

Report in brief

A very diverse sector bringing numerous economic and social benefits

Cultural and creative sectors (CCS) are very diverse. Libraries and cultural centres, film production companies, festivals, museums, global streaming services, theatre companies, visual artists, design and architectural companies, all belong to CCS but their cost structures and business models vary significantly, from not-for-profit and public institutions to for-profit and mixed models.

CCS are important in their own right in terms of their economic footprint and employment but also because of the numerous social benefits they bring to people and places.

CCS are big business, even if most firms are micro-enterprises, and drive innovation

CCS are a significant economic driver. In 2018, businesses from cultural and creative sectors directly contributed an average of 2.2% of total business economy gross value added (GVA) in OECD countries, representing around USD 666 billion among the 28 countries with data. CCS contributed 3.8% of the total business economy GVA in the United Kingdom, 3.6% in the United States and 3.1% in France. Four sub-sectors of CCS are shown to be major contributors to GVA in EU27 countries: i) Printing and reproduction of recorded media, ii) Programming and broadcasting activities, iii) Motion picture, video and television programme production, sound recording & music publishing activities, and iv) Architectural activities. The first three of these sectors combined make up just under a third of total CCS GVA in the EU27, demonstrating the importance of the film and TV value chain to national economies. However, many countries lack data at a subsector level, making direct comparisons between countries challenging.

CCS are a large part of the business landscape and were growing fast prior to the pandemic crisis. In 2018, an average of 7% of all enterprises in OECD countries were from the CCS. Moreover, between 2011 and 2018, growth in the number of CCS enterprises, in OECD economies, was higher than in the rest of the economy (18% versus 12%). However, although the sector includes a number of global players like Netflix or Sony Records, 99% of businesses in the sector are small- and medium-sized enterprises (SMEs), and 96% are micro enterprises (employing fewer than 10 employees). This is a higher proportion than most other sectors of the economy, with micro enterprises comprising 88.9% of the total business economy.

Networking and collaboration are particularly important for CCS. The high proportion of micro enterprises coupled with the tendency for activities in CCS to be project-based means that CCS businesses frequently work collaboratively with freelancers and other businesses in temporary arrangements. As digitalisation increases the opportunity for cross-overs between CCS and other parts of the economy, inter-industry collaborations can spur innovation and growth.

CCS contribute to innovation in many different ways, but this innovation is under-represented in official data. CCS produce new products, services and content; develop new business models and ways of working; and create and integrate technologies in novel ways. They also feed into innovation in other

sectors of the economy. However, this innovation is not well captured in official statistics, as innovation metrics such as research and development (R&D) expenditure often fail to account for the specific characteristics of innovation in CCS.

However, more could be done to raise productivity in the sector. Between 2011 and 2018, GVA per worker in CCS decreased by 2.8% across the OECD countries for which data were available compared with an increase of 15.5% for the total business economy. However, there was wide variation across countries. For example, the Czech Republic, Finland, Latvia, Romania, Spain, Sweden and the United Kingdom all saw higher productivity growth in CCS than in the total business economy.

Effective support for CCS businesses and entrepreneurs needs to recognise the unique characteristics of the sector. CCS businesses and entrepreneurs face specific challenges in accessing finance, developing business plans, growth and internationalisation strategies, and navigating legal and regulatory frameworks. Mainstream business support to assist with these issues is often ill-suited to the particularities of the sector.

Policies to boost the performance of CCS firms at national and regional levels include:

- **Promote better information sharing and capacity building around access to finance**, by supporting CCS businesses to know where to look for financing and how to apply for it. This could include national or regional advice centres or online resources targeted towards CCS.
- **Offer tailored CCS business support**, reflecting, in turn, the particularities of the business, legal and regulatory landscape for the sector. Accelerator and incubator programmes can also be better targeted towards CCS businesses and be more open to CCS firms with differing business models and growth trajectories.
- **Promote cross-sectoral collaboration between CCS and other sectors of the economy for growth and innovation.** This can include maker spaces and co-working facilities as well as other tools to bring together, for example, artists and technologists. Greater support for cross-sectoral and interdisciplinary projects involving CCS businesses could significantly bolster existing innovation policy frameworks.
- **Enhance data collection and reporting of CCS innovation.** Innovation and R&D data collection could take into account the ways in which innovation in these sectors is likely to differ from science and engineering-based industries.
- **Ensure transversality and coherence in policy areas relevant to CCS businesses**, including business, innovation, taxation, intellectual property (IP) regulation, urban planning, employment and skills. This is particularly relevant at the local level where, for example, we see many regions including CCS in their smart specialisation strategies which integrate various government departments in formulating comprehensive policy agendas.

