Local Economic and Employment Development (LEED)

The Culture Fix

CREATIVE PEOPLE, PLACES AND INDUSTRIES

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Preface by the OECD

Why a culture fix? Cultural and creative industries combine aesthetics with economic returns, bringing revenues, greater value added and jobs to our cities and regions. Creative people working in practically all sectors of the economy spur innovation and help meet the challenges of the future. Culture makes our places more inclusive and more attractive to live and visit. And we all need our “dose” of culture for our well-being. But to reap these benefits in the recovery, we need to help “fix” the sector after its big hit from the COVID-19 crisis while also taking the opportunity to better leverage on its economic and social benefits through mainstreaming culture across policy portfolios, beyond cultural policy. And here the OECD can play a major role, complementing the work of the European Commission, United Nations Educational, Scientific and Cultural Organization (UNESCO) and other international efforts.

To drive momentum on this front, national and subnational governments need more and better evidence on the economic and social impact of culture. Robust data and evidence can raise awareness of the value of culture and creative sectors among policy makers, citizens, education and training providers, other firms in the value chain, and investors, both public and private.

This report does that by bringing together new data at national and subnational level for OECD countries, building on the existing body of work by Eurostat, UNESCO and national statistical offices. It also explains how culture interacts with and reinforces job creation, entrepreneurship, regional innovation, local development and well-being. The report also highlights the critical importance of public and private investment in culture. A key take-away is that culture can no longer be seen as a “nice to have”, “last to invest, first to cut” budget line.

By working with national and local policy makers, the OECD Centre for Entrepreneurship, SMEs, Regions, and Cities, through its Local Employment and Economic Development Programme, provides policy guidance for promoting culture-centred local development, adapting business support infrastructure, developing the right skills for quality jobs, including by upscaling support to self-employed creatives, and addressing the precariousness of many creative jobs. Going forward we will continue to work towards improved and internationally comparable data on cultural and creative sectors to inform policies, building on our unique regional and metropolitan databases, and continue to help regions and cities in their efforts to target investment where it is most needed and impactful.

The impact of COVID-19 pandemic on cultural and creative sectors was unprecedented amplifying many pre-existing challenges. If there was one thing good about this crisis it is the strong recognition of the role culture and creativity play for our people, places and firms. The OECD, including through our strong partnership with the European Commission, will continue to support national and local recovery strategies in shaping new development models that capitalise on cultural and creative sectors.

Lamia Kamal-Chaoui

Director
Centre for Entrepreneurship, SMEs, Regions and Cities

Foreword

Cultural and creative sectors (CCS) are a significant driver of local development through job creation and income generation, and generate important spillovers to the wider economy. They spur innovation, and are a source of creative skills with strong backward and forward linkages in the economy. Beyond their economic impacts, they also have significant social impacts, from supporting health and well-being to promoting social inclusion and local social capital.

As national and local governments across the OECD reconsider growth models in the wake of COVID-19, cultural and creative sectors can be a driver in a resilient recovery. For this potential to be realised, efforts are needed not only to address the impact of the COVID-19 crisis on these sectors but also to exploit opportunities and confront longer-term challenges facing the sector, including high rates of precarious employment and structural fragility of many businesses in the sector.

This report provides evidence and guidance to cities and regions on ways to maximise the economic and social impact of culture and support the creative economy. The report outlines trends and issues in CCS employment and business development, cultural participation and public and private funding for CCS. It provides new cross-country comparisons across OECD countries on a selected number of indicators at national and subnational level. The report provides analysis of how CCS contribute to economic growth and inclusion, explains the specificities of CCS employment and business models, and reviews the impact of the COVID-19 crisis on jobs and firms in cultural and creative sectors. It further provides recommendations on how to support CCS and capitalise on the role of culture in national and local recovery strategies.

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This report was co-ordinated and co-drafted by Ekaterina Travkina, Co-ordinator, Culture and Creative Industries in the Local Employment, Skills and Social Innovation Division (CFE/LESI), Anna Rubin, Counsellor/Policy Analyst, CFE/LESI, Prof. Pierluigi Sacco, Senior Advisor on Culture to the OECD, Professor of Economic Policy, University of Chieti-Pescara "Gabriele D'Annunzio", Martha Bloom, Research Fellow, Science Policy Research Unit, University of Sussex, and Tahsin Mehdi, former Junior Economist CFE/LESI. Karen Maguire, Head of the CFE/LESI Division managing the LEED Programme provided overall supervision and extensive comments. Authors are grateful to Alexander Lembcke, Head of Unit, Economic Analysis, Data and Statistics Division, CFE for guidance and advice on statistical data and measurement approaches. Authors are also grateful to Dr Montserrat Pareja Eastway, University of Barcelona and Dr Joanna Woronkowicz, Associate Professor, Faculty Director, Center for Cultural Affairs, O'Neill School of Public and Environmental Affairs, Indiana University, for substantial contributions to Chapters 3, 4 and 5. Authors are grateful to Britta Söderqvist, Director Gothenburg Museums and Kunsthalle, Sweden, Joana Sousa Monteiro, Director, Lisbon City Museum, Portugal, Shain Shapiro, Founder and Executive Director, Centre for Music Ecosystems, and Shazia Custodio Riaz Iqbal, student, Valencia Berklee College of Music, for their contributions.

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This report also benefits from four case studies in Emilia Romagna (Italy), Flanders (Belgium), Glasgow City Region, Scotland (United Kingdom) and Klaipėda County and the municipalities of Klaipėda, Neringa and Palanga (Lithuania). Authors are grateful to regional and local partners and stakeholders for their contributions. The report also benefits from discussions at the 78th and 79th Sessions of the OECD's LEED Directing Committee, and from four policy seminars held in 2020-2021 as part of the OECD-EU project and in co-operation with the International Council of Museums (ICOM), World Cities Culture Forum (WCCF) and Sound Diplomacy.

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Executive summary

Cultural and creative sectors are a significant economic driver with strong growth potential

Cultural and creative sectors (CCS) are important in their own right in terms of their economic footprint and employment. In 2018, they accounted for an average of 7% of all enterprises and 2.2% of the total business economy gross value added (GVA) across OECD countries. Cultural and creative employment (including in non-CCS) accounted for up to 1 in 20 jobs in some OECD countries and up to 1 in 10 jobs in major cities and capital regions. Around 40% of cultural and creative employment can be found outside of CCS, e.g. industrial designers working in the automotive industry, highlighting the importance of creative skills for the whole economy.

