5	0.4	1.1	0.3	1.7
Luxembourg	1.0	0.9	0.4	2.0	0.6	N/A	1.2	0.6
Malta	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.2
Netherlands	2.2	0.2	1.7	0.4	1.0	2.3	1.4	2.7
Poland	4.7	0.8	1.4	0.9	1.2	1.3	0.6	1.2
Portugal	1.9	1.9	0.8	0.5	0.7	0.6	0.5	1.4
Slovakia	1.5	0.7	0.6	0.9	1.5	0.5	0.6	2.0
Slovenia	2.0	1.3	3.4	1.4	2.2	0.4	0.8	2.2
Spain	2.2	0.7	1.3	0.7	1.0	3.0	1.0	2.3
Sweden	N/A	N/A	N/A	N/A	N/A	4.0	2.2	2.4
United Kingdom	1.9	0.4	1.4	0.7	1.0	2.1	2.7	3.0
Bulgaria	2.2	2.0	1.1	0.4	1.3	0.4	0.3	1.2
Romania	1.9	2.1	0.8	0.5	1.0	0.5	0.5	1.4
Norway	1.7	0.1	0.8	0.2	0.8	2.7	1.3	3.2
Iceland	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.7

Source: Eurostat and AMADEUS

- By way of comparison with other industry sectors, there are very few manufacturing and services industries that contribute more than 3% to national GDPs - this is the case of food and beverages in Ireland, Latvia and Poland; chemical products in Belgium, Ireland and Slovenia; manufacturing of electrical and optical equipment in Ireland, Hungary and Finland; and real estate activities in Denmark and Sweden.
- In France, Italy, the Netherlands, Norway and the UK, the cultural & creative sector provides the highest contribution to national GDP amongst all the sectors investigated.
- This means that in most European countries, the creative & cultural sector is a leading contributor to the growth of national wealth.

I.4. A dynamic sector

Overall, the cultural & creative sector exhibited an impressive performance during the examined period - the years from 1999 to 2003. Whilst the nominal growth of the European economy in this period was 17.5%⁷, the growth of the cultural & creative sector in the same years was 12.3% higher - in other words, the overall growth of the cultural & creative sector's value added was 19.7%. This means that the cultural & creative sector grew faster than the general economy and that it was therefore a vital driver for development in Europe.

Furthermore, as far as the dynamic of the contribution of the cultural & creative sector to European GDP is concerned, figures show a positive trend over the years, meaning that the sector grew in economic importance and that its contribution to the general wealth of Europe has become more and more significant.

Table 5 presents the results of the evolution of the cultural & creative sector in Europe for the period 1999-2003:

Table 5: Contribution of the European cultural & creative sector to the European growth

	Average turnover growth (1999-2003)	Growth in value added to European GDP (1999-2003)
Austria	5.4%	2.8%
Belgium	5.2%	7.7%
Cyprus	N/A	N/A
Czech Republic	15.5%	56.0%
Denmark	2.7%	-1.9%
Estonia	11.5%	9.1%
Finland	7.1%	11.1%
France	6.7%	7.1%
Germany	4.9%	6.6%
Greece	5.4%	4.4%
Hungary	17.1%	7.6%
Ireland	7.7%	8.8%
Italy	5.3%	7.3%
Latvia	7.7%	17.0%
Lithuania	5.1%	67.8%
Luxembourg	2.9%	N/A
Malta	0.1%	N/A
Netherlands	5.0%	N/A
Poland	6.1%	13.0%
Portugal	10.6%	6.3%
Slovakia	3.9%	15.5%
Slovenia	17.9%	5.4%
Spain	10.5%	9.0%
Sweden	7.8%	2.6%
United Kingdom	6.6%	1.7%
Bulgaria	13.8%	N/A
Romania	20.2%	29.0%
Norway	4.8%	3.8%
Iceland	8.3%	4.1%
Total EU 25	5.4%	6.6%
Total 30 countries	8.1%	12.3%

Source: Eurostat and AMADEUS - Data elaborated by Media Group

⁷ table with the figures for nominal growth of GDP in market prices for the EU30 countries is presented in Annex 4

Note: For the new EU member States and acceding countries, the reported value added for the year 1999 has somewhat larger data gaps than the reported value added for the EU15 (+ Norway and Iceland) countries. The calculated growth figures therefore tend to overestimate the growth for the new and acceding states to some degree, but remain a significant indicator of trends in the sector.

Results presented in table 5 can be summarised as follows:

- The average **turnover growth** is a useful indicator to measure the sector's growth in comparison to the overall economy in a given timeframe. The total value for the EU25 is 5.4% (8.1% for EU30).

In EU15, growth of turnover of the cultural & creative sector was higher than average in Spain and Portugal and to a lesser extent in Ireland, Finland, Sweden, the UK and France. The only negative results were observed in Denmark where the contribution of the sector fell by 1.9% between 1999 and 2003 - explanations for this negative figure are to be found in the analysis of some industry sectors which under performed in the timeframe considered (this is notably the case of the Danish publishing, music and advertising industries).

In EU10, it is notable that average turnover growth was higher than in the EU15 countries: new Member States are rapidly catching up with their European neighbours in terms of wealth creation, in the new Member States the cultural & creative sector is significantly contributing to economic growth.

- In the cultural & creative sector, between 1999 and 2003, the **growth in value added to GDP** was 6.6% for the EU25 and 12.3% for Europe⁸. As for turnover growth, the highest results are to be found in new (or acceding) Member States.

II. CULTURAL CONSUMPTION AT A GLANCE

Currently, there is no comprehensive assessment of cultural consumption by countries at the EU level.

International data does exist, such as the OECD figures on consumption in "culture and recreational goods and services" but this category (which includes items such as camper vans, caravans, sports equipment, toys, domestic pets and related products, gardening tools and plants, tickets to football matches, cinemas and theatres, service charges on lottery tickets and other forms of gambling) obviously needs to be taken with caution, as an indicator of trends, and not as a precise assessment of cultural consumption. Unfortunately, national reports consulted are similarly based on the assessment of "cultural and recreational" consumption.

The case-study below highlights the following trend:

- A steady growth of cultural and recreational consumption in the last decades.
- The French example shows that since the advent of the digital revolution, a change in the structure of cultural consumption has been noticed. It corresponds to an increase in the consumption of related cultural goods (equipment) at the expense of more traditional cultural goods and services.

⁸ The following example helps in the interpretation of the growth of contribution figures: if the total contribution of an industry to the GDP in a give year is 10% and in the next year it is 11% then the growth in contribution is 10%.

Household expenditure on culture in Europe

In the past ten years, households have been spending more and more on culture. Several studies on this have been carried out. They include culture within a large sector together with recreation, in respect of the UN definition⁹. Despite their vagueness, these studies reveal a new tendency where culture can be considered as a potential of growth.

The results of the current works on household expenditure on "culture & recreation" differ somewhat but still show the same progress. In Europe, Eurostat surveys show that household spending on "culture & recreation" regularly increased over the past ten years. **The shares of household expenditure on "cultural & recreational products" rose by 0.6% between 1995 and 2004.** This growth has been more important in the Eastern countries such as the Baltic States, and on average weaker in the Western countries. This phenomenon can be explained by the fact that household expenditure on "culture & recreation" is already high in Western countries.

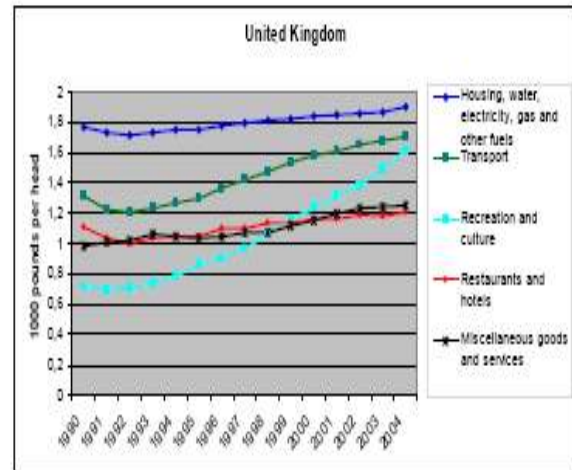
■ The UK household expenditure on "culture & recreation"¹⁰

The UK is the European country with the highest increase of total expenditure in the past ten years. Statistics from the UK Government reveal that "culture & recreation" is one of the areas where spending has increased most rapidly, rising by 66.6% between 1994 and 2003, and accounting for 14 per cent of all households' expenditure in 2004/05. Between the periods of 2002/03 to 2004/05, an average household spent £ 57.60 per week on TVs, computers, newspapers, books, leisure activities and package holidays. This is only £ 3 less than on transport, the highest weekly expenditure, and £ 14 more than on food and non-alcoholic drinks for instance.

⁹ According to the COICOP (UN), household expenditure on recreation and culture is defined as including 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, tickets to football matches, cinemas and theatres, service charges on lottery tickets and other forms of gambling and newspapers. It excludes expenditures on restaurants, hotels, travel and holiday homes but includes package holidays. (source: In the OECD Factbook 2006)

¹⁰ Source: *Family Spending Report on the 2003-04 Expenditure and Food Survey*, by the Office of National Statistics on housing expenditure, children's expenditure and equivalised.

Figure 1. Household expenditure in 1990-2004 in the UK, five largest categories



Source: 30th CEIES Seminar 2006 Report

■ Belgian households' expenditure on leisure and culture

In Belgium, households' expenditure on "culture & recreation" increased until the end the 1990s. While they were spending 7.30% of their income on culture and leisure in 1978/1979, the figure rose to 9.2% in 1997/1998.

As in many Western countries, the rise of cultural consumption slightly stagnated after 2000 and reached 8.60% in 2004.

■ French households' cultural consumption

The report consulted departs from the classical analysis of consumption of "cultural & recreational products", to focus solely on cultural consumption.

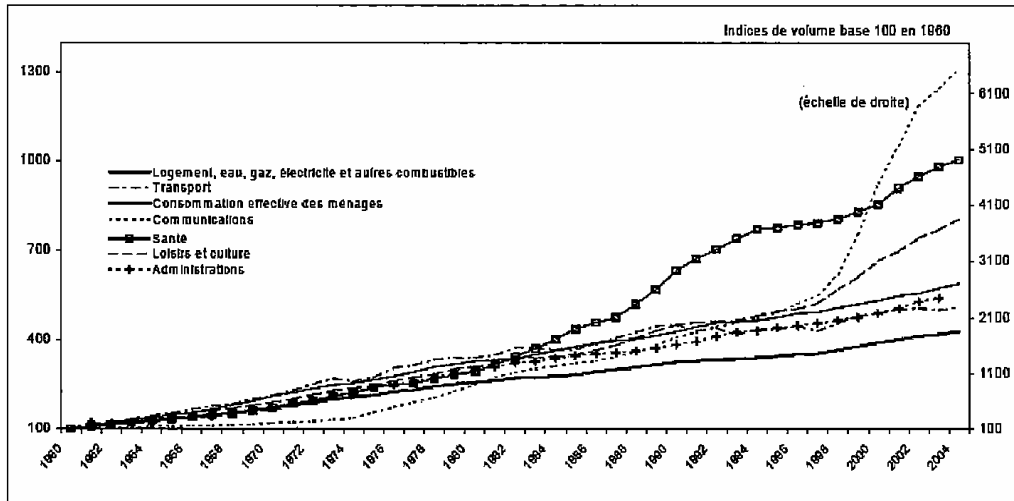
In the long term, a trend towards a growing consumption of the cultural industries' goods can be observed.

In absolute value, the average French household's consumption of these goods (excluding performing arts) **grew by over one third (35%) from 1995 to 2004.** This growth surpasses the growth of other household expenditures.

A peak occurred around 2000, with an increase of expenditures related to ICTs (audiovisual equipment, computer related equipment – for ex. expenditure on mobile telephony grew by 22.9% in volume from 2003 to 2004, and associated services by 4.4%).

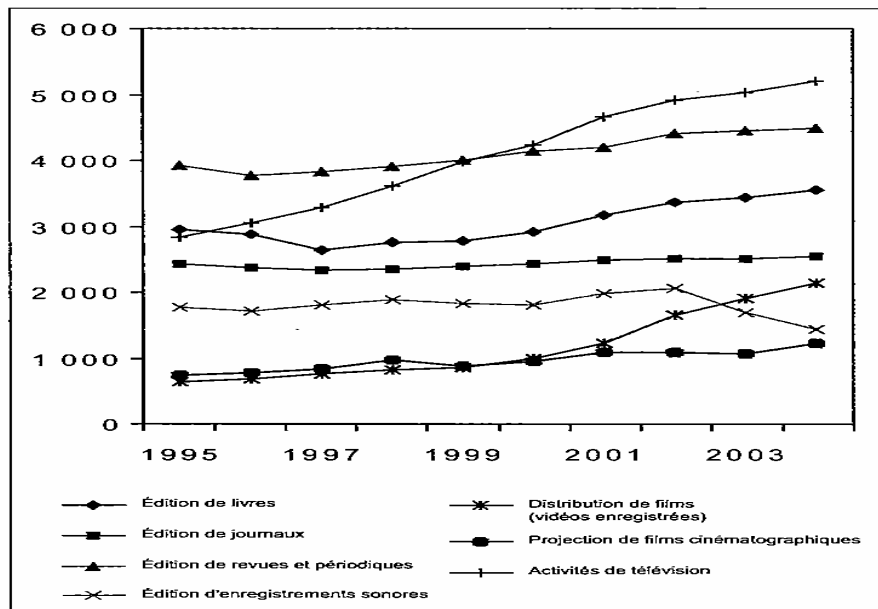
This evolution has a significant impact on households' expenditures on culture and leisure (+ 4.8% in volume from 2003 to 2004) yet a negative impact can be observed on services such as photography printing, sound recordings and possibly video).

Figure 2. Evolution of French household's consumption 1960-2004



Source : Comptabilité nationale

Figure 3. Consumption of cultural-industries related products in value – 1995-2004



Source : Comptabilité nationale

Source: La consommation des produits d'industries culturelles, DEPS/DAIE, Ministère de la Culture et de la Communication, Avril 2006

III. CULTURAL EMPLOYMENT

III.1. Introduction

A SNAPSHOT

- In 2004, a minimum of 4.714 million people worked in the cultural & creative sector alone, equivalent to 2.5% of the active employed population in the EU25.
- An additional 1.171 million were employed in the sector of cultural tourism.
- The distribution by gender and age differs little between cultural employment and total employment.
- 46.8% of workers in the cultural sector have at least a university degree in comparison with 25.7% in total employment.
- The share of independent workers is more than twice as high in the cultural sector than that of total employment.
- The sector records 17% of temporary workers, compared with 13.3% in total employment.
- The share of part-time workers is higher than in total employment.
- The share of workers with side-jobs is much than in total employment.

III.1.1. Measuring cultural employment

In every European country the method for collecting employment data is different. Starting in 2007, however, every country in Europe is expected to begin using the same method (after the 2007-9 NACE revision).

In completing the study, the availability of employment data at the European level was considered as the first step.

• The difficult capture of employment statistics

Two harmonised European classifications exist: the **NACE for activities** and the **ISCO-COM¹¹ for occupation**. Cultural activities are scattered in both classifications, making it impossible to present them as a unified sector.

ISCO refers directly to occupations. It is the most precise way to capture cultural employment in its diverse forms. ISCO codes are in theory available in “2-digit”, “3-digit” and “4-digit” forms: the more digits, the more precision in the categories of occupation examined. **In order to capture the cultural sector, “4-digit” ISCO codes are required** because “2 digit” and “3-digit” codes do not provide the level of precision necessary to capture cultural occupations. The 4-digit NACE classification was used (as presented above in relation to industry statistics), with the objective of further defining appropriate 4-digit ISCO matrix of occupations. **However, obtaining ISCO data at the “four-digit level” for all the sectors and countries included in our study did not provide a satisfactory result:**

- For many countries, data was missing;
- In most of the cases the only available data corresponded to “3 digit codes” (which do not allow for the accurate assessment of cultural employment in a proper way)¹².

¹¹ **ISCO** stands for International Standard Classification of Occupations. The current version of the International Standard Classification of Occupations, ISCO-88, was approved by the ILO Governing Body in 1988. ISCO-88 provides a system for classifying and aggregating occupational information obtained by means of population censuses and other statistical surveys, as well as from administrative records. ISCO-88 groups jobs together in occupations and more aggregate groups mainly on the basis of the similarity of skills required to fulfil the tasks and duties of the jobs

¹² For example, Eurostat’s *Labour Force Surveys* generated from households’ surveys provide data in the form of 3-digits, and countries are actually only obliged to deliver 2-digit sequences of data.

- **Exploiting the work carried out by the Eurostat Task Force on Cultural Employment**

As pointed out earlier, the "*Leadership Group (LEG) on Cultural Statistics*" was set up at an EU level in 1997. After producing its final report including some recommendations in 2000, it was converted into a Eurostat Working Party with the mandate to continue the activities of the LEG in close cooperation with Member States. The operational structure of the LEG was designed in such a way that one Task Force addressed fundamental methodological issues while the other three worked on the development of thematic fields: cultural employment, cultural expenditure and participation in cultural activities.

In 2005 the French Culture Ministry's Department for Studies, Perspectives and Statistics which had been coordinating Eurostat Task Force 2 on cultural employment, produced a report in 2005 under the title "*Cultural Employment in Europe in 2002*".

The report is the most comprehensive document on European cultural employment today. It is based on a specific definition of cultural employment and uses a very complex method based on both ISCO and NACE codes (for more details, please refer to Annexes 5 and 6). This method is necessary because the traditional approach to evaluating employment needs to be modified when analysing cultural employment. As rightly highlighted in a recent OECD Report,¹³ "*a significant number of individuals in cultural occupations do so in industries not normally included within the scope of culture and an approach which uses combination of industry and occupation to define the overall size and structure of the sector is required*".

The definition and methodology implemented are presented on the next page.

¹³ OECD, International measurement of the economic and social importance of culture, draft report prepared by Joahn C. Gordon and Helen Beilby-Orrin, Statistics Directorate, August 2006

Cultural Employment in Europe in 2002
Report completed in the framework of Task Force 2 on cultural employment by the
Département des Etudes de la Prospective et des Statistiques, French Culture Ministry.

Definition used:

Cultural employment is defined as “*the total of active workers having either a cultural profession, or working with an economic unit within the cultural sector*”. This includes three distinct situations:

- Workers with a cultural profession working in a cultural sector (e.g. an artist in an opera);
- Workers having a cultural profession but working outside the cultural sector (e.g. a designer in car industry);
- Workers having a non-cultural profession and working in the cultural sector (e.g. a secretary in a film production company).

Cultural professions include:

- Archives, library employees and documentarians;
- Artists (creators and performers), authors, journalists;
- Photographers and technicians for recorder players and sound;
- Intermediate professions in artistic creation and performances;
- Architects.

Cultural sectors include:

- Editing (books, newspapers, magazines, sound recording, etc.);
- Film, video, radio, and television activities;
- Performing arts;
- Press;
- Museums, archives, libraries;
- Wholesale and retail of cultural goods;
- Architectural activities.

Methodology implemented:

The report uses a unique mathematical formula generated by cross multiplications between NACE and ISCO codes representing cultural occupations and activities: 13 “4-digit ISCO” and 9 “3-digit NACE” entities. More information on this method is included in Annex 5 and 6.