Digitalisation is changing business models in the sector, the skills needs of its workers, and the ways people engage with culture

Increased digitalisation has had a profound impact on CCS. Digitalisation has spurred new business models and new forms of collaboration. It has also opened up new opportunities for CCS entrepreneurs to sell and disseminate content to larger audiences and reach new markets. However, businesses need digital skills and infrastructure support to fully take advantage of these opportunities.

A lower share of cultural and creative jobs is at high risk of automation than jobs overall, but these jobs will be transformed by digitalisation in other ways. 10% of cultural and creative jobs are at high risk of automation compared to 14% in the labour market more generally. Cultural sectors have long been at the vanguard of digitalisation, developing new models for production and consumption that are then

mainstreamed across other sectors. Going forward, addressing disparities in access to digital tools, infrastructure and skills can help capitalise on the full potential of digitalisation in the sector.

The pandemic has accelerated the use of digital tools and further embedded digital dissemination in CCS business models. For example, whilst online performances and digital tours of museums and heritage sites had been increasing before the pandemic, regional lockdowns and restricted travel prompted many CCS businesses and organisations to switch their business models and focus efforts on this form of dissemination to maintain connections with their audiences.

Cultural and creative employment is significant both within and outside of CCS sector

Cultural and creative employment accounts for up to 1 in 20 jobs in some OECD and EU countries and up to 1 in 10 jobs in some cities and capital regions. In recent years, growth in cultural and creative employment has outpaced growth in overall employment in most countries (13.4% compared to 9.1% on average between 2011 and 2019 across OECD and EU countries).

Cultural and creative employment tends to concentrate in large cities. In almost all (90%) of countries with available regional data, capital regions, which typically have a country's largest city, have the highest shares of CC employment. This implies that more can be done in smaller urban and rural areas to promote CC employment as a driver of regional development.

Cultural and creative jobs are, on average, more precarious than jobs in other sectors. That precarity reflects contract stability, fluctuations in income, and access to social protection. Across OECD countries, 29% of cultural and creative employees are self-employed, more than twice the average rate for all workers. Women are better represented in cultural and creative jobs than employment overall (50% female employment in cultural and creative jobs compared to 46% across the economy) but significant disparities exist related to seniority, pay and market access. In addition, more can be done to increase the representation of other disadvantaged groups and to make the sector more diverse.

Cultural and creative workers tend to be more highly educated and highly skilled than the average worker. However, there are persistent skills gaps in the sector, particularly in regard to digital and entrepreneurship skills. These skills are particularly important for work in CCS which is characterised by a high proportion of self-employed and freelance workers and which is increasingly adopting digital practices for both production and dissemination of cultural and creative work.

Around 40% of cultural and creative employment can be found outside of cultural and creative sectors, e.g. industrial designers working in the automotive industry. This means that when considering the impact of cultural and creative work on economic development, it is important to look beyond the cultural and creative sector itself. As cultural and creative workers move between CCS and other sectors of the economy, they bring with them ideas, skills, knowledge and attitudes, thus cross-fertilising between CCS and the rest of the economy. Moreover, cultural practices and creative approaches are becoming increasingly adopted by non-CCS businesses. In this way, cultural and creative skills are directly feeding into innovation across the whole economy, highlighting the importance of arts and cultural education as an economic driver.

Policies to make the most of cultural and creative employment and skills at national and regional levels include:

- **Address gaps in social protection coverage, and leverage other tools to improve job quality in the sector,** such as developing sector skills strategies that consider both supply and demand factors, as well as the structure of public contracts and grants.