In the decade prior to the pandemic crisis, growth in the number of CCS enterprises was higher than in the rest of the business economy (18% vs 12%). Growth in cultural and creative employment outpaced growth in overall employment in most OECD countries (13.4% vs 9.1%).

They contribute to innovation across the economy

CCS innovate and support innovation in other sectors in many different ways – through new products, services and content, new business models and ways of co-production, and through skills mobility. However, these types of innovations are not well captured in official statistics, which were designed to measure innovation in more traditional sectors such as manufacturing.

The diversity and special characteristics of CCS require tailored policies

Libraries and cultural centres, film production companies, festivals, museums, global streaming services, theatres, design and architectural companies, and artists all belong to CCS. However, their cost structures and business models vary significantly, from not-for-profit and public institutions to for-profit companies. While CCS include large global players such as Netflix or Sony Records, they are predominantly composed of micro-firms and free-lancers. Many creative businesses are based on intangible assets, lacking the tangible collateral to access bank credit.

Workers in these sectors are highly skilled on average and their jobs are more “future-proof” (10% of these jobs are at high risk of automation compared to 14% in the general labour market). At the same time, they are also more likely to be self-employed (on average twice the rate of the general labour force) and hold multiple jobs combining salaried employment and project work. Contract instability, fluctuations in income, and limited access to social protection make many jobs in CCS more precarious than jobs in other sectors.

CCS workers, firms and organisations were among the worst hit by the crisis and the recovery will be uneven across the sub-sectors

Venue-based activities (e.g. theatre, cinema, museums, etc.) have been heavily affected by social distancing measures with immediate impacts on revenues and livelihoods, as well as on wider value chains. However, those businesses with a strong digital content, such as streaming services and video games, 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. While public support measures helped to cushion some of the blow, they were not always well adapted to the specificities of CCS, such as workers who combine standard and freelance work. Some sectors are recovering quickly (e.g. music) while others (e.g. festivals and museums) will need more time to fully return to pre-crisis levels.

Digitalisation is changing the ways people engage with culture, spurring new business models and new skills needs

Cultural sectors have long been at the vanguard of digitalisation, developing new models of 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. New technologies can further support cross-overs with other sectors such as health and education, leading to the emergence of new professional profiles and business opportunities.

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

The demand for culture is high. Household spending on recreation and culture grew by 18% between 2011 and 2019, twice as fast as overall spending across the OECD, but clearly COVID-19 left a mark. In 2020, per capita spending on recreational and cultural services dropped by about 30% on average across OECD countries.

Cultural participation is linked to a number of areas of social and economic impact, such as social inclusion, civic engagement and health. Pandemic related lockdowns have further highlighted the importance of culture for people's mental well-being. This increased awareness provides a new opportunity to capitalise on the role of culture in the prevention and treatment of illness, contributing to health and welfare systems. Cultural participation can help tackle societal challenges, such as climate change from new angles, favouring resilience, skills creation and prosocial behaviours.

Culture-led regeneration and development strategies can transform places

CCS not only provide direct economic benefits (through taxation, job creation and innovation), and social benefits (e.g. improved wellbeing and community cohesion) but also contribute to "place making" by making cities and regions more attractive places to work, live and visit, encouraging investment and talent attraction. As governments reconsider their growth models, culture-led regeneration and development strategies can support the transitions to fairer and more inclusive growth.

Better evidence is needed to inform policies and drive investment

The economic and social impact of CCS is notoriously difficult to measure. Cross-country comparisons are particularly difficult due to varying country definitions, and lack of sufficiently disaggregated and timely data. Increased policy attention to the needs and contribution of the sector in 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.

A cross-cutting approach can help capitalise on the role of cultural and creative sectors in the recovery

To fully reap the benefits from cultural and creative sectors, national and local governments should:

- View culture as an economic and social investment, not a cost;
- Create a level playing field for creative professionals and firms to access employment, social protection, innovation and business support measures;
- Mainstream culture as an integral part of wider policy agendas, such as social cohesion, innovation, health and well-being, the environment and sustainable local development;
- Continue to address data gaps to better inform policies.

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 financers. 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.

1 Defining and measuring cultural and creative sectors

There is no universal definition of cultural and creative sectors. Each country has its own definition and produces different types of statistics relating to cultural participation, cultural and creative employment, and other factors. Inconsistencies in definition and in data collection make international comparisons of cultural and creative sectors (CCS) problematic. This chapter reviews existing approaches to defining CCS across OECD countries and offers an in-depth explanation of the methods used in this report to produce comparative statistics.

Defining cultural and creative sectors

There is no universal definition of cultural and creative sectors (CCS). In 1972, the United Nations Educational, Scientific and Cultural Organization (UNESCO) launched a project to develop a measurement system to classify cultural activities, publishing a preliminary guidance document on defining and measuring the sector in 1979 (Horowitz, 1981[1]). Over the following two decades, policy interest in the economic benefits that culture and creativity provide began to grow and various definitions, methodologies and approaches began to be used to classify and measure its impact at both national and international levels. However, even defining in theoretical terms what constitutes a cultural or creative sector is not straightforward, and this complexity is compounded by differences in the availability of data, as well as aggregations used, in national industrial classification systems.

There is no consistency in terminology relating to CCS. Early policy work by UNESCO and others referenced *cultural activities.* By the late 1990s terminology had shifted towards *cultural industries*, reflecting a greater focus on the economic benefit they provide. A further shift in terminology occurred in the early 2000s, with policy work referencing *creative industries*, encompassing a wider range of activities which were not as overtly cultural as traditional sectors (such as dance or music), but required significant amounts of creativity (such as advertising or architecture). The broadening of definitional approaches continued, with recent work using the terminology of cultural or creative ecosystems, to denote the importance of culture and creativity to all aspects of the economy (UNESCO/UNDP, 2013[2]). In this report, we prefer the term *cultural and creative sectors* (CCS), as it acknowledges both the significant contribution of not-for-profits and publicly funding organisations to the ecosystem of creative work (which may be inadvertently overlooked when referring solely to industries) and reflects the integrated nature of these sectors in other industry spaces (for example, the relevance of design for car manufacturing).