• Findings presented in the present study

Since the methodology above described is the only to permit the capture of employment in the cultural & creative sector to date, MKW Wirtschaftsforschung GmbH worked in collaboration with the Eurostat “Task Force 2 on cultural employment” (currently updating its 2005 report). As a result, in addition to presenting 2002 figures as in the aforementioned report, the collaboration with this Task Force enabled the collection of figures from 2003 and 2004. However:

- Whereas the data generated is available on a country by country basis, **the methodology used does not make sector-by-sector data available.**
- **The scope investigated by Eurostat Task Force 2 is more limited than the present Study's scope** (in relation to the delineation of the cultural sector as well as its economic assessment). Whereas the approach used for collecting industry data in Section I above takes into account seven domains with 49 ISCO and 70 NACE codes, the approach retained for describing cultural employment only uses 13 ISCO and 9 NACE entities. As an example, archaeological sites, design and advertising are not covered by the Eurostat Task Force 2.
- As a result, the figures calculated on the basis of this methodology are **conservative estimates.**

In addition, MKW Wirtschaftsforschung GmbH undertook to collect data on employment in the sector of cultural tourism, as the latter generates significant employment linked to cultural activities. To calculate the proportion of cultural jobs that relates to tourism, MKW Wirtschaftsforschung GmbH considered that they represented 15% of the total jobs in the tourism sector. The approximate figure of 15% was validated by different experts working in this field (The “European Tourism Institute (ETI)” in Trier for example) as well as by MKW Wirtschaftsforschung GmbH's previous assignments in this field.

As a result, in this section:

- “Cultural employment” refers the definition used in the 2005 Eurostat Task Force 2 report mentioned above – i.e. employment in the cultural sector. The table next page related this definition to the definition presented in Chapter II.
- “Cultural tourism employment” refers to 15% of the employment recorded in the tourism sector;
- “Cultural and cultural tourism employment” refer to the addition of the previous two definitions;
- “Total employment” refers to the total employment in the EU25.

CIRCLES	SECTORS	SUB-SECTORS	SOURCES
CORE ARTS FIELD	Visual arts	CRAFTS – PAINTINGS - SCULPTURE PHOTOGRAPHY	Eurostat
	Performing arts	THEATRE – DANCE - CIRCUS FESTIVALS.	Eurostat
	Heritage	MUSEUMS – LIBRARIES- ARCHIVES.	Eurostat
		ARCHAEOLOGICAL SITES	
CIRCLE 1: CULTURAL INDUSTRIES	Film and Video		Eurostat
	Television and radio		Eurostat
	Video games		Eurostat
	Music	RECORDED MUSIC MARKET	Eurostat
		LIVE MUSIC PERFORMANCES REVENUES OF COLLECTING SOCIETIES IN THE MUSIC SECTOR	
	Books and press	BOOK PUBLISHING MAGAZINE AND PRESS PUBLISHING	Eurostat
CIRCLE 2: CREATIVE INDUSTRIES	Design	FASHION, GRAPHIC, INTERIOR, PRODUCT DESIGN	
	Architecture		Eurostat
	Advertising		
CIRCLE 3: RELATED INDUSTRIE	PC manufacturers, MP3 player manufacturers, mobile industry, etc...	CULTURAL TOURISM	

sub-sector included into data research and extraction

III.1.2 Cultural employment in Europe: A snapshot¹⁴

In 2004, **5.885 million** people worked in the cultural and cultural tourism sectors, equivalent to **3.1%** of the active employed population in the EU25.

Figure 4. Cultural and cultural tourism employment in the EU25 (in thousands)

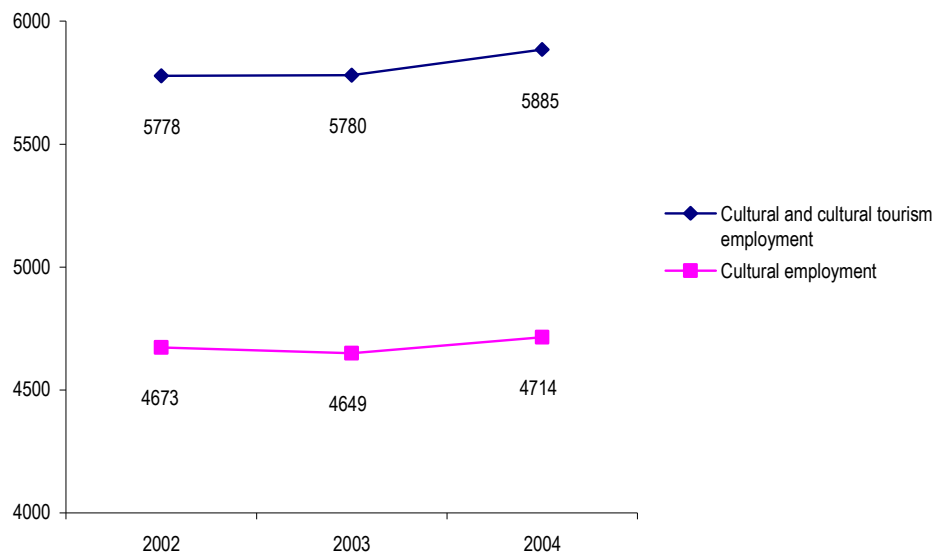
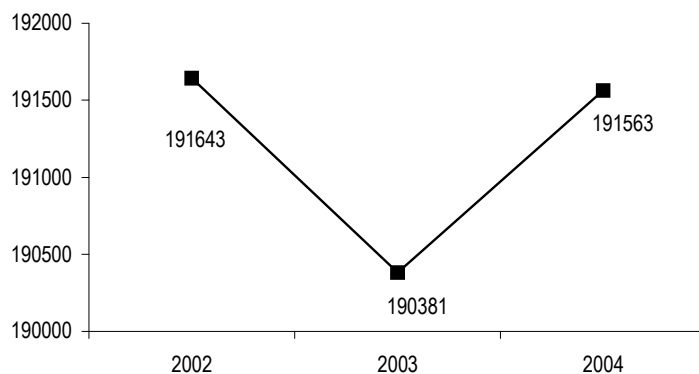


Figure 5. Total employment in the EU 25 (in thousands)



¹⁴ In the tables and graphs presented, the following abbreviations are used: Footnote Austria (AT), Belgium (BE), Cyprus (CY), Czech Republic (CZ), Denmark (DK), Estonia (EE) Finland (FI), France (FR), Germany (DE), Greece (EL), Hungary (HU), Ireland (IE), Italy (IT), Latvia (LV), Lithuania (LT), Luxembourg (LU), Malta (MT), the Netherlands (NL), Poland (PL), Portugal (PT), Slovakia (SK), Slovenia (SI), Spain (SP), Sweden (SE), and the United Kingdom (UK).

The above graphs show that:

- The contribution of cultural employment (with and without cultural tourism) over the 3 mentioned years in the EU25 is characterised by its stability and seems to indicate an upward trend.
- Whereas total employment in the EU25 slightly decreased between 2002 and 2004, cultural employment (with and without cultural tourism) **increased over the same period**. This trend supports the view that the cultural sector constitutes an engine for employment at the European level.

The tables below present the basis for the computations of the previous graphs. Cultural employment accounts for 2.5% of EU25 total employment. With cultural tourism employment added to cultural employment, the share grows to 3.1% in 2004. Between 2002 and 2004 it increased from 3% to 3.1%.

Table 6: “Cultural employment”, “Cultural and cultural tourism employment”, “Total employment”, in the EU25

Year	Cultural employment (in millions)	Cultural employment (in % of total employment)	Cultural and cultural tourism employment (in millions)	Cultural and cultural tourism employment (in % of total employment)	Total employment (in millions)
2002	4.673	2.5%	5.778	3.0%	191.643
2003	4.649	2.5%	5.781	3.0%	190.381
2004	4.714	2.5%	5.885	3.1%	191.563

Table 7: Evolution of the “Cultural employment”, “Cultural and tourism employment” and “Total employment” in the EU25 from 2002 to 2004

	Evolution 2002-2004
Cultural employment	+ 0.88%
Cultural and cultural tourism employment	+ 1.85%
Total employment	- 0.04%

The following graphs detail the situation in 2004 for each of the EU25 countries.

Not surprisingly, Germany, the UK, France, Italy and Spain are the countries whose cultural sector employs the most people in Europe. Nearly three quarters of the jobs in the cultural sector are attributed to the five most populated European countries. The figures of total employment show the same situation.

In these five countries, employment in the cultural sector (with cultural tourism) accounts for around 3.1% of total employment (from 2.5% in France to 3.8% in the UK). Without cultural tourism, it accounts for around 2.6% of total employment (from 2% in France to 3.2% in the UK).

In the EU25, figures vary significantly, from 1.9% in Slovakia (1.3% without cultural tourism) to 6.5% in Hungary (5.1% without cultural tourism).

It should be noted that the share of cultural employment (with and without tourism) within total employment is higher in Northern Europe than Southern Europe.

Figure 6. Cultural employment in the EU 25 - 2004 (in thousands)

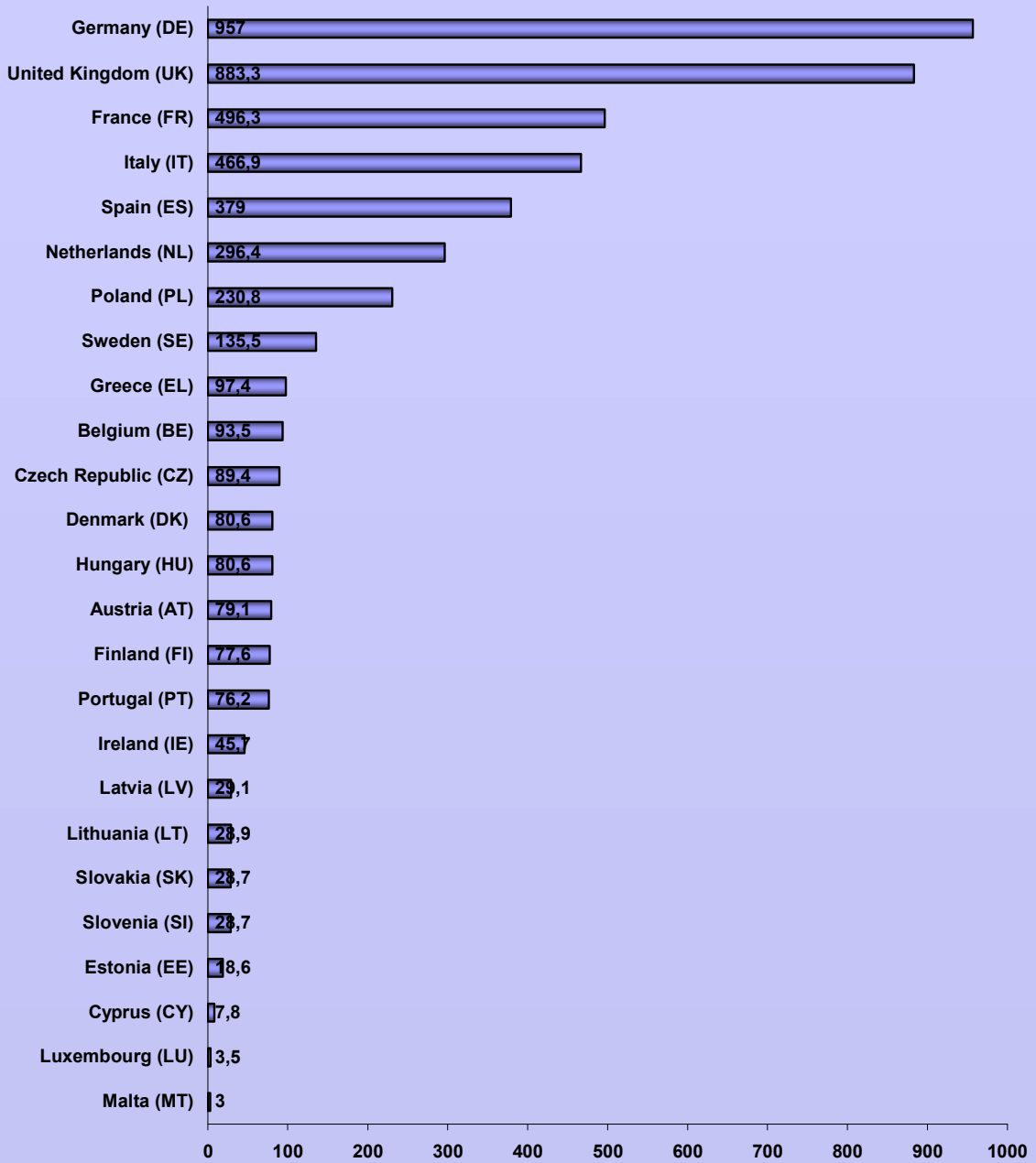


Figure 7. Cultural & cultural tourism employment in the EU 25 - 2004 (in thousands)

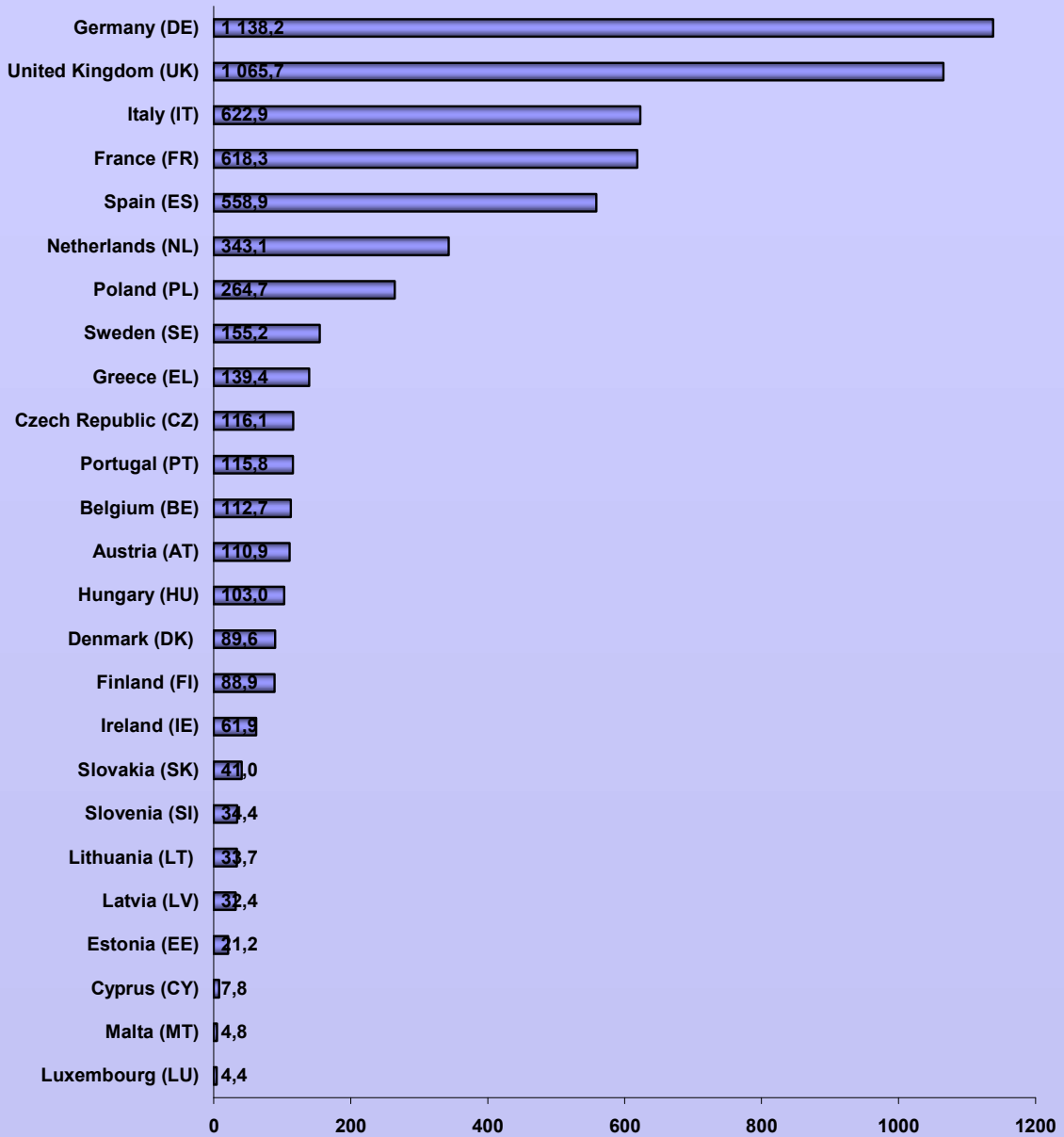
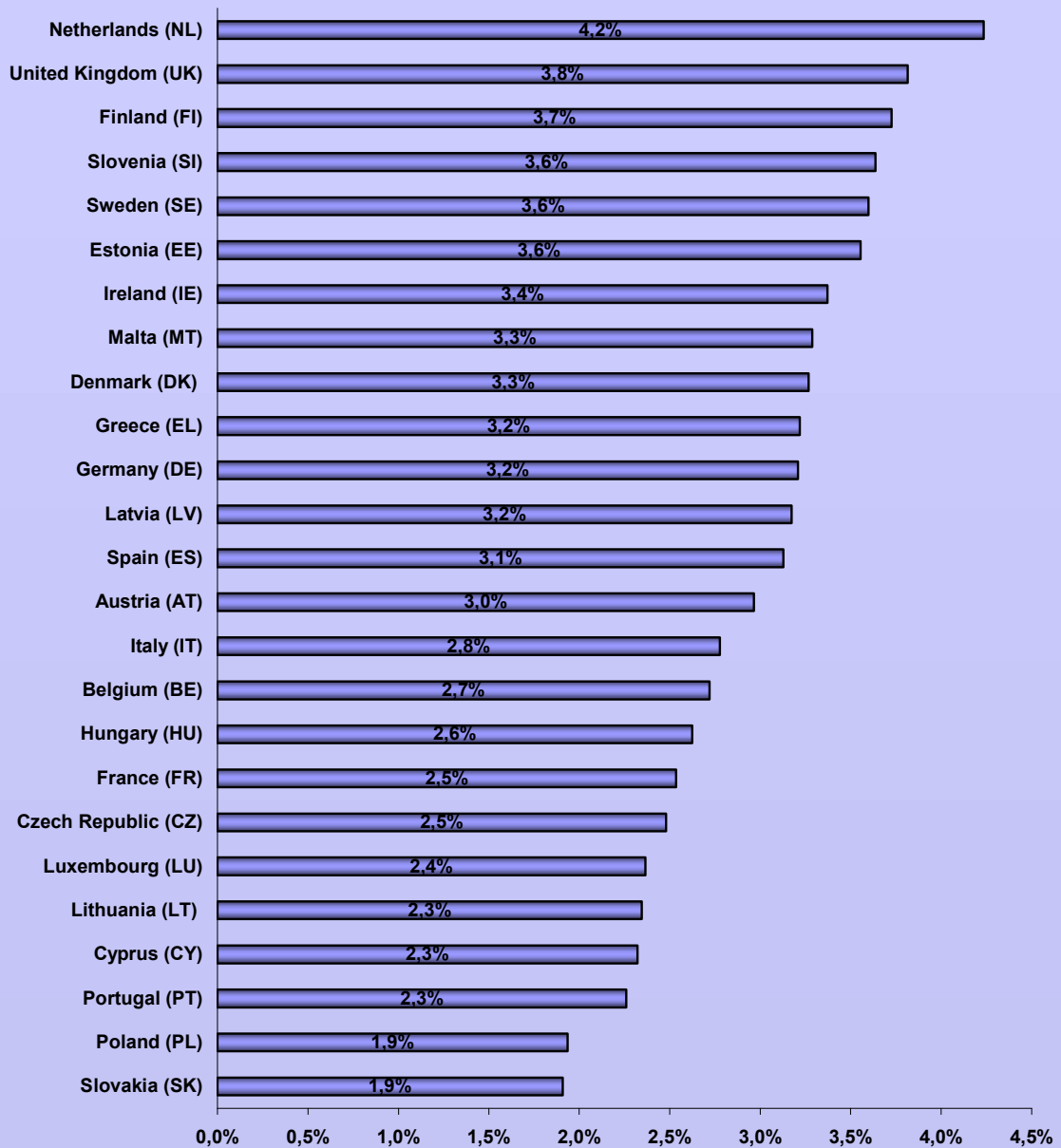
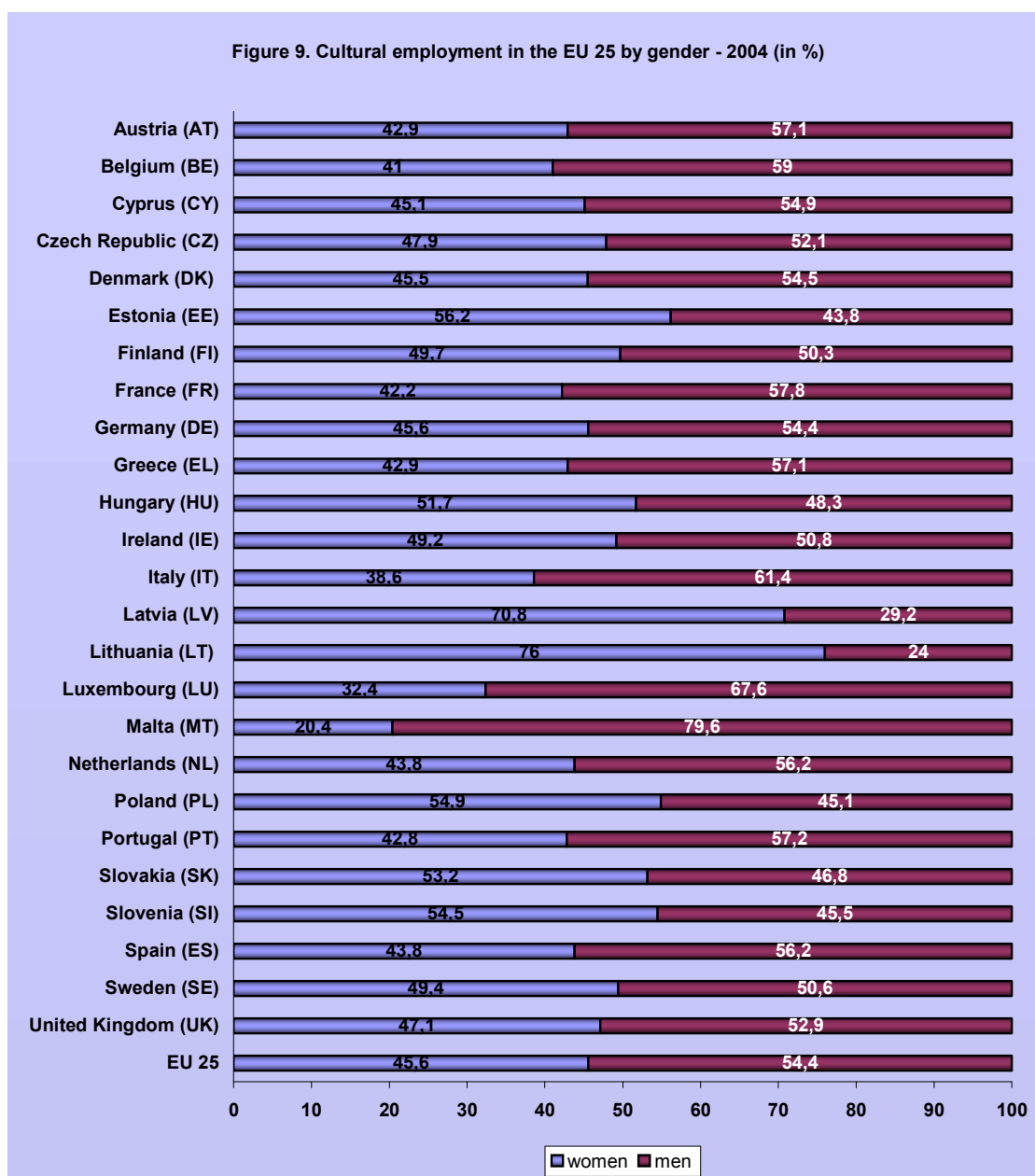