- **Close skills gaps, particularly related to entrepreneurial and digital skills and for specific sub-sectors.** Strategies include enhancing access to entrepreneurial training, coaching and mentoring programmes, as well as better integration of entrepreneurship and digital skills in higher education training.
- **Develop skills strategies at both local and national levels.** Regional or local skills strategies, that bring together local authorities, education and training organisations, employment services, and employers are particularly important in addressing sub-sectoral skills needs and promoting cultural and creative employment at a local level. However, national-level strategies are also required to address broader skills gaps.
- **Support the sector's digital transition,** including addressing divides in digital infrastructure, tools and skills across workers and firms.
- **Promote integration of cultural and creative skills within other subject areas.** Maximising the full potential of the synergies between CCS and other sectors such as education, health and technology entails education programmes which integrate learning from these different disciplines. It also implies a need for new professional training that combines cultural skills with those of education, nursing, medical or social services, to illustrate just some examples.

The impact of the pandemic on CCS was dramatic but uneven across sectors

Venue and site-based activities (e.g. theatre, cinema, festivals, museums, etc.) have been heavily affected by successive lockdowns and travel restrictions. Estimates by the United Nations Educational, Scientific and Cultural Organization (UNESCO) indicate that the overall contribution to the global GVA of CCS fell by 20% between 2019 and 2020. In 2020, per capita spending on recreational and cultural services also dropped by 30% relative to 2019, on average, although businesses with a strong digital content, such as gaming and music streaming services, fared much better. The lingering effects of the pandemic could put longer-term strains on the sector and creative professionals, who frequently transition to non-creative careers during times of economic crisis, resulting in a significant loss of human capital essential to drive the recovery. While public support measures helped to cushion some of this blow, they were not always well adapted to the specificities of this sector, e.g. for workers who combine standard and freelance work.

Cultural participation underpins both the supply of and demand for cultural and creative goods and services, and generates important social benefits

Prior to the pandemic, demand for culture was high and growing. Household spending on recreation and culture grew by 18% between 2011 and 2019, twice as fast as overall spending. Recreation and culture accounted for nearly a tenth of aggregate household spending across the OECD, more than on restaurants and hotels, or clothing and footwear. In 2020, however, per capita spending on recreational and cultural services dropped by 30% on average across OECD countries.

Cultural participation in its myriad forms can have positive social benefits, but they remain under-exploited. They range from social inclusion to boosting health and well-being, as well as cultivation of skills and entrepreneurship. It can also promote behavioural changes that can address social challenges.

Cultural participation rates vary between and within countries and between people with different socio-economic characteristics. Cultural participation is higher in countries with higher public expenditure on culture, with likely mutually reinforcing effects between the two. Within countries, participation is higher among people with greater levels of education and income, raising challenges for social inclusion. Southern European countries (as well as Israel and Mexico) exhibit higher participation

rates in activities where the entertainment component is stronger (live events and cinema), while Northern European countries show strong participation in activities in so-called "high culture" components, such as museum and library attendance. Access to and proximity of cultural amenities varies across places with urban areas typically benefitting from better provisions.

The full impact of cultural participation is difficult to measure. Cultural participation takes many forms and there is a lack of comparable data on participation rates across countries, making it difficult to assess policy interventions in this area. There is also a need to strengthen the evidence base on the broader impacts of cultural participation, by considering different forms of participation, different types of impact and different geographical contexts.

Policies to capitalise on the potential of cultural participation at national and regional levels include:

- **Broaden the policy approach for supporting cultural participation to include areas of potential positive effects.** For example, by integrating cultural participation into wider policy agendas around health, societal changes, research and innovation, environment, education, etc.
- **Promote research on the causal effects of cultural participation on other social impacts,** and experiment with rigorous scientific evaluation standards.
- **Create new collaborations between cultural and non-cultural institutions,** that may cooperate in the experimentation and implementation of crossover projects (e.g. between museums or theatres and hospitals, between independent art spaces and urban planners, etc.).