Conceptualising CCS is non-trivial. The cultural cycle model of CCS developed by UNESCO (UNESCO, 2009[3]) conceptualises CCS in regards to a production cycle, with relevant activities being those which contribute to the creation, production, dissemination, exhibition/reception/transmission or consumption/participation of cultural products and services. Similarly, The United Nations Conference on Trade and Development (UNCTAD) distinguishes between upstream and downstream creative activities, with upstream activities relating more to production of creative and cultural goods and downstream activities relating more to the market (UNCTAD, 2010[4]). A further approach, which focuses more on creative and cultural inputs, is the concentric circles model of CCS (Throsby, 2008[5]) which describes a core of artistic activity, surrounded by concentric circles of broader cultural and creative actives which require increasingly less artistic labour to fulfil their functions. What these models, as whole, attest to, is the broad scope of CCS and the heterogeneity of activities it includes.

National definitions of CCS also vary in scope. For example, some countries include information technology (IT) consultancy services and software development in their definition of CCS, whereas other countries only include the videogames component of software development. Some countries include amusement parks, cultural education, sport, tourism or gastronomy, whereas others exclude these sectors. A few countries include social science and humanities research and development and some countries have a specific category for circus. These national level definitions typically reflect variations in national policy priorities and data availability, but they also reflect, in part, the absence of a widely recognised international statistical standard.

Listed below are some of the various definitions of CCS used in national economic estimates in OECD countries. Where possible, these definitions have been taken from statistical offices' official datasets (including cultural satellite accounts) and statistics publications from cultural ministries. However, not all countries produce regular statistics on the economic contribution of CCS, so in these cases, definitions have been taken from singular mapping studies, either by government departments or by third-party consultants. The list outlines the main subsector groups, as used in each country's presentation of

data on cultural and creative business and enterprise data. This list is not exhaustive, but rather forms the first step in beginning to map national level CCS statistical definitions across the OECD.

- **Australia:** Advertising; Architecture; Broadcasting, electronic or digital media and film; Design; Environmental heritage; Fashion; Libraries and archives; Literature and print media; Museums; Music composition and publishing; Other culture goods manufacturing and sales; Performing arts; Supporting activities; Arts education; Visual arts and crafts (Statistics Working Group of the Meeting of Cultural Ministers, 2018[6]).
- **Austria:** Architecture; Audiovisual and multimedia; Books and press; Cultural education; Cultural heritage, archives, libraries; Fine arts; Performing arts (Statistics Austria, 2021[7]).
- **Canada:** Advertising; Architecture; Art reproductions; Archives; Books; Broadcasting; Collected information; Crafts; Cultural heritage; Design; Education and training; Festivals and celebrations; Film and video; Interactive media; Libraries; Music publishing; Natural heritage; Newspapers; Original visual art; Other published works; Performing arts; Periodicals; Photography; Sound recording (Statistics Canada, 2022[8]; Statistics Canada, 2011[9]).
- **Chile**: Architecture, Design and creative services; Audiovisual and interactive media; Handicrafts; Cultural education; Heritage; Literary arts, books and press; Musical arts; Performing arts; Transversal (including sectors related to retail trade, news and journalism and R&D in the humanities and social science); Visual arts (Ministerio de las Culturas, las Artes y el Patrimonio, 2022[10]).
- **Colombia**: Advertising; Associative and regulatory activities; Cultural and creative education; Audiovisual; Cultural heritage; Cultural tourism; Design; Digital media and content software; Publishing; Manufacturing activities of the Orange Economy; News agencies and other information services; Performing arts and shows; Phonographic; Visual arts (El Congreso de Colombia, 2017[11]; DANE, 2021[12]).
- **Costa Rica**: Advertising; Audiovisual; Design; Cultural and artistic education; Music; Performing arts; Publishing; Visual arts (Sistema de Información Cultural de Costa Rica, 2021[13]).
- **Czech Republic**: Advertisement; Architecture; Audiovisual and interactive media; Art education; Cultural heritage; Culture management incl. its support; Fine arts and crafts; Performing arts; Periodical and non-periodical press (Czech Statistical Office, 2019[14]).
- **Denmark**: Advertising services; Amusement and theme parks; Architecture; Archives; Computer games; Crafts; Design; Film; Gambling; Libraries; Literature and books; Museums; Music; Newspapers and magazines; Performing Arts; Photography; Sports; TV & Radio; Zoological and botanical gardens; Miscellaneous cultural activities (Statistics Denmark[15]).
- **Estonia**: Advertising; Architecture (interior architecture, landscape architecture, civil engineering design); Art (visual arts, retail sale of art supplies, framing, restoration, and production of works of art, and associated activities); Audiovisual (film and video, broadcasting); Cultural heritage (handicrafts, museums, libraries); Design (product and original design, design services); Entertainment software (mobile, online, computer and console games, software service providers for game developers, importers, localisers and associated activities); Music (authors and performers, production, live performance, private schools, manufacture and sale of musical instruments, production and sale of recordings, ancillary activities for concert organisation and associated activities); Performing arts (theatre, dance, festivals); Publishing (publishing, printing and associated activities) (Estonian Ministry of Culture, 2020[16]).
- **Finland:** Artistic, theatre and concert activities; Libraries, archives, museums, etc.; Production and distribution of books; Art and antique shops; Newspapers, periodicals and news agencies; Production and distribution of motion pictures and videos; Manufacture and sale of musical instruments; Sound recordings; Radio and television; Printing and related activities; Advertising; Architectural and industrial design; Photography; Amusement parks, games and other

entertainment and recreation; Manufacture and sale of entertainment electronics; Organisation of cultural events and related activity; Education and cultural administration (Statistics Finland, 2019[17]).