Figure 8. Cultural & cultural tourism employment in the EU 25 in % of total employment - 2004



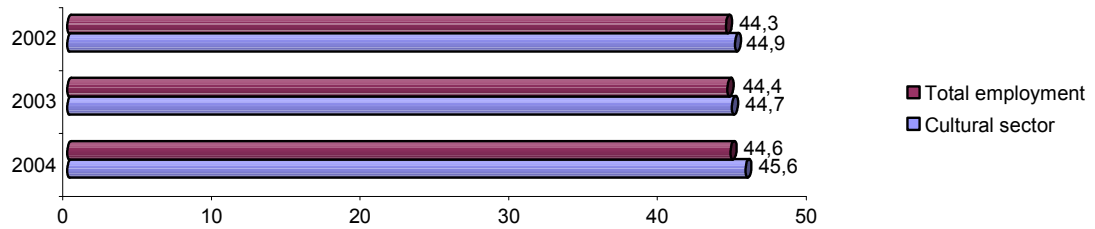
III.2. Characteristics of cultural employment in Europe ¹⁵

III.2.1. Cultural Employment in the EU25 by gender



¹⁵ All tables and figures presented in this section were completed by MKW GmbH. Those excluding cultural tourism figures are based on the data that were kindly provided by Eurostat Task Force 2 on cultural employment, as well as other Eurostat and national sources consulted by MKW GmbH

Figure 10. Share of women employed in the EU25 (%)



➤ The distribution by gender differs little between cultural employment and total employment.

In 2004, 45.6% of the cultural jobs in the EU were occupied by women as opposed to 44.6 % in the total employment.

The per country analysis reveals certain peculiarities. In Eastern European countries, particularly Latvia and Lithuania, the quota of women (respectively 70.8% and 76%) is higher than in other countries. The share of women employed in the cultural sector is globally lower than the average in Southern countries. Malta by far has the lowest share of women employed in the cultural sector (20.4%). Despite the fact that the cultural sector as a whole employs more men than women, the trend varies in some sub sectors. For instance, the share of women employed is higher in the art market (52%¹⁶) than in the cultural sector as a whole (45.6%).

¹⁶ TEFAF Report on the art market in Europe, 2002

III.2.2. Cultural employment in the EU 25 by age

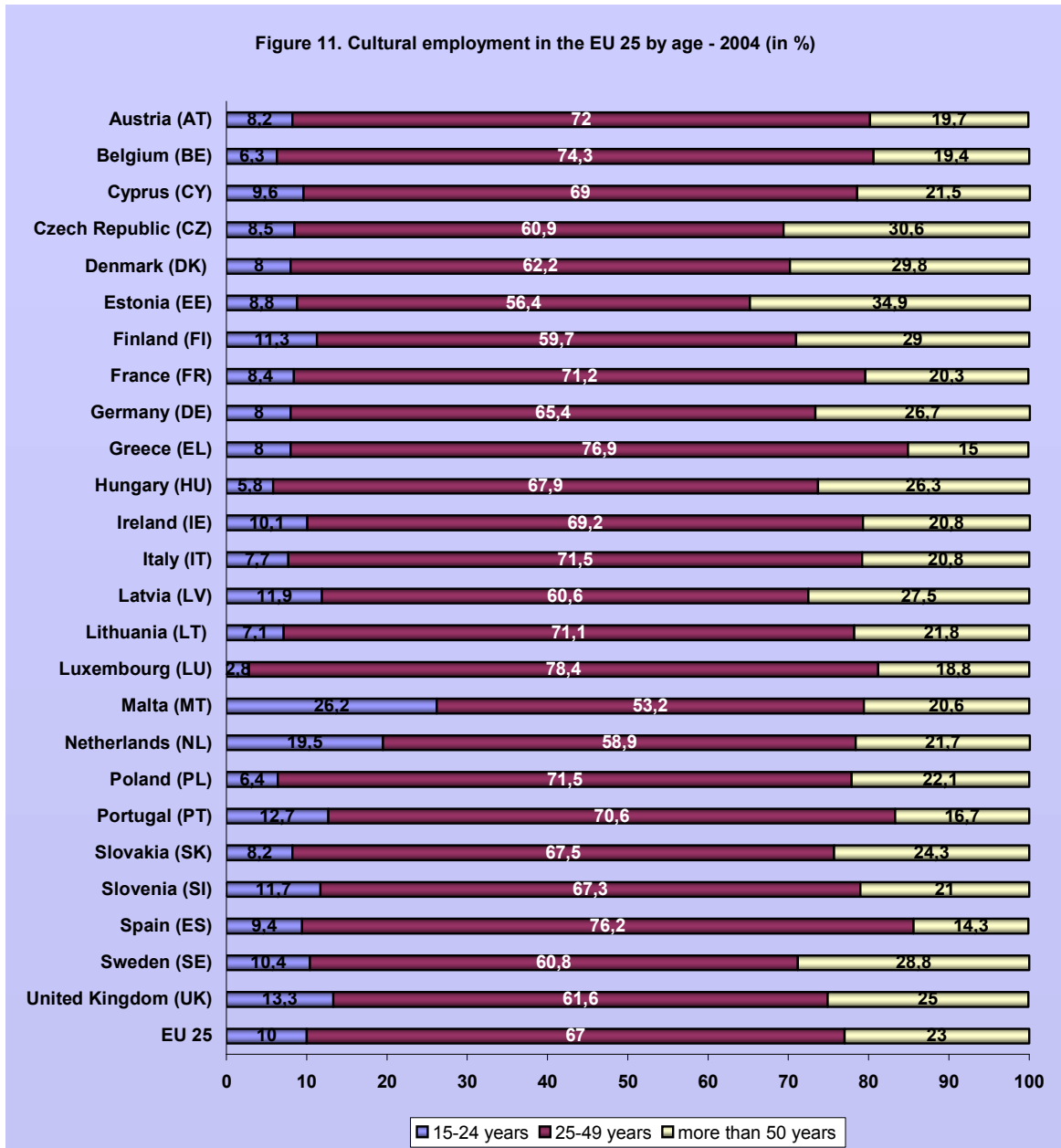
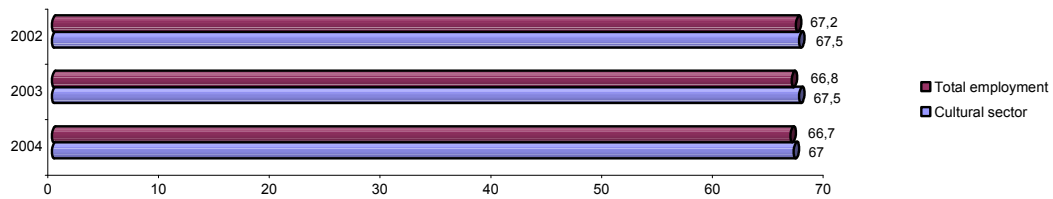


Figure 12. Share of 25-49 employed in the EU25 (%)



➤ **The distribution by age differs little between cultural employment and total employment.**

The vast majority of employees and the self-employed belong to the 25-49 years old demographic: as an average for all countries, the 25-49 demographic represents between 60 to 75% of the employees within the cultural sector, with very few exceptions. The lowest shares of employment from within the 25-49 demographic are to be found in Northern Europe and Malta. This perfectly reflects the situation of the national economies as a whole.

Some 10% of the employees in the cultural sector are 15-24 years old, compared to 10.6% in total employment. The fraction of the 15-24 years old employed in the cultural sector is the highest in Malta (26.2%), the Netherlands (19.5%) and the United Kingdom (13.2%).

Workers over 50 years-old represent 23% of the cultural sector, compared to the 22.8% in total employment. Estonia (34.9%), Czech Republic (30.6%) and Finland (29%) record the highest figures in this regard.

III.2.3. Cultural employment in the EU 25 by education level

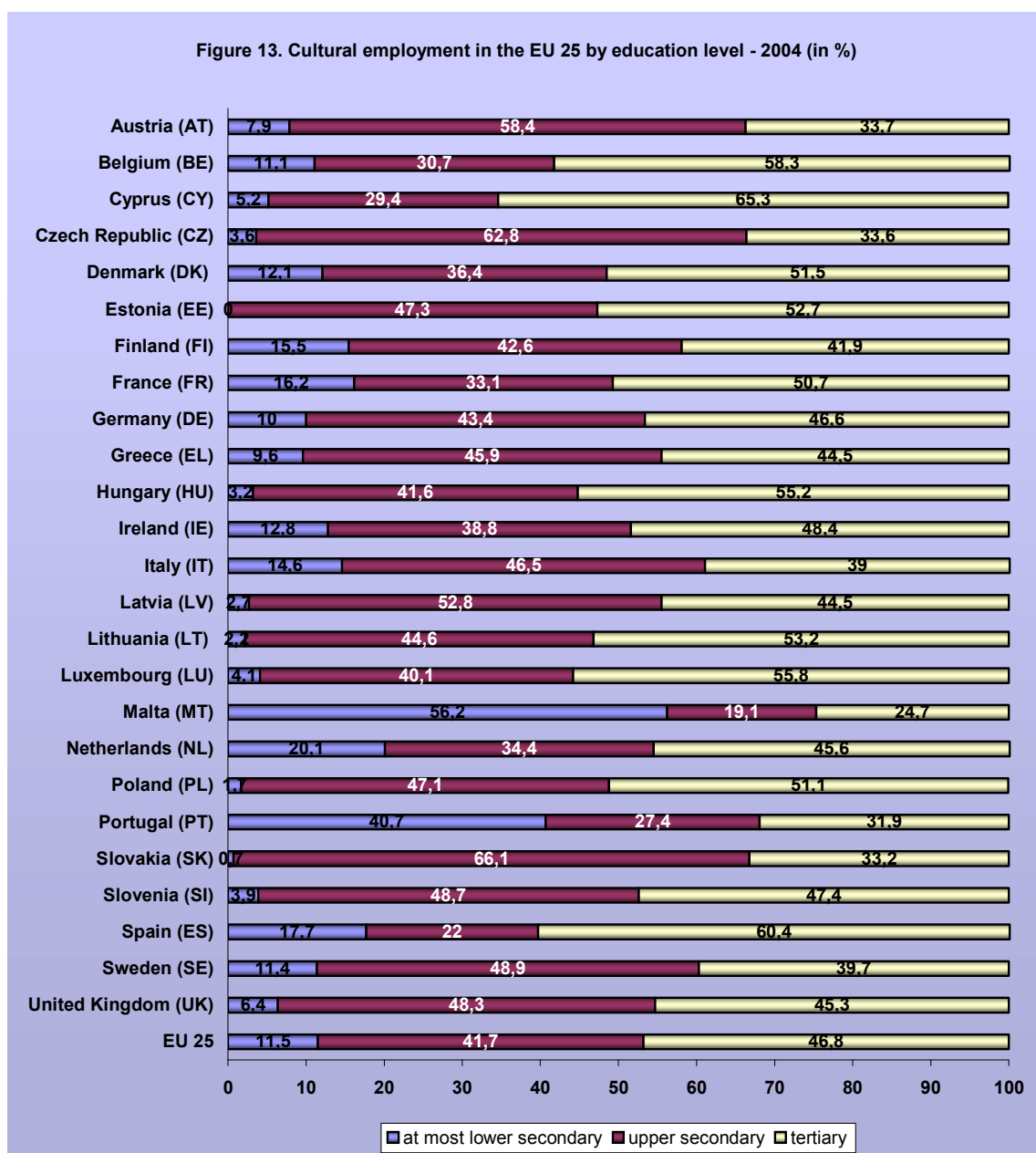
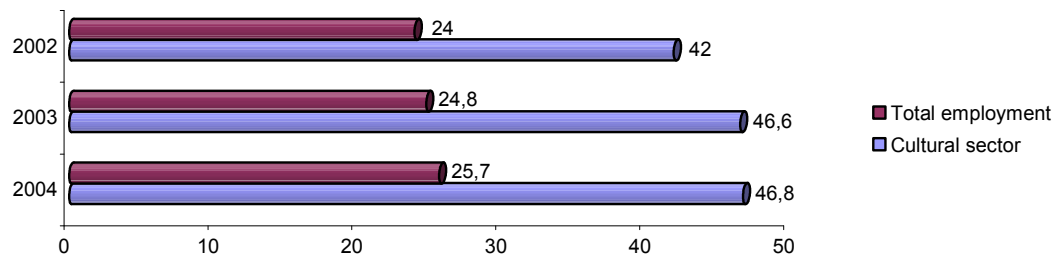


Figure 14. Share of tertiary education employed in the EU25 (%)



➤ 46.8% of the workers in the cultural sector have at least a university degree in comparison to 25.7% in total employment.

The proportion of educated employees in the cultural & creative sector is significant. Indeed, 46.8% of the people working in this sector have at least a university degree in comparison with 25.7% in total employment.

This trend is even more impressive in some sub-sectors. For instance, within the art market, 62% of persons working as art dealers in Europe in 2002 had a university degree¹⁷;

This trend can be observed in every European country with no exception. Highest levels are recorded in a heterogeneous group of countries including Cyprus (65.3%), Spain (60.4%), France, Denmark, Estonia, Hungary, Lithuania, Luxembourg, Poland and Belgium (over 50% each). The lowest figures are found in Malta (24.7%), Portugal (31.9%) and Slovakia (33.2%).

The difference between the education level in the cultural sector and the education level in other sectors of the economy is particularly striking in Portugal (31.9% compared to 15.1%) and some of the new Member States: Czech Republic (33.6% compared to 14.1%), Slovakia (33.2% compared to 15.3%), Hungary (55.2% compared to 21.1%) and Slovenia (47.4% compared to 21%).

In terms of trends, the share of employees having at least a university degree has grown in the cultural sector from 44.8% in 2002 to 46.6% in 2003 and 46.8% in 2004.

The high level of education and skills of cultural workers is an asset within the Lisbon strategy. In particular, it is commonly admitted that economies endowed with a skilled labour force are better able to create and make an effective use of new technologies, as well as to work in an open and globalised environment.

The affluence of a highly-skilled workforce into the market of cultural employment shows the formidable enthusiasm of people to work in these sectors. They are often driven by passion and are ready to take the risks attached to these occupations as well as the precariousness often related to them. This should be interpreted as a positive sign: the European workforce is looking for challenging positions where creativity is a central driving force. Trade unions on the other hand highlight the ever increasing demand for young and highly-skilled people that are ready to accept low salaries and less-qualified positions.

¹⁷ TEFAF Report, op.cit.