Financing of CCS should not be considered a cost but rather an investment, with the role of public, private and philanthropic financing continuing to evolve

Investing in CCS is important due to the direct and indirect benefits they generate for the economy and society. Public support is also important to ensure the preservation of cultural heritage and to facilitate fair access to culture across different groups of the population. Traditionally, cultural policies and public expenditure have promoted culture as a 'merit good', similar to education and healthcare.

Government spending on cultural services has been decreasing, and represents, on average, 1.2% of total government spending across the OECD. During the growth period preceding the Global Financial Crisis, government expenditure on cultural services was increasing in the majority of OECD countries, but since then it has generally remained below pre-2008 levels.

Greater focus on the economic impact of CCS has shifted the scope of spending beyond cultural policy to industrial policy approaches, moving away from direct support towards more intermediation with the private sector. There is greater emphasis placed on economic returns to government expenditure and a more prominent role for private investors. Public funding includes direct support through grants, indirect funding through tax relief, leveraging private finance, for instance through public loan guarantees, or matching funds. Given the generalised reduction of public spending, governments are transforming their participation in the financial ecosystem of CCS from that of direct supporters to intermediaries, leveraging private investment and promoting transversal resources for companies in particular stages, for instance incubators or accelerators in early stages. Partnerships and alliances (public-private, public-public and public-civic partnerships) are at the core of the emergence of new financial ecosystems for culture.

CCS generate largely intangible capital that is often viewed as high risk by investors. This incapacity to provide (tangible) collateral to guarantee the risk of loans, as well as the project-based nature of work has important implications for CCS firms' ability to successfully apply for finance through formal channels. Moreover, while CCS do not necessarily underperform in terms of profit or financial soundness when

compared to other sectors, they are often viewed as high risk by equity financiers. Given the difficulties that many cultural and creative businesses face in accessing equity and debt finance, governments are increasingly stepping in to provide debt and equity finance or finance guarantees.

Policy to reinforce financing of CCS at national and regional levels include:

- **Consider culture as an investment, not a cost** in recognition of the numerous economic and social benefits cultural and creative sectors bring.
- **Ensure a stable regulatory framework** to facilitate the increasing participation of new actors in the support and finance of CCS.
- **Recognise the diversity of funding needs within the sector.** Since CCS are largely composed of micro and small companies, freelancers, and non-for-profits, adequate support tools should recognise the importance and the specific needs of these creative communities. Industrial policy models are not fully adequate as it is challenging to finance CCS only according to their performance on certain indicators (indicators of quality, productivity or success) and therefore 'tailor-made' schemes can be more effective.
- **Enhance networking opportunities.** Since CCS are strongly based on the 'projectification' of their ventures, strong networks are essential to increase the capacity of CCS to access funding and develop innovative financial solutions.
- **Consider assuming the risk of financing uncertain phases in the value chain,** mainly associated to the creation phase. This could either be through direct financing or through de-risking strategies such as loan guarantees.
- **Use public funding to leverage private involvement in areas of social impact.** Public funding can also help leverage private involvement in less economically attractive but socially relevant projects.
- **Ease access to crowdfunding** by providing a suitable, fully functional technological and regulatory environment as well as by increasing the financial literacy of entrepreneurs and citizens.

Strengthening and promoting CCS can boost regional development and local competitiveness

Culture-led regeneration and development strategies can transform places. CCS not only provide economic benefits (through local taxation, job creation, innovation and supply chains), and social benefits (e.g. improved wellbeing and community cohesion) but also contribute to 'place making' by making cities and regions more attractive to work and live, encouraging inward investment, inward labour flows, higher productivity and increased tourism. Culture-led regeneration and development policies focus on economic and social development of a city or region through promoting and enabling cultural and creative activity.

The bulk of government spending on cultural services comes from subnational governments. Subnational governments accounted for almost 60% of total public expenditure towards cultural services in 2019. Subnational governments also spend a far higher proportion of their budgets on cultural activities than national governments, with cultural services accounting for an average of 3% of subnational spending, compared to 1.2% of national spending across OECD countries.

Culture financing is increasingly used as a tool for regional development and regeneration. Local and regional governments have been shifting their policies from the direct support of artists and artistic organisations to policies that target the development of ‘cultural districts’ or support the ‘creative milieu’ of cities and neighbourhoods. This includes the support of local governments in renovating disused properties (such as warehouses and factories) and repurposing them for use by CCS, and the creation of specific planning zones to attract CCS businesses.