- **France:** Advertising; Architecture; Artistic crafts; Books and press; Audiovisual and multimedia (including computer games publishing, film and cinema, television, radio and parts of music); Cultural education; Heritage (including libraries, museums and historic sites); Visual arts (including design, photography and visual arts) (Ministère de la Culture, 2021[18]).
- **Germany:** Music; Book; Film; Art; Broadcasting; Performing arts; Design; Architecture; Press; Advertising; Software/games; Miscellaneous (Libraries/archives, Operation of monuments; Fairground trades and amusement parks; Botanical and zoological gardens and nature parks) (Söndermann, Backes and Arndt, 2009[19]).
- **Greece:** → See Eurostat definition (Hellenic Republic Ministry of Culture and Sports, 2017[20]).
- **Iceland**: → See Eurostat definition (Statistics Iceland, 2019[21]).
- **Italy:** → See Eurostat definition (ISTAT, 2021[22]).
- **Korea:**[1] Advertising; Crafts; Film and broadcasting; Cultural heritage and cultural facilities; Gaming; Literature and Publishing; Music; Performing arts; Visual arts; Visual graphics and characters (Korea Culture and Tourism Institute, 2022[23]).
- **Latvia:** Advertising; Architecture; Cinematography; Computer games and interactive software; Cultural education; Cultural heritage; Design; Music; Performing arts; Publishing; Recreation, entertainment and other cultural activities; Television, radio and interactive media; Visual arts; (Latvian Ministry of Culture, 2020[24]).
- **Lithuania:** → See Eurostat definition (Statistics Lithuania, 2012[25]).
- **Mexico:**[2] Audiovisual media; Books, prints and press; Cultural production of households; Crafts; Design and creative services; Material and natural heritage; Music and concerts; Performing arts and shows; Training and cultural dissemination in educational institutions; Visual and plastic arts (INEGI, 2013[26]).
- **Netherlands:**[3] Book industry; Communication and information; Creative design; Creative arts; Cultural heritage; Film; Live entertainment; Music industry; Other art and heritage; Other publishing; Performing arts; Press media; Radio and television (Media Perspectives, 2019[27]).
- **New Zealand**: Broadcasting; Community and government activities (includes religious and secular community activities and cultural education and training); Film and video; Design; Heritage; Library services; Literature; Music; Performing arts; Services to the performing arts; Visual arts (Ministry for Culture and Heritage, 2009[28]).
- **Norway:** Advertising and events; Architecture; Design; Computer games; Film; Literature; Music; Operation of library, archive, museum and other cultural activities; Other areas; Other artistic and entertainment activities; Performing arts; Printed and digital media; Teaching; Visual art (Statistics Norway, 2019[29]).
- **Poland**: Advertising; Architecture; Audiovisual and multimedia arts; Artistic education; Books and press; Cultural heritage; Libraries and archives; Performing arts; Visual arts (Statistics Poland, 2021[30]).
- **Portugal**: → See Eurostat definition (Instituto Nacional de Estatística, 2021[31]).
- **Spain:** Activities of libraries, archives, museums and other cultural activities; Cinematographic, video, radio, television and music publishing activities; Design, creation, artistic and entertainment activities; Cultural education; Graphic arts and reproduction of recorded media; Manufacture of jewellery and similar items; Manufacture of supports and apparatus for image and sound, and musical instruments; News agency activities; Photography; Publishing of books, newspapers and

other editorial activities; Trade and rental; Translation and interpretation; Video game publishing. (Ministerio de Cultura y Deporte, 2021[32]).

- **Sweden**: Advertising; Architecture; Audiovisual (including audiovisual storage media; computer games; film & TV, radio); Cultural heritage (including archives, museums, historical and archaeological sites), Fashion; Literary and artistic creation; Literature & press (including press, uncategorised, literature, library); Performing arts (including music, cultural education, performing arts); Picture & shape (including art, design, photo) (tillväxt verket, 2018[33]).
- **Switzerland**: → See Eurostat definition (Federal Statistical Office, 2020[34]).
- **Turkey**:→ See Eurostat definition (TURKSTAT, 2020[35])**.**
- **United Kingdom:** Advertising and marketing; Architecture; Product design, graphic design and fashion design; Crafts; Film, TV, video, radio and photography; IT, software, video games and computer services; Publishing and translation; Museums, galleries and libraries; Music, performing arts, visual arts and cultural education (DCMS, 2016[36]).
- **United States:**[4] Core arts and cultural production (including Arts education; Design services; Performing arts; Museums); Supporting arts and cultural production (including Arts support services; Construction; Information services; Manufacturing; Retail; Wholesale and transportation;) (BEA, 2022[37]).

Even the list of statistical definitions of CCS presented above fails to capture the real diversity of approaches to measuring CCS. For example, while both Australia and the United Kingdom (UK) include fashion in their statistical definition of CCS, Australia includes within this category clothing and footwear manufacturing, wholesale and retail trade, whereas the UK only includes fashion design. Moreover, the higher level groupings presented above, mask differences in actual sectoral coverage. For example, in statistics from the Netherlands, architecture falls with the creative design group, whereas many countries group architecture on its own. Similarly, in statistics from Sweden, Libraries are presented within the Literature group, whereas in many other countries Libraries are grouped alongside museums. Additionally, some countries produce statistics relating to only those sectors which the country deems wholly cultural and creative, whereas other countries differentiate between core and support sectors and others account for partial inclusion of a sector.

The inconsistency in national definitions is in part a function of differences in national classification systems. The UN International Standard Industrial Classification of All Economic Activities (ISIC) Revision 4, offers an international standard for industry classification. This standard has been designed to be as consistent as possible with other industry classification systems, such as the Australian and New Zealand Standard Industrial Classification (ANZSIC), the General Industrial Classification of Economic Activities within the European Communities (NACE), and the North American Industry Classification System (NAICS), as well as other activity classifications used around the world (UN, 2008[38]). However, while ISIC Rev.4 is broadly consistent with the majority of classification systems at a high (2-digit) level of disaggregation, there are many inconsistencies between classifications at a more disaggregated level. This is a particular problem for CCS, which are often only identifiable at low levels of granularity. For example, advertising is only distinguishable from market research and public opinion polling in ISIC Rev.4 at the 3-digit level of disaggregation. Similarly, video games publishing is not explicitly distinguishable from other software publishing in ISIC Rev.4 and is only distinguishable at the 4-digit level (for those countries which include it). Consequently, compiling international comparisons of CCS requires both highly detailed data and the ability to transpose data across different classification systems.

Much work has been done to produce a definition of CCS and a methodology for its measurement which can be applied at an international level, yet there remain inconsistencies in adopting these approaches. In 2006, the OECD launched a project on the international measurement of culture. The report highlighted the inconsistencies of national approaches and the issues faced in drawing international comparisons from national-level reporting (OECD, 2007[39]). Since then, there have been many attempts at conceiving an international methodology for the production of cultural and creative statistics, yet the adoption of these methodologies at a national level remains inconsistent.

UNESCO's framework for cultural statistics proposes a common framework for measuring cultural, creative and related fields using a number of different indicators (UNESCO, 2009[3]). This document lays out the industry and occupational codes that can be attributed to cultural and creative work, alongside a number of other indicators, such as government spending categories. The report has been widely influential, yet national level reporting generally remains inconsistent with this approach. Another important stream of work comes from the Convenio Andrés Bello (CAB) which has produced a number of guidance documents on cultural satellite accounts, outlining a methodology for producing national level additional statistics on CCS in a systematic way (CAB, 2020[40]). The methodology outlined in these reports has been extensively used in Latin America, producing some consistent results amongst those countries that have adopted it.