However high education level is not necessarily equivalent to “appropriate” education. Whereas Art institutes in the EU train around 200,000 students each year, either in University Art Departments, “conservatoires”, or other single-subject institutions and whereas approximately 50,000 students graduate each year in some arts discipline¹⁸, it is estimated that less than 10% of graduates will make a living from their art as successful artists.

The reported shortcomings include:

- A lack of enterprise awareness, for instance an ability to make realistic judgements about the economic sustainability of artistic activities. This is often attributable to a lack of interactions of students with the industry.
- A lack of effectiveness in understanding market requirements, audience targets, the importance of promotion and marketing.
- Shortcomings in the ability to understand and mobilise financing opportunities (banks and financial institutions, sponsorship and donations, foundation, etc).
- Lack of understanding of new technology and the ICT industry.

The two following cases present two interesting initiatives aimed at meeting these challenges:

The Popakademie¹⁹, Mannheim, Germany – Establishing partnership with the music industry

The Popakademie is the first art school in Germany which offers academic education in pop music. It proposes two programs:

- Music Business: Relevant for event & label managers, artist developers and creative managers
- Pop Music Design: A creative study course which considers all modern styles of popular music.

The Popakademie is also famous for its teachers, which are a team of experienced musicians, songwriters, technicians, stylists, choreographers and music scientists. Former and current lecturers include: Xavier Naidoo, Smudo, Wir sind Helden

The Popakademie & Universal : building bridges between culture and industry:

Universal, the largest music company in Germany has moved its whole trainee education programme from Berlin to the Popakademie in Mannheim. In return Universal Music makes prominent executives available to teach finance, management, graduation and marketing. Each year the music company assigns up to 10 scholarships to the best students from the course of studies music Business.

The Popakademie has also other collaborations, for example with Sony BMG, AOL and MTV.

Teaching arts students to become entrepreneurs in the UK

According to recent figures from the DCMS the UK’s cultural sectors are growing at twice the rate of the economy as a whole. Working out how to turn your fine art or music degree into a job, however remains a challenge in the UK.

Figures from the Higher Education Careers Service Unit (HESCU) suggest that while a number of art graduates unemployed six months after graduation is on a par with history or English graduates, the number actually working in an industry related to their degree is relatively small. In fact after three years spent honing their skills, just 15% of musicians, 20% of drama students and 31% of design students say they have found jobs in their chosen sector.

At Manchester Metropolitan University, the faculty of arts is taking action. It is working to improve the job prospects of the next generation of Tracey Emin’s by teaching students how to run their own business, through a fourth year add-on course called the bachelor of design. Students learn how to write a business plan, work out a lifestyle costing, undertake market testing and how to price, finance and produce their product.

The idea is to empower arts students with appropriate skills to set up their own business, and to be able to identify new opportunities of activities they could develop to make a living while making use of their education and skills.

Source: *Modern Arts*, by Mira Ataman, the Guardian, Monday August 21st 2006.

¹⁸ OPHUYSEN (Truus), *Making a living in the Arts*, Project report on ‘Making a living in the Arts’, employability of arts graduates.

¹⁹ www.popakademie.de

III.2.4. Cultural employment in the EU 25 by employment status

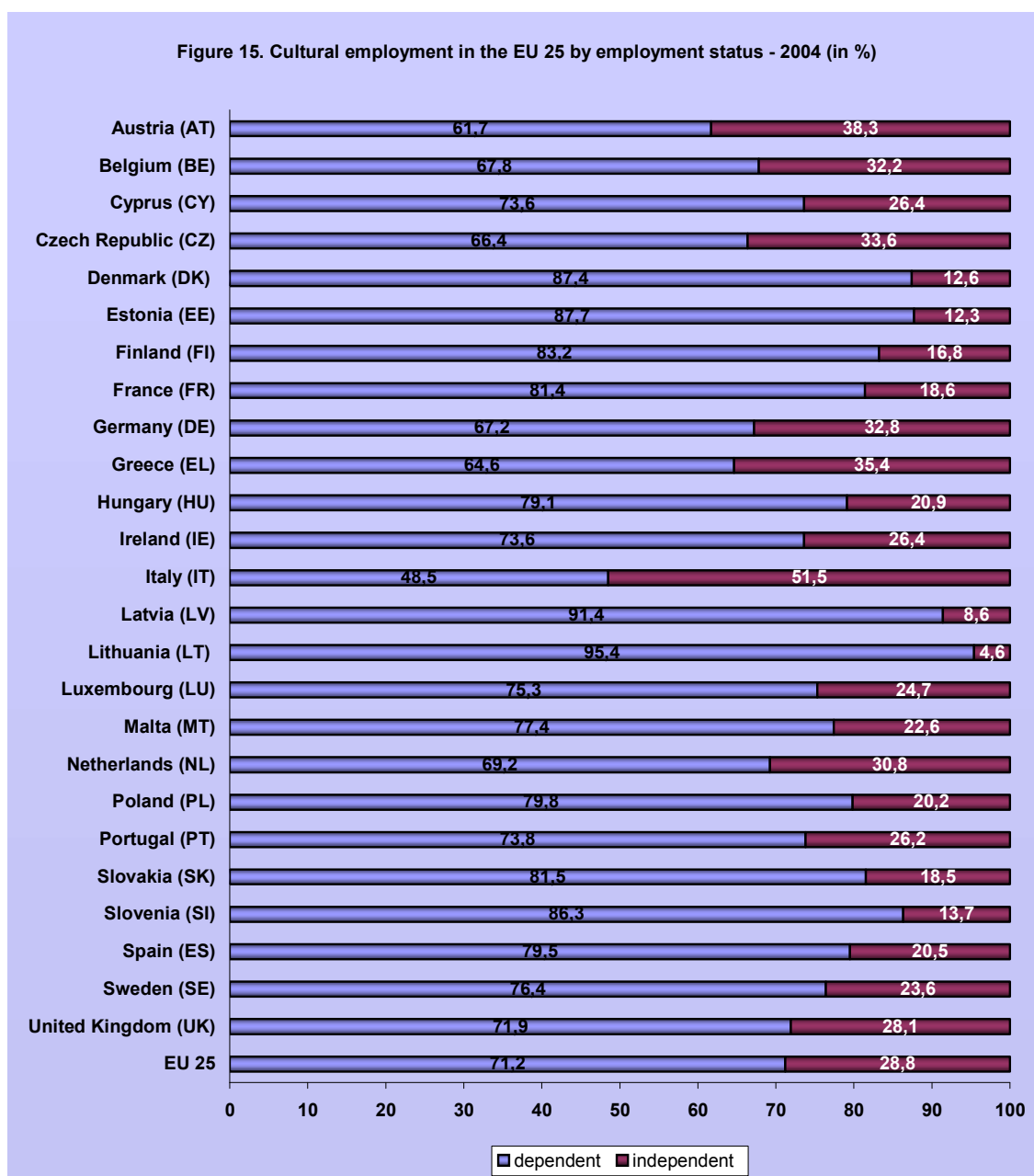
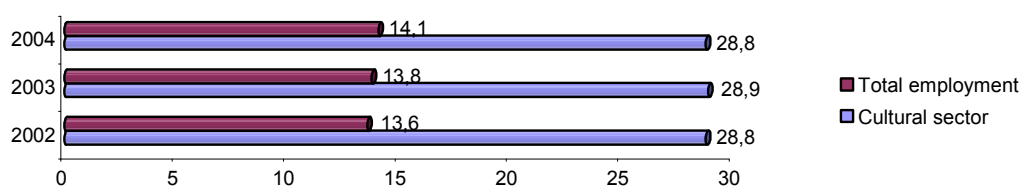


Figure 16. Share of independent workers employed in the EU25 (%)



➤ **The share of independent workers is more than twice as high in the cultural sector as in total employment.**

In 2004, 28.8% of the people working in the cultural sector were self-employed. This is more than twice as much as the EU average in regard to total employment (14.1%).

The share of independent workers is the highest in Italy (51.5%), Austria (38.3%) and Greece (35.4%). In Austria, the group of independent workers or self-employed is up to four times higher in the creative sector than in the economy as a whole. Denmark and Lithuania are the only two countries where the share of independent workers is lower in the cultural sector than in total employment. The Baltic countries record the weakest share of independent workers within the cultural sector (4.6% in Lithuania, 8.6% in Latvia and 12.3% in Estonia).

The cultural sector is overwhelmingly made up of small businesses (less than 10 staff), micro-businesses and self-employed/freelancers. These new self-employed, or freelancers, are very often described as “micro-entrepreneurs” and as “entrepreneurs of their own human capital”. In Germany, the usual share of independent workers within total employment is around 10%. In 2003, it was estimated to be 41% within the cultural sector²⁰. This is about four times higher and shows the importance of this group which experienced a growth-rate of about 50% between 1995 and 2003.

The in-between position of the freelancer as “new worker” / “new entrepreneur”, between capital and labour, is particularly interesting for labour market researchers, cultural studies analysts and politicians because it questions new socio-political relationships beyond the “Welfare State” era. The traditional categories of the “full-time job society” (“here the worker, there the employer”) no longer apply; the cultural content worker is suddenly also a (cultural) entrepreneur (without capital). In academic literature the “new worker” is described as multi-skilled, multifunctional and flexible in working time as well as often being self-employed.

The following example illustrates the dynamism and job potential brought by these “new entrepreneurs”:

Berlin: the dynamism of creative SMEs and micro-entrepreneurs²¹

In Berlin, the creative sector has a significant impact on employment. About 90,000 people are employed in the creative sector, representing more than 8% of the total Berlin employment. They work in about 18,570 enterprises of the creative industries:

- 4,681 in arts (25% of total number)
- 3,966 in books and publishing (21%)
- 2,886 in architecture/cultural heritage (16%)
- 1,700 in film and TV (15%)
- 1,100 in music (12%).

Between 1998 and 2002 the number of businesses in the creative sector rose by 660 and the number of workers increased by 7%. The strongest increases are registered in the fields of film and TV (+ 2,500 employees from 1998 to 2002), software & telecommunications (+ 4,000) and advertising (+ 2,500). Self-employed and freelancers are the most important “motor” for growth of employment with a growth four times higher than total employment.

The creative sector in Berlin is characterised by an above average number of small enterprises. Over 50% are single person enterprises. The culture sector in Berlin shows the highest density of independent artists in Germany: 5.8% of the inhabitants. Since 2000, the number of independent artists in Berlin rose by more than 40%.

²⁰Following dates about Germany: Beauftragter der Bundesregierung für Kultur und Medien (BMK), „Kulturberufe“ von Michael Söndermann, Bonn 2004.

²¹ Kulturwirtschaft in Berlin, Entwicklung und Potenziale, Berlin 2005.

III.2.5. Cultural employment in the EU 25 by job stability

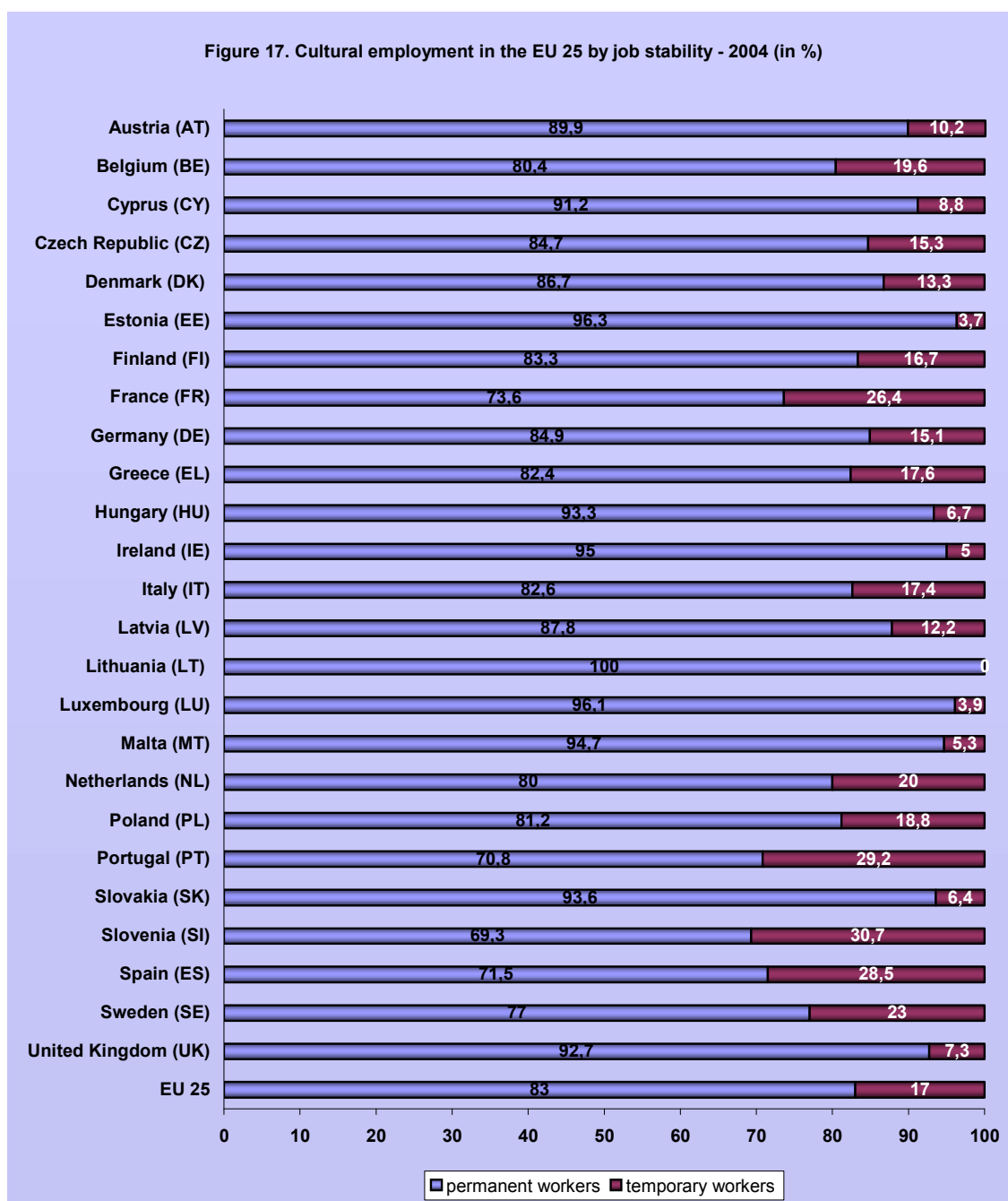
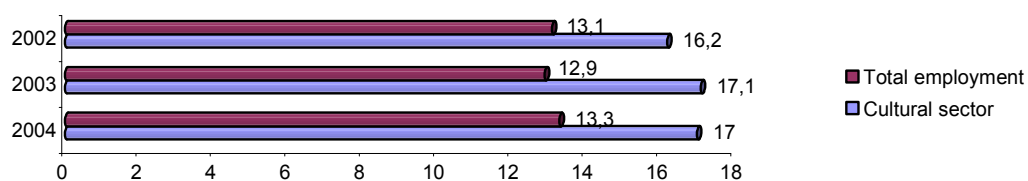


Figure 18. Share of temporary workers employed in the EU25



► 17% of workers are under temporary contracts in the cultural sector compared with 13.3% in total employment.

Temporary workers are workers with an employment contract set to a limited period of time.

The amount of temporary work is another characteristic of the cultural workforce: 17% of employees in the cultural sector are on temporary contracts compared to the 13.3% across all sectors.

The situation is disparate amongst countries. The highest rates of temporary workers are found in Slovenia (30.7%), Portugal (29.2%), Spain (28.5%) and France (26.4%). The lowest rates of temporary workers are recorded in Estonia (3.7%) and Luxembourg (3.9%). Lithuania records a 0% rate but this may be the result of the non-availability of data.

III.2.6. Cultural employment in the EU 25 by work duration

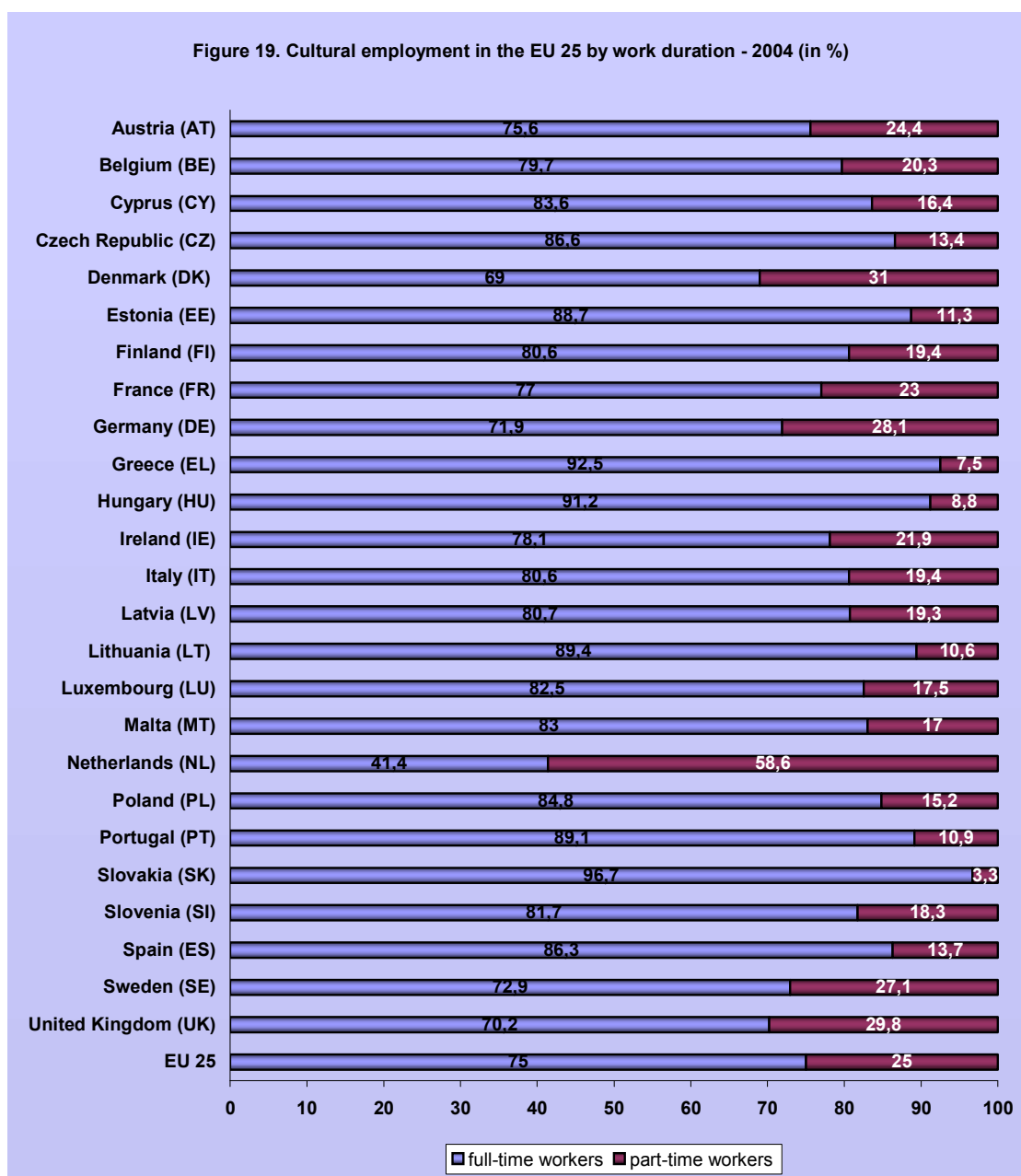
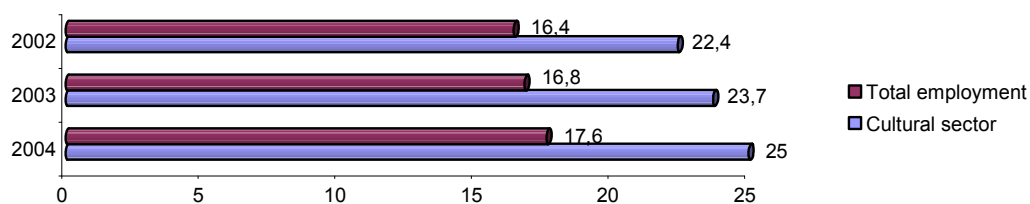


Figure 20. Share of part-time workers employed in the EU25



➤ **The share of part-time workers is higher in the cultural sector than in total employment.**

Part-time workers are workers that do not have a full time job.