The four in-depth case studies presented in this report show how regional approaches to CCS are highly context-specific. For example, in Emilia-Romagna, Italy, bank foundations play a large role in the funding landscape for CCS, whereas in Glasgow, United Kingdom, trusts and foundations are a large contributor. In Klaipėda, Lithuania, CCS policy operates through national and municipal governments, whereas Flemish CCS policy operates towards both the Flanders geographic region and towards the Flemish community living elsewhere in Belgium.

At the local level, cities and regions are being innovative in their approach to CCS policy. Throughout this report, there are examples of the use of different funding mechanisms, such as tax incentives, match funding, loan guarantees and local government-backed crowdfunding initiatives to support CCS financing. There are also examples of cultural credits to encourage cross-sector collaboration, alongside a whole range of different types of creative hubs and co-working spaces. Many cities and regions are also using CCS to address social and environmental issues, such as using museums, libraries and other cultural spaces to engage with marginalised communities, using cultural participation to support health and wellbeing objectives through cultural prescriptions, and harnessing artists and cultural organisations to encourage behavioural change around climate and sustainability issues.

In addition to the opportunities mentioned above, policies at the local level include:

- **Target cultural participation initiatives to marginalised communities.** This could include specific projects developed collaboratively with local community groups (such as museum exhibitions, or small festivals), reduced pricing or vouchers for certain groups, such as youth or those on a low income, or efforts to improve cultural access in remote areas and disadvantaged neighbourhoods.
- **Strengthen connections between actors in the local CCS ecosystem,** such as universities, schools, businesses, freelancers, not-for-profit and voluntary organisations, for example, through networking events, virtual community platforms or physical creative hubs.
- **Consider supporting the reallocation of unused spaces for cultural and creative purposes.** For example, urban planning schemes could promote reallocating former industrial districts and unused warehouse spaces for CCS use.

Better evidence is needed to inform policies and drive investment

There remain significant data gaps for CCS which make it difficult to fully assess the impact of these sectors. While many OECD countries produce their own data on CCS, these are not easily comparable due to differences in definition and methodology. Using internationally harmonised data offers the best opportunity to make meaningful comparisons across the OECD. Moreover, some of the more granular level data which is available at the national level for some countries, are not typically available at the regional level.

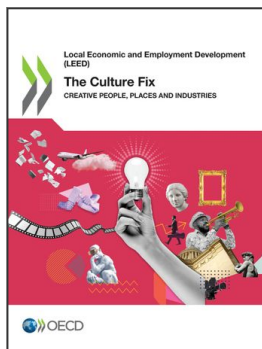
Better data are needed on cultural participation, cultural and creative employment, CCS business demographics (size, value-added, innovation etc.) and public and private financing for CCS. In addressing these gaps, there is an opportunity to provide more detailed official statistics and to incorporate complementary data sources. Increased policy attention to the needs and contribution of the sector in the

light of the pandemic provides an opportunity to close data gaps to better inform policies at national and local levels and channel investment to areas of economic and social impact.

Recommendations to improve evidence and data on CCS include:

- **More granularity in reporting of employment and business statistics.** Full reporting of business and employment statistics at the four-digit level would enable international comparisons of the full range of CCS to be more easily made. More granular data on government spending and innovation would also enable more meaningful cross-country comparisons. Producing these granular statistics at the regional, as well as national, level is also needed.
- **Better data around second jobs, voluntary work and non-standard forms of employment.** More harmonised and timely data around second jobs and volunteer work for those working in CCS or cultural and creative employment would greatly improve our understanding of work dynamics in the sector.
- **Enhance data collection of cultural participation through more regular cultural participation surveys,** including revisiting current definitions of cultural participation to be more inclusive of contemporary forms of cultural practice. For example, participation through digital social media, such as dance on platforms such as TikTok, or photography on platforms such as Instagram, could also be considered.
- **Explore the integration of complementary data sources,** such as online vacancy data, geolocation data, and websites to complement official data sources.





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