At the European level, work on defining a common framework for developing CCS statistics began in 1995, when the European Union (EU) Council of Culture Ministers adopted the first resolution on the promotion of statistics concerning culture and economic growth. Since then, the European working group on cultural statistics (LEG-Culture), followed by the European Statistical System Network on Culture (ESSnet-Culture), have worked on defining CCS and producing methodologies for its measurement that can be used to compile international comparisons (ESSnet-CULTURE, 2012[41]). This has resulted in Eurostat (the European statistics agency) producing regular harmonised cultural statistics for countries in the EU.

Given its broad use and the close alignment of NACE to ISIC at low levels of disaggregation, this report uses the Eurostat classification of CCS.[5] Following the extensive work of ESSnet-Culture, Eurostat regularly produces a wide range of statistics relating to CCS. To ease the burden of data collection and to retain consistency in international approaches, this report follows the definition of CCS set out by Eurostat in their 2018 publication Guide to Eurostat culture statistics (for a list of sectors see Table 1.2).

This definition covers 10 cultural domains:

- Heritage
- Archives
- Libraries
- Books and press
- Visual arts
- Performing arts
- Audio-visual and multimedia
- Architecture
- Advertising
- Art crafts

And six functions:

- Creation
- Production/publishing
- Dissemination/trade

- Preservation
- Education
- Management/regulation

Cultural and creative employment goes beyond those employed directly in CCS and includes those employed in cultural and creative occupations in all sectors of the economy. Historically, statistics relating to CCS employment considered only those directly employed by organisations classified as being in CCS. However, cultural and creative activity also occurs in other sectors of the economy, and many industries directly employ people to perform these roles. Consequently, policy makers are increasingly using a broader definition of cultural and creative employment to assess the impact of culture and creativity on an economy or society.

The trident approach to measuring cultural and creative employment includes all those working in CCS and those working in cultural and creative occupations in other sectors of the economy (Table 1.1). The creative trident approach (Higgs and Cunningham, 2008[42]) makes a distinction between cultural and creative sectors (which are industries) and cultural and creative occupations (which are jobs). Some people working in CCS will be employed in cultural and creative occupations (e.g. a dancer) and some will be employed in non-cultural and creative occupations (e.g. an accountant for a dance company). Equally, some people working in cultural and creative occupations will be employed in CCS and others will be employed in other sectors of the economy. Consequently, the trident model considers three groups of workers as being employed in cultural and creative employment:

Table 1.1. The creative trident

	Main sector of employment is a cultural and creative sector	Main sector of employment is not a cultural and creative sector
Main job is a cultural and creative occupation	x	x
Main job is not a cultural and creative occupation	x	

Note: Only workers in cells with a checkmark are counted in cultural and creative employment statistics.
Source: Adapted from Eurostat (2018[43]), *Guide to Eurostat Culture Statistics*, Publications Office of the European Union, Luxembourg.

Employment and business statistics

Employment

For the purpose of this report and following the definition of Eurostat, *cultural and creative employment* is defined as all individuals working in cultural and creative sectors as well as all individuals with cultural and creative occupations outside cultural and creative sectors (see Table 1.1). For the list of cultural and creative sectors considered in this report, see Table 1.2, and for the list of cultural and creative occupations considered in the report, see Table 1.3.

Table 1.2. Cultural and creative sectors included in employment and business statistics

NACE Rev. 2 code	Industry title	EU-LFS	Structural Business Statistics data	Business Demography data
18	Printing and reproduction of recorded media	x	x	x
32.12	Manufacture of jewellery and related articles		x	
32.2	Manufacture of musical instruments	x	x	
47.61	Retail sale of books in specialised stores		x	
47.62	Retail sale of newspapers and stationery in specialised stores		x	
47.63	Retail sale of music and video recordings in specialised stores		x	
58.11	Book publishing		x	
58.13	Publishing of newspapers		x	
58.14	Publishing of journals and periodicals		x	
58.21	Publishing of computer games		x	
59	Motion picture, video and television programme production, sound recording and music publishing activities	x	x	
60	Programming and broadcasting activities	x	x	x
63.91	News agency activities		x	
71.11	Architectural activities		x	x
74.1	Specialised design activities	x	x	x
74.2	Photographic activities	x	x	x
74.3	Translation and interpretation activities	x	x	x
77.22	Renting of videotapes and disks		x	x
90	Creative, arts and entertainment activities	x		x
91	Libraries, archives, museums and other cultural activities	x		x

Note: NACE refers to the statistical classification of economic activities in the European community. Revision 2 is the most recent version at the time of preparing this report.
Source: Adapted from Eurostat (2018[43]), *Guide to Eurostat Culture Statistics*, Publications Office of the European Union, Luxembourg.

Table 1.3. Cultural and creative occupations included in employment statistics

ISCO-08 code	Occupation title
216	Architects, planners, surveyors and designers
2353	Other language teachers
2354	Other music teachers
2355	Other arts teachers
262	Librarians, archivists and curators
264	Authors, journalists and linguists
265	Creative and performing artists
3431	Photographers
3432	Interior designers and decorators
3433	Gallery, museum and library technicians
3435	Other artistic and cultural associate professionals
3521	Broadcasting and audio-visual technicians
4411	Library clerks
7312	Musical instrument makers and tuners

ISCO-08 code	Occupation title
7313	Jewellery and precious-metal workers
7314	Potters and related workers
7315	Glassmakers, cutters, grinders and finishers
7316	Sign writers, decorative painters, engravers and etchers
7317	Handicraft workers in wood, basketry and related materials
7318	Handicraft workers in textile, leather and related materials
7319	Handicraft workers not elsewhere classified

Note: ISCO-08 refers to the International Standard Classification of Occupations-2008.
Source: Eurostat (2018[43]), *Guide to Eurostat Culture Statistics*, Publications Office of the European Union, Luxembourg.