Whereas in the total employment 17.6 % of the workers work on a part-time basis, this share is of one worker out of four in the cultural sector.

In the arts market for instance, 28% of the employees in the EU worked on a part-time basis in 2002²². This figure can be much higher depending on the sector: e.g. in Ireland it is estimated that ¾ of the 5,000 people working in the performing arts in 2003 worked part-time²³.

For all the countries except for Belgium and Luxembourg, the share of part-time workers is higher in the cultural sector than in total employment. In five countries (Cyprus, Czech Republic, Malta, Slovenia and Latvia) the share of part-time workers is actually more than twice as high in the cultural sector as in total employment in five countries.

The Netherlands recorded by far the highest rate of part-time workers (58.6%), followed next by Denmark (31%), the United Kingdom (29.8%) and Germany (28.1%). The last in row are Slovakia (3.3%) and Greece (7.5%). In Nordic countries and the Netherlands, part time jobs are very common, both within and outside the cultural sector, equally for men and women.

²² TEFAF Report, op.cit.

²³ *Economic impact of Professional Performing Arts in Ireland*, September 2004, undertaken on behalf of Theatre Forum by Fitzpatrick Associates

III.2.7. Cultural employment in the EU 25 by side-job

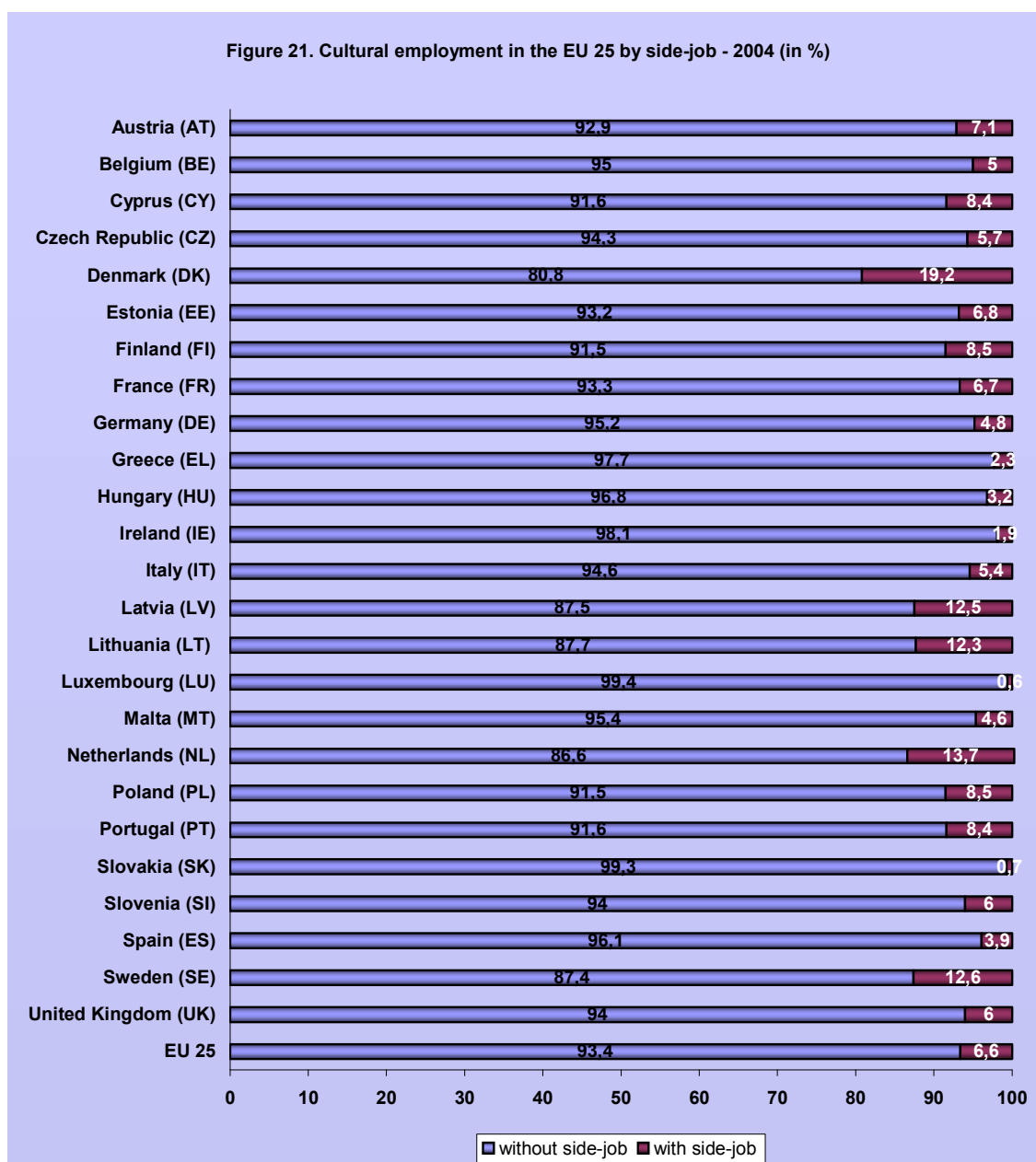
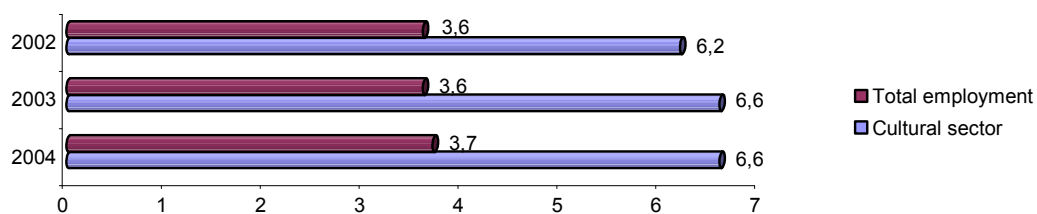


Figure 22. Share of workers with a side-job employed in the EU25 (%)



➤ **The share of workers with side-jobs is much higher in the cultural sector than in total employment.**

6.6% of the people working in the cultural sector have more than one job, compared with 3.7% in total employment.

Besides in Denmark with 19.2%, the share of workers with side-jobs is remarkably high in the Netherlands (13.7%) and Sweden (12.6%) as well as in the Baltic States (12.5% in Latvia and 12.3% in Lithuania).

It is more than twice as high in the cultural sector than in total employment in seven countries (Austria, Czech Republic, Finland, France, Italy, Lithuania and the Netherlands). Luxembourg (0.6%), Slovakia (0.7%) and Ireland (1.9%) record the lowest share of workers with side-job. Luxembourg, Poland and Slovakia are the only countries where the share of workers with part-time jobs is lower in the cultural sector than in total employment.

Statistical figures are not completely adequate here. In the cultural sector, it is typical for many workers to have more than one job – the percentage should consequently be much higher than the 6% presented above. The field of art and, in particular, the performing arts rarely provide full-time contracts and permanent occupations: workers are hired for a specific period of time or under part-time contracts. This is a reason as to why they continually occupy part-time jobs. However, not all part-time jobs are recognised by statistical surveys. In many countries it is necessary to earn a defined minimum wage to be counted in the national statistics as having a part-time job. In tax declarations and social security contributions, it is generally the case to implement a “cut-off border” (€ 14,500 per year in the case of Germany). In other terms, a person earning less than this amount does not need to go through the tax declaration process. Only when the amount earned is beyond that set limit does the person become subject to tax declarations for a part-time job and therefore, appears in national statistics.

The following example illustrates some of the characteristics developed in the last paragraphs: temporary jobs combined with the need to hold part-time jobs for a highly skilled workforce employed in the performing arts sector of France.

Working in the performing art sector in France²⁴: temporary jobs, side-jobs, and highly qualified workforce

In France, almost half of the companies in the performing arts sector (“*entreprises du spectacle*”) had less than 20 employees in 2004. Bigger enterprises were found in the audiovisual sector, mainly around Paris/Ile de France. Smaller companies and theatres were more likely to be found in the provinces.

About **one third of the actors in the spectacle sector work for no longer than one season**. Many hold **part-time jobs**. In 2001, only a minority (39%) had a stable contracts (against 46% in 1995), while 38% had at least 3 different jobs (against 31% in 1995). 49% of the actors having worked at least for one hour in the spectacle sector were also working in related branches like education, tourism or the hotel business. It is very difficult for a beginner to work at least 1,000 hours a year. Half of the beginners are younger than 30 years old and only 40% have an employment the year after their first job. However, 76% of the actors who have worked for at least 1,600 hours have an employment the following year.

Workers in the performing arts sector of France are usually **highly qualified**: 41% have a high school diploma in contrast to 21% in the total economy. The share rises to 57% for the professionals of the sector like actors and other executive employees and managers. Nevertheless, high qualifications do not necessarily guarantee work stability.

²⁴ INSEE Premiere : Les entreprises du spectacle de 1995 à 2001

III.3. Identifying the main features of cultural employment in Europe

The figures presented in the previous sub-section confirm the analyses of most studies on cultural employment:

- Cultural employment **is growing faster** than total employment.
- Cultural employment is of an **“atypical”** nature. Some will say it is somehow a foreshadowing of tomorrow's job market: more flexible, project-led, requiring mobility and high qualifications.
- **Employment data collection needs to be improved** at the EU level.

In 2001, MKW Wirtschaftsforschung GmbH completed a study for the European Commission on the *“Exploitation and development of the job potential of the cultural sector in the digital age”*²⁵. Although this study is different from the present study in terms of its grounding definitions and objectives (the study was based on EU15 only and used the 2-digit NACE as well as 3-digit ISCO classifications), the two exercises reveal similar trends and observations:

- **Proportionally higher growth trend**

Both studies show that the **average annual growth in cultural employment is higher than in total employment**. The data collected in this study **shows a total growth of employment at 1.85% for the cultural & cultural tourism sectors for the years 2002-2004**. Coincidentally, in this period **total employment in the EU decreased by 0.04%**.

- **The “flexibility constraint”**

The sector is characterised by an inherent “flexibility” requirement. Many cultural workers in the “arts field” as well as in part of the creative industries operate on a project basis (a play, a film, a concert). This means that they will have short periods of intense work, usually under short-term contracts followed by periods of “inactivity”. For example, in the audiovisual technical and artistic fields, it is often necessary to work well over 48 hours a week on given projects. This employment characteristic was exemplified at the EU level in the debate surrounding the re-negotiation of the EC Working time directive²⁶.

In other parts of the cultural & creative industries people are employed under more traditional conditions. The typical employee in a well established music company, or an advertising agency, will benefit from a traditional employment contract. Yet, even at corporate levels, the “project-based” way of working is gaining increased importance as it allows small companies to adapt to market demand. The large number of part-time and multiple-job holders is also a feature which characterises the inherent flexibility requirement.

- **The mobility constraint**

In the areas of the performing arts (such as dance, drama, orchestras, live music performances, etc.), visual arts (painters, sculptors, etc), or film, the mobility requirement is paramount. These workers travel from one country to another, performing on a pan-European and even global basis, or within one country, from one region to another.

²⁵ http://europa.eu.int/comm/culture/eac/index_en/html

²⁶ The EC “Working time Directive” of 23 November 1993²⁶, further amended in 2000 lays down minimum requirements with regard to the organisation of working time, with the aim of ensuring a better level of safety and health protection for workers.

Article 18 (1) (b) (i) of the Directive is commonly referred to as the “opt out” provision.

This article permits a Member State to make provision in its national legislation for the possibility for a worker to work, on average, more than 48 hours per week, provided a certain number of conditions are complied with (agreement on the worker's side + keeping records)

Current regulations often constitute a challenge in this regard as they do not cater to the problems encountered such as the issue of the cultural workers' ability to access social benefits whilst working in different countries under different social regimes, or the problem of "double-taxation".

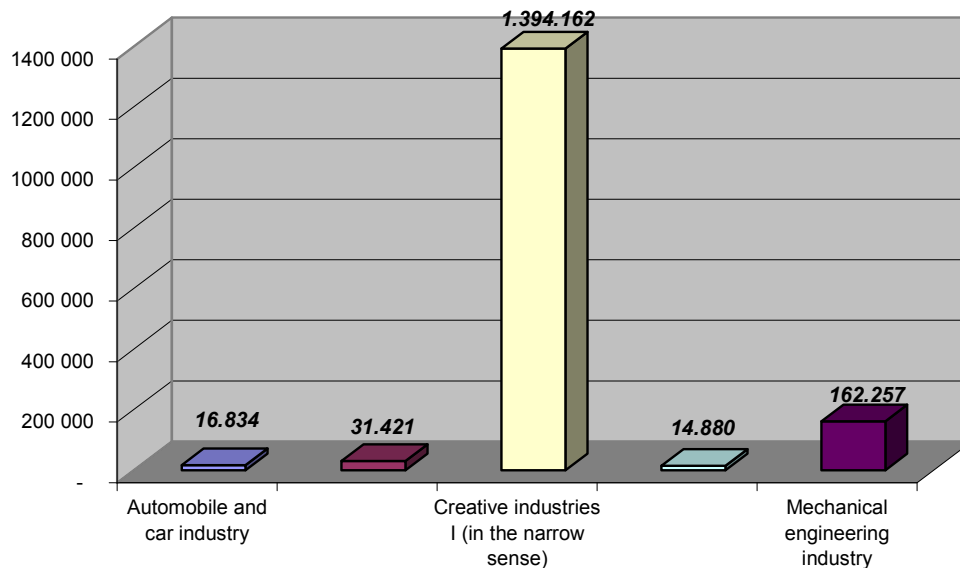
- **Micro-enterprises and the self-employed**

A key notable feature of this sector is that it is **overwhelmingly made up of small businesses** (less than 10 employees), micro-businesses and self-employed/free-lancers. Yet although many studies report about this particular feature, concrete data is not available, mainly because of the difficulty to "identify" SMEs on the basis of existing statistical frameworks or tax censuses.

In cooperation with the MKW Wirtschaftsforschung GmbH economic research, the German Professor Michael Söndermann made an industry comparison of the cultural & creative sector for the EU25 in the year 2002. The definition used is very close to the British DCMS²⁷ term.

According to his computation, with nearly 1.400.000 enterprises, the sector records many more enterprises than the "manufacturers of machinery", with 162,000 enterprises, or the often quoted automobile industry with scarcely 17,000 enterprises. At the same time according to the estimate, a higher than average number of micro enterprises (around 5 employees) can be found in the Creative Industries.

Graph 23. Creative Industries in the EU25 sorted in accordance with the number of enterprises - 2002



²⁷ DCMS – Department for culture, media and sport of the British Government, Creative Industries Mapping Documents

Table 8. The cultural & creative sector in Europe: a comparison with other sectors (2002)

Sector		Persons employed Nber in 1000	Number of enterprises
Manufacture of motor vehicles, trailers, etc	NACE 34	2 163	160 834
Chemical industry	NACE 24	1 929	31 421
Creative industries	NACE (a)	6 420	1 394 162
Manufacture of electricity, gas, steam, etc.	NACE 40	1181	14 880
Manufacture of machinery	NACE 29	3 527	162 257

(a) Creative industries classification comprises NACE-Codes: 22.1, 22.3, 72, 74.2+3, 74.4, 74.8, with estimates of Software/PC-Games (72.2), architecture/ industrial design (74.201-03) without engineering design, advertising (74.4), design activities (74.87) and branches of cultural industries (92.1-5).

Source: Eurostat, Structural Business Statistics (SBS) 2002. Own calculations and estimates by M. Söndermann/Working group on cultural statistics

A second noticeable feature is **the important share of self-employed and free-lancers**. Artists (performing artists, writers, directors, visual artists, craftspeople, composers, musicians, designers and others) are usually self-employed freelancers. This is often the case in cultural & creative industries as well, where project-based working methods favour the possibility to adjust job offers to market fluctuations. Free-lancers here appear as more adapted to the flexibility requirement. The self-employed/free-lancers are very often described as “micro-entrepreneurs” and as “entrepreneurs with their own human capital”.

In contrast, the rest of cultural workers (that is cultural workers working outside the cultural sector - such as a designer working for BMW, non cultural workers working in the cultural sector – such as an accountant working for Universal or administrative staff, etc.) often enjoy the status of being full time employees.

- **High level of qualification**

The level of qualification on average is higher in the cultural sector than in most of the other sectors of the economy. Cultural and creative occupations require a high level of qualification, not only “artistic” skills, but management and technical skills too.

SECTION II. CONTRIBUTION TO EUROPEAN COMPETITIVENESS

I. THE UNRECOGNISED COMPETITIVENESS OF THE SECTOR

The cultural & creative sector suffers from stereotypes when it comes to assessing its economic performance. Culture is often perceived as a non-economic activity. Many believe that culture and the economy are two separate worlds and that they have (or that they should have) nothing in common. Those who recognise the economic value of culture tend to perceive the cultural sector as poor in relation to its economic importance. The perception is that of individual artists, heavily subsidised public organisations or of a "cottage industry" which is destined to succumb when confronted with market realities.

Against this backdrop, this study measures the productivity and profitability of the cultural & creative sector.

Two indicators have been selected:

- Productivity²⁸, which is the ratio between value-added and employment costs. This indicator shows how much value is created for every Euro spent on employment costs (wages, salaries and social costs).
- Profitability, which is measured by the operating margin of companies active in the cultural and creative economy. This indicator shows what percentage of the turnover is left after the deduction of operating costs.

The figures presented below show that the creative & cultural sector in Europe is as competitive as other industry sectors - in some cases even more.

The following table shows results on a country by country basis for the cultural and creative economy, all sectors included, over the same timeframe from 1999 to 2003:

²⁸ In macroeconomics productivity is calculated from all factors of production, derived from national accounts. In this study, industrial statistics are mainly derived from company annual statements. Hence the productivity referred to is "real productivity", referring directly to the labour costs to value added.

Table 9: Assessing the competitiveness of the European cultural & creative sector

	Evolution of the productivity (value added/ employment costs) 1999-2003					Evolution of profitability (operating margin) 1999- 2003				
	1999	2000	2001	2002	2003	1999	2000	2001	2002	2003
Austria			1.89	1.91	1.24	8.8%	6.6%	9.2%	11.7%	6.6%
Belgium	1.52	1.5	1.51	1.41	1.93	10.7%	10.9%	9.5%	10.0%	10.4%
Cyprus	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Czech Republic	1.21	1.79	1.72	1.65	1.58	N/A	N/A	N/A	37.9%	12.4%
Denmark	1.39	1.28	1.27	1.3	1.26	8.8%	11.2%	10.3%	8.6%	7.1%
Estonia	1.4	1.68	1.62	1.51	1.52	6.4%	9.5%	8.0%	8.8%	10.2%
Finland	1.52	1.49	1.46	1.39	1.41	12.6%	11.7%	11.0%	9.8%	11.3%
France	1.63	1.62	1.56	1.59	1.59	11.3%	11.7%	10.8%	11.1%	10.8%
Germany	1.71	1.4	1.54	1.52	1.55	N/A	9.6%	9.6%	7.2%	8.7%
Greece	N/A	N/A	N/A	N/A	N/A	14.1%	12.3%	10.9%	10.2%	10.0%
Hungary	1.7	2.11	1.66	1.76	1.99	5.4%	6.4%	6.8%	7.3%	7.4%
Ireland	N/A	N/A	N/A	N/A	N/A	11.1%	13.9%	11.4%	11.5%	12.3%
Italy	1.67	1.69	1.68	1.61	1.57	9.0%	8.2%	8.1%	8.2%	8.8%
Latvia ²⁹	-0.7	-0.4	0.62	1.29	1.95	1.7%	1.8%	3.6%	3.5%	5.7%
Lithuania	1.58	1.54	1.48	1.49	1.4	11.3%	1.2%	11.0%	11.2%	11.9%
Luxembourg	N/A	N/A	N/A	N/A	N/A	3.3%	3.9%	1.4%	3.7%	3.8%
Malta	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Netherlands	1.61	1.17	1.22	1.28	1.34	9.4%	11.1%	11.7%	6.9%	9.4%
Poland	1.76	1.16	1.19	1.33	1.44	11.0%	4.8%	6.1%	6.2%	6.0%
Portugal	1.72	1.74	1.39	1.59	1.53	11.9%	11.7%	8.5%	10.4%	9.4%
Slovakia	1.23	1.34	1.2	1.18	1.32	5.0%	5.3%	5.6%	7.4%	6.9%
Slovenia	1.61	1.53	1.74	1.75	1.96	13.6%	13.6%	15.1%	12.6%	10.3%
Spain	1.51	1.5	1.44	1.43	1.43	9.2%	9.2%	8.3%	8.5%	8.0%
Sweden	1.55	1.56	1.51	1.37	1.49	10.5%	10.9%	10.1%	9.5%	9.9%
United Kingdom	1.52	1.47	1.36	1.29	1.38	10.3%	8.7%	8.9%	8.7%	8.7%
Bulgaria	1.52	1.53	1.56	1.69	1.7	7.1%	5.5%	6.4%	7.3%	7.7%
Romania	1.46	1.76	1.86	2.08	3.06	6.5%	9.1%	11.1%	14.0%	15.4%
Norway	1.33	1.3	1.25	1.27	1.28	8.3%	7.7%	7.5%	7.0%	7.3%
Iceland	1.19	1.27	1.18	1.33	1.24	9.50%	11.10%	8.70%	13.50%	11.80%
Total EU 25	1.43	1.45	1.45	1.48	1.52	9.30%	9.30%	8.90%	10%	9%
Total 30 countries	1.42	1.45	1.45	1.5	1.57	9.1%	9.1%	8.8%	10.1%	9.2%

Source: Eurostat and AMADEUS - Data elaborated by Media Group - Median value used for country comparisons instead of average³⁰

²⁹ The productivity figures for Latvia from 1999 to 2001 are not reliable because of the considerable gaps encountered in gathering the data used to calculate value added.

³⁰ Average values are calculated by summing up the values of the sample and dividing the sum by the number of values. Median value instead is the middle value of the string of values of the sample. It is a common method to achieve a typical value in industrial statistics. It is especially helpful if there are large and small firms in the sample where the weight of larger firms will cause distortions if the average is used. For example, when comparing cultural sector companies in most European countries where most companies are very small and some considerably big the use of average would be misleading. It would hide the fact that a typical company is smaller rather than average values would suggest. Similarly, following a standard industrial data analysis method, average of median values is used when the sample size is considerable, for example in country comparisons. Whilst median values aim at describing the typical unit, the average of a country's median values gives a picture of the average of typical cases in the country analysed.

These results trigger the following observations:

On productivity

The need for productivity largely depends on the investment intensity of a given industry. The higher the intensity, the more productive the industry in question must be in order to cover investments. Manufacturing industries with higher capital costs usually need higher productivity rates than the services industry. The typical productivity level of service industries, similar to those constituting most of the cultural & creative sector, is between 1.2 and 1.9.

The average productivity level for the European cultural & creative sector was 1.57 in 2003. There is seemingly little variation in productivity values amongst the different countries. In general, it is possible to observe a uniform deterioration of productivity across EU15 Member States over the period examined (with the notable exception of Belgium). However, in many EU15 countries, productivity rates remain high with values over the 1.5 threshold.

On the contrary, an increase in productivity rates was recorded in the EU10 and acceding countries (with the exception of Poland) – although, some values might be overestimated because of gaps in earlier data (see above, warning note on table 5). This is another sign of the dynamism of the cultural & creative sector in the new EU Member States.

On profitability

As a general rule, a profit margin of 5% up to 10% is considered as an indication of a healthy level of profitability for service industries similar to those included in the cultural & creative sector.

The average European level of 9% is therefore a sign of a highly satisfactory profitability existing in the cultural & creative sector across Europe. As far as the single countries are concerned, similar observations may be made on profitability as for productivity levels.

In particular, a uniform deterioration of profitability across EU15 Member States over the period examined, albeit at a minor degree compared to productivity, should be acknowledged - Ireland and Luxemburg are exceptions in this context. Similarly, the EU10 and the acceding countries (except for Poland) recorded, in general, better results both in absolute terms and in the trend observed during the period examined.

II. A COMPARATIVE INSIGHT

The aim of this section is to perform a cross-sector investigation of the performance of Europe's cultural & creative economy by comparing the different areas which constitute its parts.

Table 9 above presented an overview of the main indicators used to evaluate the performance of Europe's overall cultural & creative economy on a country by country basis. These aggregate figures included all the sub-sectors composing the cultural and creative economy as defined in Chapter II of this study.

The following two tables, 10 & 11, present a different view on the cultural & creative sector in Europe: all countries are included in the figures outlined below, but national differences are not apparent. The analysis is based on a sector by sector scrutiny. The same indicators as Table 4 are used.

On productivity

Table 10: The productivity of the European cultural & creative sector

	1999	2000	2001	2002	2003
Value added / employment costs (arithmetical averages of the median values of countries)					
Design	1,70	1,77	1,70	1,99	1,92
Architecture	1,37	1,32	1,32	1,37	1,43
Visual arts	1,96	1,94	1,99	1,94	2,04
Performances	1,66	1,98	1,41	1,46	1,72
Film and Video	1,75	1,77	1,68	1,76	2,02
Radio and TV	1,54	1,46	1,35	1,49	1,65
Advertising	1,50	1,59	1,46	1,47	1,50
Press and publishing	1,45	1,41	1,37	1,36	1,35
Heritage	1,24	1,22	1,80	1,78	1,21
Video Games	1,32	1,35	1,37	1,32	1,66
Music	1,97	1,74	1,62	1,77	1,43
Tourism	1,50	1,52	1,44	1,42	1,44

Source: AMADEUS

Data elaborated by Media Group

Table 10 shows that there are typical differences in the productivity levels of the various sectors included in the cultural & creative economy. All these sectors are rather labour intensive and therefore value creation has to be done largely within the industry by those who are employed in a given sector. In other words, value cannot be obtained through investments in technology or other means of production. In these industries, the key for competitiveness is therefore the development of skills and it depends on the workforce's creativity.

In general, the sectors examined have experienced an increase in productivity value over the period 1999-2003, with the exception of press & publishing, music, tourism and heritage. It should be noted that these findings may show some distortions due to the gaps in data availability for the sector by sector analysis. The significant decline in the music sector is to a large extent attributable to the falling sales of recorded music over the period examined.

The best performing sectors in terms of productivity are design, visual arts and film & video. The biggest increase in productivity is, however, recorded in the video games sector, one of the fastest developing cultural industries in Europe in the last few years. Heritage recorded lower than average productivity values.

On profitability

Table 11: The profitability of the European cultural & creative sector

	1999	2000	2001	2002	2003
Operating margin (arithmetical averages of the median values of countries)					
Design	10,3 %	11,1 %	10,5 %	10,6 %	10,5 %
Architecture	8,8 %	7,5 %	8,1 %	8,4 %	8,8 %
Visual arts	12,1 %	11,8 %	11,4 %	11,5 %	11,3 %
Performances	7,9 %	8,2 %	8,1 %	7,9 %	8,5 %
Film and Video	11,9 %	11,4 %	10,9 %	11,1 %	11,7 %
Radio and TV	11,5 %	10,5 %	7,8 %	9,5 %	9,9 %
Advertising	7,3 %	7,8 %	5,5 %	6,1 %	5,4 %
Press and publishing	9,1 %	8,5 %	7,7 %	7,2 %	7,9 %
Heritage	9,1 %	10,2 %	12,7 %	11,8 %	8,6 %
Video Games	8,5 %	9,2 %	7,4 %	7,4 %	7,7 %
Music	12,9 %	10,4 %	9,6 %	12,0 %	8,9 %
Tourism	9,5 %	10,3 %	10,4 %	9,0 %	7,8 %

Source: AMADEUS

Data elaborated by Media Group

Table 11 reflects the differences in productivity levels amongst the various sectors.

The highest operating profitability levels are found in design, visual arts as well as in film & video, whereas advertising typically creates lower operating profit.

There is a downward trend in advertising and press & publishing which results in both cases from the decline in total advertising spending in 2001 and 2002. Additionally in the music sector, profitability levels have fallen due to falling music sales. There is also a slight decline in the video games industry, which is due to the increasing number of players in the video games industry and thus to increasing competition.

III. INVESTING IN INTELLECTUAL CAPITAL: THE SECTOR'S IMPORTANCE IN THE CONTEXT OF INNOVATION IN THE KNOWLEDGE SOCIETY

III.1. The importance of intellectual capital: Turning ideas into business

Intellectual capital is of great importance for the competitiveness of individual firms as well as of national economies. In addition to being at the origin of increased value for a company, intellectual capital can be seen as a catalyst for change in company cultures and management structures. It is a major competitive advantage for a company, as well as a country. Intellectual capital in business enterprises may take a variety of forms. It can be associated with the products of the company, with production & service processes, with organisational skills or with capital goods. Many of these aspects of intellectual capital are difficult to measure.

The value of intellectual capital is paramount for every type of company - this is particularly true for companies operating in today's knowledge economy. It is essential for enterprises and people operating in the field of culture and entertainment. The main asset for these companies, large multinational firms or micro-enterprises active at local levels, is the creativity of their

workforce. Without creative ideas, cultural enterprises perish. This is why intellectual capital is the most valuable asset for the cultural & creative sector.

III.2. Assessing intangible assets in the cultural & creative sector

An indirect tool for assessing the investment in intellectual capital is to measure the investments in intangible assets.

Intangible assets in a company's balance sheet include copyrights, industrial property rights and goodwill. All these elements are part of the fixed assets of a company that include the costs of acquiring an asset and an expectation of future income. All intangible assets are a form of financially measurable intellectual capital, although they may be developed within the company or purchased from outside. The value of intangible assets does not provide a comprehensive representation of the intellectual capital of the companies, but it does provide, on an industry level, an indication of the contribution of the outcome of intellectual capital in the companies' expectations of economic development and success.

To assess the level of investment in knowledge and creativity in the cultural and creative economy, the best way to proceed is to take into consideration the ratio between the intangible and the turnover of a given company.

The following table examines the evolution of this ratio amongst Europe's cultural and creative enterprises over the years 1999-2003. Results are presented on a country-by-country basis.

Table 12: Level of knowledge and creativity investments within the cultural & creative sector

Evolution of intangibles to turnover ratio 1999-2003					
	1999	2000	2001	2002	2003
Austria	0,2 %	0,1 %	5,1 %	5,0 %	2,5 %
Belgium	1,4 %	3,5 %	3,0 %	2,6 %	2,3 %
Cyprus	N/A	N/A	N/A	N/A	N/A
Czech Republic	N/A	N/A	N/A	0,0 %	12,4 %
Denmark	3,0 %	8,9 %	9,7 %	10,7 %	7,9 %
Estonia	1,5 %	3,2 %	2,5 %	1,4 %	1,4 %
Finland	2,7 %	2,4 %	2,3 %	2,6 %	4,7 %
France	4,1 %	4,2 %	4,7 %	4,5 %	4,2 %
Germany	N/A	2,5 %	2,5 %	1,2 %	1,1 %
Greece	1,7 %	3,0 %	2,8 %	2,2 %	2,5 %
Hungary	0,6 %	1,9 %	1,8 %	1,3 %	1,9 %
Ireland	11,1 %	13,9 %	11,4 %	11,5 %	12,3 %
Italy	3,2 %	3,6 %	4,0 %	3,4 %	3,6 %
Latvia	0,8 %	0,7 %	0,7 %	0,7 %	0,8 %
Lithuania	11,3 %	11,2 %	11,0 %	11,2 %	11,9 %
Luxembourg	0,0 %	0,5 %	0,0 %	1,1 %	0,8 %
Malta	N/A	N/A	N/A	N/A	N/A
Netherlands	15,2 %	7,6 %	12,7 %	11,4 %	6,0 %
Poland	0,7 %	N/A	N/A	0,8 %	1,2 %
Portugal	1,0 %	1,1 %	1,6 %	1,8 %	1,5 %
Slovakia	0,5 %	0,5 %	0,3 %	0,3 %	0,3 %
Slovenia	1,7 %	1,5 %	4,6 %	2,3 %	0,7 %
Spain	3,2 %	4,0 %	3,5 %	3,2 %	2,9 %
Sweden	5,6 %	5,3 %	6,0 %	4,9 %	4,4 %
United Kingdom	6,3 %	11,1 %	11,8 %	9,0 %	8,4 %
Bulgaria	1,3 %	3,9 %	1,6 %	1,5 %	1,3 %
Romania	0,6 %	0,6 %	0,7 %	0,9 %	1,2 %
Norway	5,6 %	4,4 %	5,1 %	5,0 %	4,9 %
Iceland	4,2 %	4,3 %	2,4 %	4,2 %	4,2 %
Total EU 25	3,6 %	4,3 %	4,9 %	4,0 %	4,2 %
Total 30 countries	3,5 %	4,2 %	4,5 %	3,9 %	4,0 %

Source: Eurostat and AMADEUS

Data elaborated by Media Group

Averages of national median values are used for country comparisons (see footnote added to table 4)

Table 12 offers valuable insight into the level of investment in creativity (measured through intangible assets) amongst European companies active in the cultural & creative sector.

As far as the level of intangible assets is concerned, the discrepancy between the EU15 and the EU10 countries, which is quite remarkable for productivity and profitability levels, is less pronounced. A general stability or very modest oscillation of the value examined per country over the years may be observed. Two remarkable exceptions are Denmark (positive

evolution) and the Netherlands (negative evolution - however the figure for the Netherlands remains well above the average for Europe).

On average, the level of investment in creativity at the European level is satisfactory - in some countries, this is particularly impressive. The highest ratios intangible/turnover were found in Lithuania, the Czech Republic and Ireland, where the investments in intangible assets exceeded 10% of the turnover of the sector. Denmark and the UK also have very high rates for investment in intangibles.

By way of comparison, a recent study of the Finnish non-quoted ICT companies showed a strong correlation between intangibles/turnover ratio and company growth. The average intangibles/turnover ratio for all European countries in 2003 was 4%, which corresponds to the Finnish ICT sector average of 4.8 % in the same year.

SECTION III. THE SECTOR'S OUTLOOK

It is difficult to make forecasts and assess future trends in the development of the cultural and creative sector. The economy of culture is, like other cyclical sectors, subject to the general economy of Europe - therefore, it is subject to unpredictable elements such as international crisis, monetary fluctuations and economic slumps.

I. ICT: THE POTENTIAL FOR THE CULTURAL & CREATIVE SECTOR

Various consultancies and research centres provide estimates and forecasts on future trends in the economy. In the field of culture and entertainment, US consultant PriceWaterhouseCoopers (PWC) has published a report on "*Global Entertainment and Media Outlook*" every year since 2000³¹. The last report was published in June 2005 and includes figures referring to 2004 data. The PWC report is used in this part of the study for the purpose of showing likely trends in the development of the European cultural sector³².

The PWC report forecasts that in the years up to 2009, a favourable economic development will support entertainment and media spending. The impact of technology will be significant. Internet and wireless connections are notably behind significant growth estimates in the following sectors:

- Online and wireless video games
- Online film rental subscriptions
- VOD
- Licensed distribution of digital music; online and mobile
- Electronic books

These sectors represent new spending streams which will be instrumental in driving growth in the culture and media markets. It is important to notice that growth is expected from the combination of new delivery channels, enabled by technological developments, with traditional content - films, music, written content, games. New spending streams should first accompany and then gradually offset traditional consumption channels.

According to PWC estimates, spending streams on ICT-related media will account for 12% of the total increase in global entertainment and media spending until 2009. Without their contribution, growth rate would average 6.6% instead of the expected 7.3%. The PWC report also predicts an inevitable decline in traditional spending streams such as physical music (CDs, Vinyl, Cassette Tapes, etc.), in-store home video rentals and PC-based video games, three markets which have already fallen significantly since 2000.

Changes in driving sectors

It is interesting to observe what, according to PWC, the driving sectors of the culture and media market were at a global level in 2004:

³¹ <http://www.pwcglobal.com/extweb/pwcpublishings.nsf/docid/5AC172F2C9DED8F5852570210044EEA7?opendocument&vendor=none>

³² Some methodological notes are needed in order to understand the nature and scope of the analysis undertaken by PWC. The PWC report covers major world regions divided as follows: US, Europe, Middle East, Africa (EMEA), Asia Pacific, Latin America and Canada. It should be noted that the region defined as Europe does not include some of the countries covered by this study and takes into account of countries which are not covered by the study. The report is not focused on culture - in fact, it does not include key traditional cultural activities such as visual arts, performing arts or heritage. The target of the report is the broader "media and entertainment" sector, which comprises various sub-sectors including film, TV, music, radio, Internet access, video games, business information, press and publishing, theme parks, gambling and sport. The last three sectors are usually excluded from even the broadest definitions of cultural and creative economy.

- Advertising (TV, Internet and press): in 2004, global advertising rose by 8.1% thanks to improvements in TV, Internet and print advertising - the Internet was the fastest growing medium with a 36.4% increase;
- Growth of the Internet (broadband penetration): in 2004 Internet access spending grew by 21.2%;
- Growth in video games spending: in 2004 video games rose by 11.1% compared to the previous year. Reasons for this growth appear to be related to the expansion of the online games market;
- Other mixed factors (box office, TV subscription, sport rights).

Forecasts on future trends show that some important drivers of growth in the past years, such as TV subscription, DVD sales and Internet access spending will also remain important contributors to the market but their relative weight will diminish in comparison with the emergence of ICT-related media spending.