Eurostat uses the European Union-Labour Force Survey (EU-LFS) data to develop cultural and creative employment indicators taking advantage of a crucial feature of EU-LFS – it provides information on both the sector and occupation of respondents. Not all economic activities can be properly measured due to data limitations. Therefore, for practical considerations, some sectors which are theoretically deemed "cultural" are excluded. Table 1.2 and Table 1.3 enumerate the cultural and creative economic activities (as defined by NACE Rev. 2) and occupations (as defined by ISCO-08), respectively, that can feasibly be estimated from the EU-LFS. Moreover, not all countries provide NACE Rev. 2 and ISCO-08 information at the 4-digit level. For such countries, the information is estimated based on information from countries that do provide data at the more detailed levels. For a complete list of cultural and creative economic activities and the estimation process, see Eurostat (2018[43]).

It is important to note that *only main jobs* are captured. Individuals with a cultural and creative occupation (e.g. artists), often have another job. The EU-LFS respondents decide which job they consider as their "main" job. The main job is usually the one which accounts for the highest number of work hours. If a respondent considers their cultural and creative job to be secondary, it will not be counted towards cultural and creative employment, which results in its underestimation.

Employment figures in this report are drawn from LFS data and will differ from national accounts and enterprise data due to inherent differences between the sources. LFS data is the preferred source for measuring cultural and creative employment, not only because it provides data on both sector and occupation, and so is able to capture individuals working in cultural and creative occupations outside of cultural and creative activities, but also because it is better able to capture workers engaged in entities that may be below the thresholds (e.g. size of firm) or scope (e.g. legal status of firm, such as self-employed or informal) of business statistics. While the national accounts provide exhaustive coverage (including workers outside of the scope of LFS, such as those aged under 15 and those living in communal households), often using a combination of business statistics and LFS and other administrative sources, these are typically not at a suitably detailed level and, of course, provide estimates only by activity (i.e. sector of employment) and rarely with breakdowns by occupation. An additional advantage of LFS is their ability to provide for additional analysis across socio-economic groups.

Data for non-EU countries were drawn from alternative data sources or provided by countries. Cross-walks were used to match national industry and occupation codes to NACE Rev. 2 and ISCO-08 codes where possible, in order to closely align with the Eurostat definition of cultural employment. Data for Korea was provided by Statistics Korea, KOSIS (Korean Statistical Information Service). Data for Australia were provided by the Australian Bureau of Statistics based on the census. Data for Canada was obtained from estimations on the Canadian Labour Force Survey. CC employment was estimated for the United States from the American Community Survey, and for Mexico, it was estimated from the Mexican National Survey of Occupation and Employment.

Estimates of cultural and creative employment in this report may differ from national estimates as countries may include /exclude certain industries and occupations in their national definitions of cultural and creative employment and CCS enterprises.

Limitations of labour force surveys

1. The lack of disaggregated data in certain countries, which restricts the capacity to recognise cultural occupations when NACE and ISCO codes are not known at the requisite level of detail. In addition, the number of available NACE and ISCO digits are not consistent across countries nor are they always consistent over time which may cause breaks in time series.
2. The level of detail of secondary activities is not as high as that recorded for primary activities, so this creates an inability to capture secondary activities and results in an underestimation of cultural and creative employment.
3. The inability to capture voluntary work.

Volunteer work in cultural and creative sectors.

Many cultural and creative workers engage in volunteer and/or hobbyist work. Volunteer work is sometimes measured by ad-hoc surveys and special modules to existing data sources but they rarely have enough information to capture cultural and creative workers as defined in this report. This accounts for a considerable share of unpaid work that is not always identifiable in national accounting systems, not least as the market value of the labour services provided is costed at zero (e.g., estimates of output or turnover, if they volunteer for market-based enterprises, would implicitly embody the value of their efforts but not as labour costs), and rarely, if ever, in structural business statistics.

Job vacancies

To complement labour supply data, Burning Glass Technologies (BGT) data was used to measure partial labour demand. BGT collects job vacancy data by web scraping over 40 000 distinct job boards and company websites (Cammeraat and Squicciarini, 2021[44]). The database covers a wide range of EU countries as well as countries outside the EU such as Australia, Canada, and the United States. Thus, the database can be used to measure partial labour demand across countries. The report makes use of this data to track cross-country labour demand dynamics by comparing online job vacancies at different points in time in order to reveal the effects of the COVID-19 pandemic on the labour market.

Each observation in the BGT database represents a job. The database has several useful variables including the economic activity the job falls under and the occupation classification. Cultural and creative jobs were identified according to the definition described above. Due to some data limitations, economic activities were limited to the following 2-digit sectors: Printing and reproduction of recorded media (18); Publishing activities (58); Motion picture, video and television programme production, sound recording and music publishing activities (59); Programming and broadcasting activities (60); Creative, arts and entertainment activities (90); and Libraries, archives, museums and other cultural activities (91).

Limitations of online job vacancy data:

1. Exclusion of self-employment data (as it is not advertised).
2. A possible false-positive pattern: what could appear as a rise in the number of employment opportunities could in reality be simply an increase in the number of online job postings. This can also make long-term trend comparisons problematic.
3. Differences in contract type and employment patterns (e.g. predominance of short-term contracts) may make cross-sectoral comparison biased.

Enterprise statistics

Business indicators such as the number of CCS enterprises operating within countries, birth/death/survival rates, and value-added at factor cost are developed by combining data from the Business Demography (BD) and Structural Business Statistics (SBS) databases of Eurostat and the OECD. While the main unit of analysis for employment statistics is the *person*, for enterprise statistics it is the *business entity (typically an enterprise or establishment)*. Whilst BD data is typically sourced from a statistical business register (often complemented with other administrative data), SBS data, which are also based on statistical business registers for some variables such as counts of firms, are either based on exhaustive (typically periodic) economic censuses or annual surveys of businesses (typically drawing on a stratified sample based on statistical business registers).

The tables in Annex A of this report list the cultural and creative sectors (NACE Rev. 2) that were included for each country. All the relevant sectors were aggregated to arrive at a final count of cultural enterprises for each country. In the case of birth/death/survival rates, due to data limitations, cultural sectors were limited to 59, 60, 7111, 741, 742, 743, 7722, 90, and 91. An unweighted average of the sectors was taken to produce a final rate for CCS enterprises.

Due to missing data for some sectors in certain countries, the final indicator for CCS enterprises may underestimate certain indicators. For non-EU countries, cross-walks were used to match the sectors as closely as possible to those described in Table 1.2.

While the number of enterprises could be estimated for 37 countries (31 OECD), gross value added is only available for 31 countries (24 OECD). It should be noted that gross value added from the SBS data may not always align with those from national accounts due to the fact that in some countries, gross value added includes intermediate consumption of services as well as the fact that activities below reporting thresholds (including informal activities) are not covered. Moreover, it is important to point out that the value-added indicators were not available for creative arts and entertainment activities (R90) and library and archive activities (R91), so the GVA statistics presented in this report only capture value-added for some parts of CCS.

Limitations of business databases

1. Lack of regional data (although regional indicators exist, economic activity codes are not detailed enough to properly measure the cultural and creative sectors).
2. Non-market activities are out of scope.
3. Reliance on official business registers may underestimate the presence of cultural and creative activities due to the sometimes informal nature and unofficial legal status of economic actors within this sector.
4. Additionally, business registers used to compile business statistics typically exclude small businesses below a certain administrative threshold (e.g. VAT thresholds), and often certain legal forms (e.g. unincorporated enterprises, such as the self-employed), which vary by country (Eurostat, 2018[43]).

Public finance statistics

Public finance related to cultural activities is measured by government spending on cultural services. The data is drawn from the OECD national accounts database module on Classifications of Functions of Government (COFOG). The database splits government spending by function into 4 institutional levels:

1. Central government

2. State government (only applicable in federal and quasi-federal countries)
3. Local government, and
4. Social security funds

Government spending is categorised according to 10 broad categories – one of which contains the sub-category, "cultural services":

1. General public services
2. Defence
3. Public order and safety
4. Economic affairs
5. Environment protection
6. Housing and community amenities
7. Health
8. Recreation, culture and religion
   - recreational and sporting services,
   - cultural services;
   - broadcasting and publishing services,
   - religious and other community services,
   - R & D recreation, culture and religion,
   - recreation culture and religion n.e.c.
9. Education
10. Social protection

The statistics used in this report focus primarily on the *cultural services* component only. *Cultural services* are defined as:

> *Provision of cultural services; administration of cultural affairs; supervision and regulation of cultural facilities; operation or support of facilities for cultural pursuits (libraries, museums, art galleries, theatres, exhibition halls, monuments, historic houses and sites, zoological and botanical gardens, aquaria, arboreta, etc.); production, operation or support of cultural events (concerts, stage and film productions, art shows, etc.); grants, loans or subsidies to support individual artists, writers, designers, composers and others working in the arts or to organizations engaged in promoting cultural activities. Includes: national, regional or local celebrations provided they are not intended chiefly to attract tourists. Excludes: cultural events intended for presentation beyond national boundaries (01.13); national, regional or local celebrations intended chiefly to attract tourists (04.73); production of cultural material intended for distribution by broadcasting (08.30). It includes both operating and capital expenditure (capital transfers and direct investment in cultural infrastructure). (Eurostat, 2019[45]).*

Cultural participation statistics

Cultural participation in the report is defined as individual and household engagement in cultural activities and measured by the frequency of visits to cultural activities such as cinemas, live performances (e.g. concerts), and cultural sites (e.g., museums) as well as how often individuals practice artistic activities (e.g., singing, dancing, playing musical instruments, writing fictions/poems, etc.). This type of data is drawn from Eurostat's Cultural Statistics database for 2015.

Dimensions of cultural participation can also be measured by examining household spending on recreational and cultural services, drawing on data from the OECD National Accounts database (Final Consumption Expenditure of Households module). For the purposes of the report, household spending

refers to domestic spending, i.e. expenditures in the national territory including from non-resident households (and excluding spending by households abroad). Household spending is categorised into 12 broad categories – one of which contains the sub-category "recreational and cultural services" (UN, 2018[46]):

1. Food and non-alcoholic beverages
2. Alcoholic beverages, tobacco and narcotics
3. Clothing and footwear
4. Housing, water, electricity, gas and other fuels
5. Furnishings, households equipment and routine maintenance of the house
6. Health
7. Transport
8. Communications
9. Recreation and culture
    - Audio-visual, photographic and information processing equipment
    - Other major durables for recreation and culture
    - Other recreational items and equipment, gardens and pets
    - *Recreational and cultural services*
        - Hire and repair of photographic and cinematographic equipment and optical instruments
        - Hire, maintenance and repair of major durables for recreation
        - Hire and repair of games, toys and hobbies
        - Hire and repair of equipment for sport, camping and open-air recreation
        - Veterinary and other services for pets
        - Recreational and sporting services
        - Games of chance
        - Services provided by cinemas, theatres and concert venues
        - Services provided by museums, libraries, and cultural sites
        - Photographic services
        - Other cultural services
    - Newspapers, books and stationery
    - Package holidays
10. Education
11. Restaurants and hotels
12. Miscellaneous goods and services

To complement national data on household spending on recreational and cultural services, regional data from national statistical offices of Belgium, Canada, Italy, and the United Kingdom were used to examine regional differences in cultural participation as measured by household spending on recreational and cultural services. However, household expenditure at the sub-national level includes expenditures by households in other regions (i.e. not just their own), therefore household expenditure can serve as an estimate of the participation of households in culture but is less equipped to give an indication of the economic importance of the culture sector in the region.

Survey of Adult Skills (PIAAC)

The employment chapter makes use of the Programme for the International Assessment of Adult Competencies (PIAAC) data to estimate *literacy* and *numeracy* skills for OECD workers aged 16 to 65 in cultural sectors with available data: Printing and reproduction of recorded media (18); Publishing activities (58); Motion picture, video and television programme production, sound recording and music publishing activities (59); Programming and broadcasting activities (60); Creative, arts and entertainment activities (90); and Libraries, archives, museums and other cultural activities (91). Proficiency in literacy and numeracy are ranked according to 5 levels. A simple way to chart the outcomes is to present the percentage of adults scoring: below level 1, at level 1, at level 2, at level 3, at level 4, and at level 5 (2019[47]).

This international survey is conducted in over 40 countries as part of PIAAC measuring the key cognitive and workplace skills needed for individuals to participate in society and for economies to prosper. The evidence from the Survey has helped countries better understand how education and training systems can nurture these skills.

Policy perspectives

This report on international trends and issues in CCS has brought together a wide range of data sources. In scoping data availability, the report draws on international best practice guidance and data standards. Understanding the impact of CCS on economies and societies at both local, national and international levels requires multiple sources of data. For example, business counts, firm survival rates, value added and employment statistics begin to offer an understanding of how CCS contribute directly to the economy. Moreover, the impact that CCS have on broader society through cultural participation is a crucial element of how they contribute to inclusive development. However, there are many in-direct ways in which CCS feed into other economic sectors (e.g. through supply chains, cross-industry collaboration, tourism etc.) and many further ways in which they contribute to society (e.g. health and well-being, addressing climate and sustainability issues, etc.), which are not directly captured by these statistics.