II. FOCUS ON THE EUROPEAN OUTLOOK

II.1. Trends in countries

According to the PWC report, spending on cultural, media & entertainment goods and services in Europe (Europe – Middle East and Africa – EMEA) totalled USD 417 billion in 2004; Europe was the second largest region after the US on a global scale. Spending in 2004 was up 7.4% in 2003, the largest increase since 2000. For the years leading up to 2009, PWC's forecasts estimate that growth will be propelled by the considerable increases of people's spending on video games and the Internet.

On a country by country basis, the UK was the largest European market in 2004 with USD 74 billion, followed by Germany at USD 62 billion, France at USD 46 billion, Italy at USD 32 billion and Spain at USD 27 billion. Countries in Central and Eastern Europe have been growing at above average rates during the last few years - PWC estimates that their growth will slow down in the near future and that they should follow growth rates of Western Europe.

Total compound annual growth for Europe (EMEA) is forecast at 6.5%, on the way to creating a market valued at USD 572 billion by 2009. The highest growth rates in European countries have been recorded in Hungary (10.6%), Denmark (7.3%) and Czech Republic (6.9%).

II.2. Trends in sectors

Film and video

The category defined as "filmed entertainment" is estimated to have generated spendings of around USD 27 billion throughout Europe in 2004. PWC forecasts a 7.7% compound annual growth rate (CAGR) in the European filmed entertainment market up to 2009 - the market should reach a total spending value of USD 39 billion (the estimates are for a USD 48 billion market for the US in the same year). Growth will be driven by the following factors:

- *Rising DVD household penetration.* PWC projects average DVD penetration (households with a DVD player) to rise in Western Europe from 50.4% in 2004 to 79.2% in 2009. The main reasons for this growth are the declining prices of DVD's and DVD players.

- *Emergence of online rental subscription services.* Whilst the in-store rental market has been weak in the years up to 2004 and is projected to fall in following years, the online rental subscription market (which includes delivery of films via overnight mail) began to take off in 2004 and is expected to grow by 82% (CAGR) by 2009.
- *Rapid uptake of VOD³³ and pay-per-view (PPV).* The VOD market was just started in 2004 yet is expected to grow more than tenfold from USD 165 million in 2004 to USD 1.7 billion in 2009. The PPV market was highly concentrated in Europe in 2004 (UK, France and Spain accounted for three quarters of the total market valued at USD 969 million). It is estimated to double by 2009 reaching almost USD 2 billion in value.

Broadcasting

Spending in broadcasting totalled USD 87 billion throughout Europe in 2004. PWC projects the broadcasting market to expand to USD 121 billion in 2009. The main features of future trends for the European TV market are as follows:

- Europe will experience *growth in multi-channel television*, spurred by digital terrestrial TV (DTT) rollout. DTT has already been launched in several EU countries and migration to digital is expected to be complete across all of Europe by 2010-2012. Multi-channel penetration, now laying mostly on subscription services, will be fuelled by free-to-air DTT and its penetration is estimated to reach more than 70% of European households by 2009.
- As a consequence, *multi-channel advertising* is expected to increase by 11.2% in Western Europe until 2009.
- Growth in free DTT will be accompanied by the *expansion of TV subscriptions*. Satellite subscriptions have been growing fast in recent years but in the future their growth rate will slow down, challenged by the emergence of DTT (see above) and new digital platforms such as TV over DSL (IP-TV)³⁴.
- As a consequence of the growth in both TV networks and TV subscription services, the European TV market will be characterised by *increasing audience fragmentation*.

Music

The European (EMEA) recorded music market was valued at USD 14 billion in 2004. PWC forecasts that the distribution of music in traditional physical formats will continue to decline in Europe over the next few years; albeit at slower rates than in recent years (spending is estimated to decrease at a rate of 1.9% until 2009). However, falling sales of CDs should be offset by the uptake of digital music - therefore, total spending in recorded music is expected to grow by 7.2% (CAGR) by 2009 to reach USD 20 billion in value. Growth will be fuelled by two major factors:

- *Licensed online download services.* The online distribution of music exploded in 2004 and is projected to be the fastest-growing sector during the next years (91.3% compound annual rate increase from 2004 to 2009). Spending in 2009 should total USD 2.2 billion constituting 11% of total recorded music spending.
- *Mobile music³⁵.* Mobile music accounted for 10% of the market in 2004 and will constitute nearly a third of total spending on recorded music in 2009, growing from USD 1.5 billion to \$ 6.4 billion (a 34% CAGR increase on 2004 figures). Uptake of

³³ For a definition please refer to the ICT Glossary in Annex 8.

³⁴ For a definition please refer to the ICT Glossary in Annex 8.

³⁵ For a definition please refer to the ICT Glossary in Annex 8.

mobile music download services will be bolstered by the diffusion of 3G wireless technology. Approximately 9% of wireless subscribers downloaded mobile music in 2004 – by 2009 it is expected to increase to 22%.

Video games

In 2004, the video games market of Europe's spending (EMEA) totalled USD 6 billion. According to PWC, CAGR up to 2009 is estimated at 19.1%, reaching a spending total of USD 14.3 billion. However, important differences exist in the estimations for the different segments of the video games market:

- *Console games*: they are heavily dependent on the next generation of consoles being launched on the market. The average price of games will increase following the launch of new hardware and the next generation of games (expected by the end of 2006 and 2007) and then follow in subsequent years. Overall, compound annual growth should increase at a moderate rate of 6.4%.
- *Online games*: they will boom as a consequence of the increasing speed of broadband connections. Broadband subscribers are expected to reach 98 million in 2009 in EMEA (there are currently 31 million), with online video games subscribers reaching 29 million (currently 3 million). The average spending on online games will increase from USD 505 million in 2004 to USD 4.2 billion in 2009 (53% CAGR). Online games will represent 30% of total video games spending in 2009 (up from 7.6% in 2004).
- *Wireless games*: they will also expand following the upgrade of mobile handsets and growing 3G mobile penetration. Wireless games subscribers are expected to increase from 8.3 million in 2004 to 96 million in 2009 (63.2% CAGR). The spending on wireless games will increase from USD 458 million in 2004 to USD 3.7 billion in 2009 (52% CAGR).
- *PC games*: they will continue declining as migration to other platforms will consolidate. Decrease is estimated at a compound annual rate of 3.2% in the years leading up to 2009.

Publishing (magazines, newspapers and books)

The publishing market in Europe (Western and Central and Eastern Europe) was valued at USD 142 billion in 2004. PWC's forecasts for total spending figures in 2009 are USD 163 billion. Growth rates projected for the publishing sector are significantly lower than for other cultural industries - this is mainly due to the fact that publishing is considered, by PWC, as a mature market (especially book publishing) and a market where the impact of ICT developments will be less significant than for other industry sectors.

As far as the individual segments of the publishing industry are concerned, the situation may be summarised as follows:

Magazines:

- Growth in both advertising and circulation spending will be higher in new member states than in Western Europe. In particular, France, the UK and Germany, the three largest European markets (contributing to 57% of the region's spending), will post average growth rates of 3%. New genres should emerge and help sustain circulation spending.

Newspapers:

- The expansion of free daily tabloids, especially amongst young readers and non-habitual readers, will help expand the advertising market, which is expected to grow at a compound annual rate of 4% until 2009 (with peaks of 10.7% in Belgium and 10.8% in Hungary).

- Possible additional revenue streams opportunities will be offered to newspapers by the exploitation of new technologies such as online services (e-mail alerts) and mobile devices (SMS, updates on mobile phones and PDAs).

Books:

- The professional book market, although being the smallest segment of the sector, should be the fastest growing, rising by 4.4% CAGR. Consumer books and educational books will grow at lower rates (2.9% CAGR and 2.2% CAGR respectively). The educational book market in particular will be negatively hit by declining enrolment, as the school age population is shrinking across Europe.
- Spending on electronic books is expected to grow exponentially from USD 42 million in 2004 to USD 1.7 billion in 2009 (110% CAGR), when e-books will represent 3.2% of total book spending in Europe. E-books will not play a significant role in the consumer market. On the contrary, they should have a positive impact on educational books and an even greater impact on professional books, which lend themselves conveniently to electronic formats. E-books should account for 59% of the overall growth in professional book spending.

SECTION IV. THE ROLE OF PUBLIC SUPPORT AND SPONSORSHIP

I. THE ROLE PLAYED BY THE “PUBLIC ECONOMY OF CULTURE”

A specific feature of the cultural & creative sectors is that they benefit from public support or are partly run by public authorities. It is a European tradition in that public authorities (at local, national and supra-national level) intervene in the cultural sector, as employers and as financiers.

This is particularly the case for:

• The heritage sector

The share represented by public support to heritage in total public support to culture records impressive results:

- 50% in Greece (2005),
- 52% in Italy (2000),
- 47% in Finland (2001),
- 47% in France and Hungary (2003),
- 43.5% in Ireland (2002),
- 50% in Lithuania (2003)³⁶.

• Performing arts

The sector traditionally receives public support. As an example in the French Community of Belgium during 2005, 17.69% of the total cultural budget was dedicated to the performing arts, with theatre and music receiving over 80% of the funding. Countries like France, Estonia, Ireland, Finland, Poland, the Flemish Community of Belgium and Greece recorded similar levels of intervention (around 15- 20%).

• The film and audiovisual sector

According to the European Audiovisual Observatory, there were approximately 195 public funding bodies in Europe in 2004, running somewhere around 680 programmes that aimed to financially support the film and audiovisual sector³⁷. These funds and bodies exist either at national, sub-national or supra-national levels.³⁸

The total public support budget for the film and audiovisual sector in Europe increased from € 1.1 billion in 2000 to around € 1.4 billion in 2004 (considering national, sub-national and supra-national levels) in the European Union (including Romania and Bulgaria):³⁹

- 70% of this amount is distributed through national film institutions;
- 21% is allocated through sub-national funds (regions);
- 9% is granted at a supra-national level (European Union, Council of Europe).

The sector also benefits from regulatory support in the form of investment obligations imposed on broadcasters or market access requirements (quotas) in a number of European countries, or advantageous tax rules (tax credits, lower VAT on cinema tickets).

³⁶ Most of the above and below figures do not include local expenditure on local heritage, including libraries and museums. Source: Compendium of Cultural Policies, Council of Europe, Strasbourg, 2006.

³⁷ European Audiovisual Observatory, *2005 Yearbook: Film and Home Video*, Strasbourg, 2005. The figure includes bodies from EU+25, Romania, Bulgaria, Switzerland, Croatia, Republic of Macedonia, Norway, Turkey.

³⁸ Sub-national funds are funds implemented by regions, territorial communities and local entities.

³⁹ European Audiovisual Observatory, *2005 Yearbook: Film and Home Video*, Strasbourg, 2005.

³⁹ European Audiovisual Observatory, *2005 Yearbook: Economy of the*

- **Book and press/ publishing**

The publishing sector relies mainly on indirect public assistance through regulatory support (for example, exemption from competition rules on fixed price to protect smaller bookshops and publishers) or advantageous fiscal rules such as lower VAT rates for books.

- **Music**

In the music sector, public support to the industry is more limited but is increasingly focusing on support for export. The UK Department of Trade and Industry (DTI), for instance, is financing missions in China for the promotion of UK artists in South East Asia. France is supporting an export bureau in the USA. Export bureaux also exist in Finland, The Netherlands, Spain, Hungary, etc. A European Music Office was established in New York with the support of the European Union. France has recently started implementing a tax credit scheme to support investment in new talents. Furthermore, there is extensive public support to classical orchestras and opera troupes at national and city levels.

- **Public broadcasters**

Public radio & television companies in the European Union are mainly funded through state budget or licence fees.

At the EU level, the role of public authorities in the public audiovisual sector was notably recognised under the Amsterdam Treaty's Protocol. According to this protocol, the existence of public service broadcasting is directly linked to the promotion of democratic, social and cultural values as well as to the preservation of media pluralism. Member States recognise the ability to finance their public service broadcasting in so far as this financing is limited to the accomplishment of its public service mission without altering competition conditions within the EU.

The total operating revenues of the public broadcasting systems (including public support and own resources) in the EU rose from € 22.8 billion in 1997 to € 28.6 billion in 2003.⁴⁰ In 2003, Finland was the country where public income was proportionally the largest (some 95.3% of YLE's income), followed by Sweden (93.1%), Greece (around 90% in 2000), Denmark (Denmark Radio: 91.3%) and Romania (88.1%).

Licence fees still remain the most prevalent form of financing public service companies. Its value was estimated at € 16 billion in 2000 and approximately € 15.3 billion in 2003.⁴¹ Interestingly, in recent years, several countries – Portugal, the Netherlands, and the Flemish Community of Belgium – have decided to finance public broadcasters through national budgets rather than through licensing fees in order to save on collection and management costs. Licensing fees do not exist in Greece (where a tax on electricity is implemented instead), Luxembourg or Spain.

In the last ten years, the trend is an increase in public broadcasters' commercial revenues (through advertising, sale of programmes, books, discs and pay-TV income). These revenues have gone from 28.4% to 32.3% between 1995 and 2000.

⁴⁰ European Audiovisual Observatory, *2005 Yearbook: Economy of the radio and television industry in Europe*, Strasbourg, 2005. The figures include operating revenues for public radio companies in Europe.

⁴¹ European Audiovisual Observatory, *2005 Yearbook: Economy of the radio and television industry in Europe*, Strasbourg, 2005. The figures do not include state budget revenues. Countries covered are: Austria, French Community of Belgium, Czech Republic, Germany, Denmark, France, Finland, UK, Ireland, Italy, Poland, Portugal, Romania, Sweden, Slovenia, Slovak Republic.

I.1. The need for public support to realise public value

Seeking to justify public intervention in the cultural sector is often regarded as a betrayal. Traditionally it has been believed that the value of investment in culture could not be questioned – it should not be an economic issue because culture is deemed to be a non profitable sector that should be isolated from market mechanisms. On the basis of “art for art’s sake” arguments as well as because culture enlightens people, reflects our past and is constitutive of our identities there is an obligation to support it.

And yet, at a time when the public purse is shrinking, it is wise to look at the reasons for supporting culture – on top of the “art for art’s sake” arguments.

The reflection proposed by Professor Mark Moore of the Kennedy School of Government (Harvard) on “public value” influences publicly run organisations in particular in the UK (the BBC has for instance published reports on its “public value”). Prof. Moore’s approach is the subject of criticism as it forces cultural organisations to justify their public funding. However, it serves as an interesting exercise to identify the multiple social, economic and political benefits brought by culture to both individuals and the community.

Pr. Moore supports the view that whereas the management of the private sector is aiming at creating value for its shareholders and employees, the management goals of a public sector organisation are less evident. Prof. Moore suggests that the job of a public sector executive is to find and create opportunities for “public value” – i.e. a success irrespective of any financial value or individual material achievement. This “public value” is not ascribed by consumers or shareholders as in the case of the private sector but by citizens reflecting in terms of public interest, what they would like the public sector to deliver and the way they would like it to be delivered.

Consequently, an important part of being an effective public manager involves orchestrating coherent dialogue within the community concerning what should be produced and how.

In the case of the cultural sector, this “dialogue” leads to isolated elements of public value such as the value to citizens, the political and social value to the community (whether at local, national or European level) as well as the value to the creative economy (developing skills and contributing to economic growth):

The following table presents the different “values” that can be attached to culture, and that are expected to benefit the community of citizens.

**Access to culture =
democratic empowerment**

Of primary importance is the idea that cultural development is one of the conditions enabling an effective practice of democracy⁴². For Jean Rigaud, the first and most important objective of any cultural policy is to ensure that every single person gets, through ensuring a concrete equal access to culture, the opportunity to shape his/her “conscience of citizen”.

In the sector of the performing arts, Baumol and Bowen⁴³ have shown that low productivity gains in artistic production (the “productivity lag”), combined with the inescapable rise in artists’ salaries (as salaries need to keep up with the pace of salaries in the other sectors of the economy that do enjoy productivity gains) result in the inevitable rise in costs and ticket prices (the so-called “cost disease”). In order to ensure the existence of performing arts, mainly because they contribute to the “enlightenment” of citizens, they must be supported, in the form of patronage or public support.

In other sectors that are not marked by such productivity lag, public intervention may be needed to ensure variety of offer. Indeed, one of the characteristics of cultural products is the high uncertainty attached to them. Hence a bias towards producing products whose success is almost guaranteed, to the detriment of the variety and richness of the offer.

**Access to culture =
education**

Culture has a complex educational value. The issue is not only to bring people to understand “high culture”, but to access and to participate in culture because culture acts as a mind-opener. The diversity of cultures acts as an incentive to discover other realities and perspectives and encourage tolerance.

In addition, education in the arts provides skills that are “transferable” to other sectors such as openness, the ability to listen to the others, team spirit and cooperation, concentration, imagination, etc.

**A strong cultural sector =
a banner-bearer for national and
European values**

Culture acts as a cultural ambassador. For the EU and its Member States it is a way of promoting the values of tolerance, democracy, free-speech and peace. From a more interactive perspective, culture is a precious tool in supporting inter-cultural dialogue within Europe as well as between Europe and the rest of the world.

**Participation in and access to a
diverse cultural sector =
reinforcement of
identity/building and of a sense
of “belonging”**

Culture helps promote identity-building at local, national and European levels. In this case, identity building does not refer to the values promoted towards the others, but to a sense of belonging fostered within individuals, in relation to their surroundings, their nation, or supra-national references.

**Participation and access for all =
social cohesion**

Through supporting a diversity of languages and local communities, culture also helps to integrate the different segments of the population. It has a role to play in reinforcing social cohesion and inclusion.

⁴² *Pour une refondation de la politique culturelle*, Rapport au Ministre de la Culture, par Jacques Rigaud, président de la Commission d’étude de la politique culturelle de l’Etat, La Documentation Française, Paris 1996

⁴³ Baumol and Bowen carried out a seminal work in the sixties in relation to the situation of performing arts in New York. They demonstrated the “productivity lag” that marks the sector of performing arts to further justify the need for public intervention.

<p>Generation of positive externalities = public intervention legitimised in the name of public interest</p>	<p>Cultural activities generate “positive externalities” when the consumption of a cultural good benefits the entire community. This is the case when the cultural activity generates social and economic benefits in the immediate surroundings (for example the construction of the Guggenheim Bilbao museum has resulted in positive externalities for the hotel and catering sector, transport, cultural associations in the area, other museums already established in Bilbao that were refurbished and recorded an increased number of visitors, etc.) or when the “image” and identity of a city are thereby reinforced.</p>
<p>Expected high return on investments = public intervention legitimised on the basis of expected economic progress</p>	<p>In other parts of the cultural sector, cultural activities record fairly good “productivity rates”. In other words, culture has become a <i>factor of economic progress</i>, in line with labour, capital and technological factors.</p> <p>In this context, public support to culture (in the same way as public support to education) is justified as a way to participate in improving economic growth. This reasoning has, for instance, been used by UK authorities when they started their task force on creative industries. In this case, public support to culture is seen as a strategic investment expected to entail high returns.</p>

I.2. The economic value of public funding for culture

Currently, governments’ expenditures can be examined through the COFOG (UN Classification of the functions of governments). Unfortunately, in the area of culture, the standards provide little detail and in some cases consolidated expenditures on recreation, culture and religion into a single class.

Hence the necessity to rely on other sources, that are heterogeneous and often only comparable to a limited extent.

The European Cultural Foundation recently estimated European public budgets devoted to culture at **€ 55 billion⁴⁴ (consolidated net expenditure) in 2000**. This estimate does not include revenues from national lotteries, taxes on gambling, alcohol & tobacco or licensing fees to public broadcasting systems (TV and radio). It is a minimum estimate calculated for 30 countries (EU25, EEA, Romania and Bulgaria) by Michael Söndermann, president of the corresponding Eurostat Task Force on Cultural Statistics, on the basis of data provided by Eurostat, the Council of Europe’s Compendium for Cultural Policies as well as the EU25 national statistical offices and cultural ministries.

According to Michael Söndermann “*it can only be considered as conservative estimates which may provide fuel for further debates*”. A new estimate to be completed by the Eurostat Task Force is expected in spring 2007.

It is difficult to get a more precise picture of the situation for the following reasons:

- Differences of competencies amongst responsible public bodies. The scope of cultural competencies varies from one country to another and from one ministry to another (ministries of culture, heritage, audiovisual, sport, education and youth, etc). It also depends on the administrative organisation (it varies from centralised to federal States). The budgets provided by national ministries are not comparable (for example some include local levels, others do not; some include licensing fees, others do not, some include sports others do not, etc.);

⁴⁴ This estimate is a gross amount, excluding licence fees for public broadcasting systems as well as revenues from national lotteries and taxes on gambling, alcohol and tobacco. It is a minimum estimated for 31 countries (EU + Eastern countries) which was calculated on the basis of data provided by Eurostat, the Compendium for Cultural Policies and national statistical offices and cultural ministries. It is a conservative estimate only.

- Even when the same categories of activities can be identified across the different national budgets, the amount given by the various sources is often based on different definitions: for example, “total public cultural expenditure” (including central and local authorities), “cultural spending of the Ministry of Culture” (excluding other ministries and/or local authorities), etc;
- More generally, there is a lack of available figures for all countries as well as a lack of information on methodology for collecting statistical data within the different countries;
- Conversion rates vary from one source to another, making it impossible to assess the exact value;
- Finally, figures provided must be considered with caution in light of the evolution of the general price index.

Having these restrictions in mind, the following table provides an overview of *direct public interventions for culture* by country (the European Cultural Foundation’s figures, calculated on the basis of multipliers, do not provide for such an assessment on a country-basis). These are considered conservative estimates for the reasons explained above. The table reflects the level of direct public interventions. These include:

- The running of public institutions (such as theatres, operas, museums, etc.), which includes public investments in building, maintaining and restoring facilities, as well as the public workforce operating in these institutions;
- Financial support for arts and cultural projects, support for artists and artistic creations. These programmes touch upon all the cultural sectors and take many different forms – from subsidies to loans, from project support to support to enterprises or artists.

As a result, the figures in most cases do not include the value corresponding to *indirect support to culture*, i.e. the support provided through regulatory means such as:

- Fiscal rules aimed at attracting private funds to the benefit of cultural activities or to reduce the taxation imposed on certain categories of creative people i.e. tax shelters and tax credits (as they are implemented in the film sector in Belgium, France, Germany, Ireland, Hungary for example), tax exemption schemes for artists (as in the case of Ireland) or tax rules aimed at facilitating donations and/or sponsorship;
- Reduced VAT rates to cultural products and services;
- Regulatory support in the form of protection from market forces.

Table 13: Direct public expenditures on culture

	Direct Public Expenditure on Culture (in € million) ⁴⁵	Year
Austria	1 890	2002
Belgium	3 000	2002 (** and ***)
Czech Republic	654	2004
Denmark	1 480	2002
Estonia	86	2005 (* and ¹)
Finland	745	2001 ²
France	8 444	2002
Germany	8 000	2004
Greece	300	2005*
Hungary	445	2003
Iceland	199	2001
Ireland	124	2006*
Italy	1 860	2006*
Latvia	135	2004**
Liechtenstein	13	1999*
Lithuania	96	2003
Malta	9	2004*
Norway	2 000	2004 (** and ³)
Poland	1 000	2004
Portugal	632	2003
Slovakia	121	2006*
Slovenia	194	2003
Spain	5 100	1999***
Sweden	1 880	2002 (** and ***)
The Netherlands	3 000	2003
United Kingdom	5 100	2004/2005 ³
Bulgaria	66	2004
Romania	302	2003
Total public expenditure:	46.6 billion €	

* Excluding local authorities' cultural expenditure.

** Including license fees for public broadcasting systems (radio and TV).

*** Including sports.

¹. Excluding Cultural Endowment.

². Including financing from the state monopoly on lotto, lottery and sports betting: € 204.5 million in 2001.

³. Excluding national Lottery grants.

On average, public support to culture as a share of national GDPs is between 0.5 and 1% of national GDPs. There are great disparities in terms of public direct expenditures on culture per inhabitant: from €15 in Bulgaria to € 234.2 in Austria in 2002 for example.

⁴⁵ The figures cover the following sectors: Performing arts including Theatre, Dance, Music performances, festivals; Heritage including Museums, Libraries, Archaeological sites, Archives; Audiovisual including Film and Video; Books and press; Music; Visual arts, including Architecture, Design, Crafts, Paintings, Sculpture, Photography.

II. THE ROLE OF SPONSORSHIP AND PATRONAGE

This section on the economic value of the cultural and creative sector in Europe would not be complete without covering sponsorship and donation (“mécénat”).

Indeed, both enterprises and individuals support culture through individual donations, corporate donations, sponsorship or “mécénat”, as well as individual and corporate investments through intermediaries such as foundations and trusts.

Whereas sponsorship (or “patronage”) is part of a commercial strategy explicitly calculated, including quantifiable returns, in proportion of the initial investment, donations (“mécénat”) refers to expenditures that are engaged without any direct counterpart, except in terms of corporate “image”.

Historically, the concept of cultural sponsorship emerged in Europe in the 1970s. It started in the cultural sector but then extended to other sectors that became the object of increased attention such as environment, sport, social and local development. As a result, the cultural sector finds itself “competing” with other sectors of the economy.

II.1. An assessment of the value of sponsorship to the cultural sector

Unfortunately there is currently no comprehensive assessment in this regard at an EU level. Existing assessments are the following:

In 1996, an investigation into a panel of 11 European countries assessed the level of private support (sponsorship and donations/mécénat) for culture and the arts in Europe at € 1 billion⁴⁶. Unfortunately, there has been no update of this assessment, although the examination of national situations show that private support has been increasing since then.

In 2001, it was estimated that *private* sponsorship to culture in Europe roughly added between 2 to 12% more to the total *public* funding of cultural activities, although, the real amount was deemed to be much higher⁴⁷.

A later review estimated that private sponsoring and contributions from foundations to cultural activities and institutions in Europe reached between € 3 and 6 billion in 2000⁴⁸.

II.2. Recipient sectors

Private support in the form of sponsoring and “mecenat” initially focused on building up art collections. Donators and sponsors then extended their activities to the “traditional cultural sectors”: visual arts (collections and exhibitions), heritage (restoration), classical music and theatres.

According to CEREC (Comité Européen pour le Rapprochement de l'Economie et de la Culture / European Committee for Business, Arts and culture, a network set up with the support of the European Commission in 1991), the performing arts are the most private-supported cultural sector, followed by visual & fine arts, theatre and heritage.⁴⁹

⁴⁶ SAUVANET (N.), *Cultural Sponsorship in Europe*, European Committee for Arts & Culture, Paris, 1999. This amount was calculated on the basis of a panel including Germany, Austria, Belgium (Flemish Community), Spain, France, Greece, Ireland, Italy, The Netherlands, United Kingdom, Sweden.

⁴⁷ INKEI (P.), *Tax relief for business sponsorship and donations to culture: Incentives or Reward?*, speech given at the conference “Creative Europe – Culture and Business in the 21st Century”, Innsbruck, 2001.

⁴⁸ Estimate based on a five-country comparison (A, CH, D, NL, UK) of Norbert Sievers/Bernd Wagner/Andreas Joh. Wiesand: *Objektive und transparente Förderkriterien staatlicher Kulturfinanzierung – Vergleiche mit dem Ausland*. Expert Opinion for the Commission of Enquiry “Kultur in Deutschland of the German Federal Parliament, 2004.

⁴⁹ SAUVANET (N), *Cultural sponsorship in Europe*, op.cit.

This ranking is supported by a survey conducted in 2003 amongst foundations active at a European level by the *Fondazione Fitzcarraldo* which ranked the recipient sectors in the cultural field as follows⁵⁰: plastic & visual arts; performing arts; cultural heritage; books & readings; interdisciplinary projects; audiovisual; intangible heritage; new media; community arts.

II.3. National overview

Sponsorship and donations to culture are the most developed in the UK. Private sponsorship for culture is an integral part of the funding system for the arts in the UK. Most of the museums, for instance, are constituted as charities - the most appropriate legal form to encourage donations.

*Arts & Business*⁵¹ is an intermediary structure that was set up by the UK Government. Its aim is to develop the training of fundraisers, redistribute funds from the lottery, as well as foster sponsorship.⁵² It is mainly financed by the Arts Council of England. One of its main activities is the *New Partners* programme, an investment programme to promote the development of new, sustainable, mutually beneficial partnerships between business and the arts. Investment by business in the arts (including in-kind support) encouraged by the New Partners programme reached € 12.7 million in 2004/2005.

There is also a strong tradition of sponsorship in the Nordic countries, with governmental initiatives to foster its adoption by the business and cultural communities. In Denmark for instance, Nyx Forum⁵³ is an association set up by the national authorities with the aim of developing sponsorship.

Banks can also play an important role in financing cultural activities. For instance, in 2002 Spanish savings banks dedicated, through their own foundations, a sum equivalent to over 53% of the Spanish Ministry of Culture's budget and around 44% of regional cultural spending (i.e. the budget of the "Autonomous Communities").⁵⁴ In Italy the Fitzcarraldo Foundation found out that, in 1999, 85% of cultural sponsorship came from the banking sector.

⁵⁰ Fondazione Fitzcarraldo, *Cultural Cooperation in Europe, what role for Foundations?*, Network of European Foundations for Innovative Cooperation, Fondazione Fitzcarraldo, Turin, 2003.

⁵¹ Arts & Business, *A&B's Annual Report 2004/05*, London, 2006.

⁵² The Arts & Business group ("Arts & Business") consists of two registered charities (Arts & Business Limited and The Prince of Wales Arts & Kids Foundation) together with a wholly-owned subsidiary trading company (Arts & Business Services Limited).

⁵³ <http://www.nyxforum.dk/>

⁵⁴ Spanish Ministry of Culture, Madrid, 2006.

Together, the two Spanish saving banks, Caja Madrid and La Caixa, brought € 71.6 million to cultural activities in Spain in 2004, representing 10% of the Spanish Ministry of Culture's total budget for 2006.

● CAJA MADRID

The Spanish savings bank, Caja Madrid, donated around € 32.8 million in 2006 for national cultural activities.^[2]

The allocation of the resources to cultural activities is carried out by a foundation. The Foundation is ranked first amongst Spanish private actors supporting culture and national heritage. In 2006, 31.54% of its budget (€ 14.7 million) will support the protection of Spanish heritage, representing 31% of the Spanish Ministry of Culture's 2006 budget for the protection and conservation of heritage and cultural goods. Since 1991, over € 121 million have been allocated to activities interested in the conservation of heritage.

In 2006, € 6.1 million will be further allocated to the Foundation's music programme, which is divided into two "cycles": the "Symphonic cycle", focusing on great classical composers and the "Great voices in the real theatre" cycle. The programme "Sponsoring, Cultural Promotion and Exhibitions" is due to allocate € 12 million for projects and activities such as arts exhibitions in the Foundation's headquarters.

● LA CAIXA

Through its Foundation, the Spanish savings bank La Caixa, donated € 70,9 million to culture.^[3] Activities funded include: the organisation of cultural events and art exhibitions; exhibitions in classic art, foreign art, contemporary art, heritage, exhibiting documentaries; music programmes covering in particular: music festivals, "family" concerts and educative music projects.

Through its online center, the *Mediateca*, the Foundation offers the opportunity to have access to archives in the fields of contemporary art and music: over 15 000 recordings, videos, books, magazines and electronic documents.

[1] Caja Madrid, Annual Report 2004, Caja Madrid, Madrid, 2005.

[2] Caja Madrid, *Dividendo social 2006*, press release, Caja Madrid, Madrid, 2006.

[3] La Caixa, Annual Report 2004, La Caixa, Barcelona, 2005.

In France, the situation has improved in recent years, partly because of the implementation of legal modifications that doubled fiscal incentives for corporate sponsoring. The law also changed the rules relating to museums and simplified the process of creating foundations. These legal incentives have had positive effects on the foundation sector and 60 new foundations have subsequently been created since 2004.⁵⁵

In Central and Eastern Europe, most governments reshaped their overall cultural policies after 1989 with the collapse of the communist regimes, with a view of decreasing the state's direct involvement in arts and culture and promoting cultural sponsorship through fiscal incentives. Public/private partnerships have thus been encouraged to develop at a faster rate than in "Western" countries. In the last few years, countries such as Latvia, Hungary, Bulgaria, Lithuania, Romania and Slovenia have adopted regulations on sponsorship as well as tax incentives to promote private support for culture.

An inquiry conducted in 2003 by the Budapest Observatory on the state of cultural sponsorship in Central and Eastern Europe, shows that cultural sponsorship adds a rough average of 4% to the support provided by public funds.⁵⁶

II.4. Conclusions

- Cultural sponsorship **has increased** over the last ten years.
- At national level, **most EU Member States encourage sponsorship and donations** to the arts⁵⁷

⁵⁵ ADMICAL, CSA, *Les chiffres clés du mécénat d'entreprise 2005*, Paris, 2006

⁵⁶ Covering Bulgaria, Croatia, Estonia, Hungary, Latvia, Poland, Serbia, Slovakia and Ukraine

⁵⁷ IVACHEFF (A.), *European Taxation – CEREC Study*, CEREC Network, Brussels, 2006, 27 p.

In relation to sponsorship, in many European countries, company expenses linked to sponsorship activities are tax deductible⁵⁸, most notably in Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Poland, Portugal, Sweden and United Kingdom.

In relation to donations/*mécénat*, with a few exceptions, national tax authorities in Europe encourage donations through tax deductions for companies and individuals, including in Austria, Belgium, Denmark, France, Germany, Hungary, Ireland, Italy, the Netherlands, Poland, United Kingdom. Companies and individuals that donate to support culture or the arts benefit from a fiscal deduction varying between 0%, as in Sweden, to 100%, as in Ireland.

The development of fiscal incentives in favour of donations to culture at national levels should increase support from individuals in the next few years. This is illustrated for instance in the UK where individual investment has increased by 10% between 2003 and 2005 from € 320 million to € 352 million.⁵⁹

- **Sponsorship benefits essentially large and established organisations as well as cultural events. It rarely supports new talent or ventures.** According to an Arts & Business survey carried out in the UK⁶⁰ amongst beneficiaries of sponsoring, 77% of total private investment is shared amongst only 53 organisations, whereas 85% of respondents obtain less than 9% of the share. Therefore, any policy aimed at encouraging the development of sponsorship and donations should work on improving the scope of recipients, both in terms of their size and in terms of the sub-sectors concerned.
- At EU level, encouraging sponsorship has been on the political agenda for years but the issue has only been tackled to a limited extent. Several resolutions and communications have been adopted without yet leading to concrete measures to encourage the development of a legal framework for cultural sponsorship and “mécénat” at a European level:

1975	The European Commission starts studying the fiscal regime applicable to cultural foundations and to sponsorship amongst Member States.
1986	The EU Council of Ministers for Cultural Affairs adopted the only Resolution clearly addressing cultural sponsorship: <i>the Resolution on business sponsorship of cultural activities</i> . ⁶¹ The document recognises the importance of private support for the development of culture and encourages the adoption of various measures to promote business sponsorship.
1991	The European Commission supports the creation of the CEREC network: the <i>European Committee for Business, Arts and Culture</i> . CEREC gathers national sponsorship associations.
1992	In response to a Commission’s Communication ⁶² , the EU Council of Ministers highlights that the European Community should “develop existing activities and encourage the commercial sponsorship of arts” ⁶³ . The Lisbon conference of cultural sponsorship analyses the relationships between the cultural and corporate worlds, and identifies the different possibilities for reinforcing and enriching these two fields.
1997	The European Parliament adopts a Resolution addressing sponsorship and calling upon the European Commission to “carry out a more detailed study of sponsorship and patronage” as it considered that sponsorship had become a major source of financing for arts and culture. ⁶⁴
1998	The European Commission publishes a report on “Culture, cultural industries and employment” suggesting that large corporations support the development of cultural industries as part of their sponsorship activities. ⁶⁵

⁵⁸ Under certain conditions.

⁵⁹ A&B Arts & Business working together, *Private Investment Benchmarking Survey 2005/05*, London, 2006.

⁶⁰ A&B Arts & Business working together, *Private Investment Benchmarking Survey 2005/05*, London, 2006.

⁶¹ 86/C 320/02

⁶² New prospects for Community Cultural Action, COM(92) 149 final, 29 April 1992.

⁶³ Conclusions of the Ministers of Culture meeting within the Council of 12 November 1992 on Guidelines for community cultural action, OJ C 336, 19.12.1992.

⁶⁴ Larive Jessica (Rapporteur), Report on the Commission Green Paper on Commercial Communications in the Internal Market, Committee on Economic and Monetary Affairs and Industrial Policy, doc. A4-0219/97, OJ C 286/97.

2001	<p>The Commission's Green Paper "<i>Promoting a European Framework for Corporate Social Responsibility</i>" recognises that many private sector stakeholders are involved in community causes, notably through the sponsoring of cultural events.⁶⁶ But the two subsequent communications (2002 and 2006) intended to boost CSR in the EU did not make any reference to the sponsorship of culture or the arts⁶⁷.</p> <p>The EP adopts the Ruffolo Report which includes a resolution highlighting the importance of sponsorship to the creation of artistic events and which invites the European Commission to encourage partnerships amongst foundations, institutions, cultural associations as well as private enterprises⁶⁸. In this Report, the EP further asks Member States to grant further fiscal advantages to sponsorship.</p>
2002	<p>The EP also adopts a Report on the importance and dynamics of the theatre and the performing arts in an enlarged Europe.⁶⁹ The document recognised the important role played by patronage and sponsorship for new works and artistic events. It reiterated its request to the Member States to grant tax relief to patrons.</p>

⁶⁵ SEC (98)837).

⁶⁶ *Green Paper "Promoting a European Framework for Corporate Social Responsibility"*, Directorate General for Employment and Social Affairs, European Commission, Brussels, 2001.

⁶⁷ *Communication from the Commission concerning corporate social responsibility: A business contribution to sustainable development*, European Commission, Brussels, COM (2002) 347 final.

Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee: Implementing the Partnership for growth and jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility, European Commission, Brussels, COM (2006) 136 final.

⁶⁸ Ruffolo Giorgio (Rapporteur), Report on Cultural Cooperation in the European Union, Committee on Culture, Youth, Education, the Media and Sport, European Parliament, Brussels, 2001, OJ C 72/02.

⁶⁹ Fraisse Geneviève, *Report on the importance and dynamics of the theatre and the performing arts in an enlarged Europe*, Committee on Culture, Youth, Education, the Media and Sport, European Parliament, (2001/2199(INI)), July 2002.