There remain significant data gaps in CCS research 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. However, much of this international data is only available at high levels of aggregation, thus preventing analysis of CCS in its entirety for many types of statistics.

Understanding the full impact and potential of CCS requires a concerted, collaborative effort of data gathering and data standards across the OECD. Considering the growing interest in CCS across the OECD, further collaboration between national statistics offices, international organisations, such as the OECD, UNESCO, Eurostat, the International Labour Organization (ILO), the World Intellectual Property Organization (WIPO), etc., data users and other national and international stakeholders could work towards addressing these data gaps.

More granularity in reporting of employment and business statistics

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. While there is less consistency between countries in industry and occupation codes at lower levels of disaggregation, routine reporting of business and employment statistics at the four-digit level would enable crosswalks between national classifications systems to be made for CCS and internationally comparable statistics to be produced for a fuller range of sub-sectors than has been possible in this report.

More granular data on government spending and innovation would also enable more meaningful cross-country comparisons. For example, not all government spending at the local level disaggregates spending on recreation and cultural services, from the broader category of recreation and culture. Similarly, Innovation and R&D statistics, typically do not disaggregate industry sectors in enough detail to identify CCS. Moreover, many countries do not report on Field of R&D (FORD) in their national accounts, which could give an indication of the extent to which R&D in the arts and humanities is contributing to innovation throughout the economy.

Producing these kinds of granular statistics at the regional, as well as national, level is also needed. Currently, regional level data is patchy and inconsistent across countries. In order to better understand the impact of CCS on regions and cities, more granular sub-national data is also required.

Better data around second jobs, voluntary work and non-standard forms of employment

Cultural and creative employment statistics rely on being able to capture employment data at four-digit occupation level. Currently, these data are only available for the majority of OECD countries through labour force survey information, which typically only examines a person's main job. The incorporation of questions relating to second jobs, or to voluntary work in these surveys would greatly increase the capacity to understand the full scale of cultural and creative employment.

Similarly, data on freelancers in CCS could be greatly improved. Freelance cultural and creative workers could work as self-employed sole traders, or could be registered as a company. Typically, detailed information about the occupation and industry that these types of workers are employed in is unavailable or inconsistent as it is not always possible to extract companies with no employees from enterprise data, or to extract occupation and/or industry information from self-employment data. Steps towards improving the granularity of enterprise and employment statistics to give better coverage for free-lance workers would help in better understanding their contribution to both CCS and to the wider economy.

Better consistency of participation statistics

Currently, cultural participation is mainly assessed through surveys at the national level, or ad hoc modules to international surveys. Enhanced data collection of cultural participation through more regular cultural participation surveys as well as more detailed categories to distinguish cultural activities in time-use surveys would enable better cross-country and cross-regional comparison. Moreover, there is scope to revisit 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.

Greater integration of complementary data sources

New forms of big data present an opportunity to enhance official statistics with complementary data sources. For example, data on online job vacancies, data extracted from company websites, data from social media and digital media platforms could all be used to enhance our understanding of production and consumption patterns in CCS, as well as cultural and creative employment and businesses.

Experimentation with the use of such complementary data sources is needed to ascertain the limits of such approaches and how the data can be used in a responsible way.

Further recommendations around data collection and analysis can be found within the main recommendations for each chapter of this report.

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Notes

[1] Note that this definition includes the cultural industry and art industry sections of Culture, Sports and Tourism Industry Statistics tables. More detailed statistics relating to a number of specific sectors (such as advertising and cultural content) are also regularly produced.

[2] Note that these are the categories of cultural activities that Mexico include in their cultural satellite account statistics. They do not refer to industry sectors as such.

[3] Note, this definition comes from mapping studies. The Dutch government also produce satellite account statistics, but these statistics are based around cultural and creative activities, rather than industry sectors as such.

[4] Note that this definition comes from the Arts and Cultural Production Satellite Account, which identifies arts and cultural activities rather than industry sectors as such. Consequently, the sectors presented here are ones in which arts and cultural activity has been identified, rather than a strict industry-based classification.

[5] Readers are advised to note, as a consequence, that the statistics in this report may differ from national reporting. The statistics produced here are not intended to replace national approaches, but rather to supplement national reporting by offering a structured international comparison.

2 Cultural participation as a driver of social and economic impact

Individuals access cultural goods and experiences in a myriad of ways. This cultural participation is linked to a number of areas of social and economic impact: social inclusion, education, innovation, well-being and health, and civic engagement. It can also be instrumental in tackling societal challenges from new angles, favouring resilience, skills creation, and prosocial behavioural changes. This chapter outlines why cultural participation is important for local development and should be viewed as a tool for policymakers in many fields, beyond cultural policy. It provides a comparative analysis of cultural participation at the national and regional level. It also highlights that effective culture-driven developmental policies depend on a deeper understanding of the way in which cultural participation generates social value, calling for more data and evidence on cultural participation.

In Brief

Cultural participation has numerous economic and social benefits, calling for broader policy visions to encourage it

- **Cultural participation can take both active** (playing a musical instrument, painting, or performing in a play) **or passive** (listening to music, reading a book, or playing a videogame) **forms**. Moreover, new forms of creation and distribution (e.g. open platforms) are merging the production and consumption of culture in new ways.
- **Cultural participation has numerous positive benefits that remain under-exploited**, from social inclusion to boosting health and well-being, as well as cultivation of skills and entrepreneurship. It can also promote behaviour change to address social challenges.
- **Cultural participation is higher in countries with higher public expenditure on culture**, with likely mutually reinforcing effects. However, in EU countries two-thirds of people are reporting that they are not engaged in active forms of cultural participation (artistic activities).
- **In EU countries, cultural participation is higher among people with greater levels of education and income**, raising challenges for social inclusion that policy needs to address.
- **National orientations seem to count with respect to the type of cultural participation**:
  - **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).
  - **Northern European countries show strong participation in activities in so-called "high culture" components**, such as museum and library attendance. This may be partially explained by higher levels of education and public spending.
- **Regional variations in cultural participation are also noted within countries**, in some cases with a core-periphery pattern, but not always.
- **Policy opportunities include**:
  - **Broaden the scope of the policy approach to cultural participation**, to develop participation where it has potential positive effects: health, societal changes, research and innovation, environment and climate, education, etc.
  - **Develop a common statistical framework**, including for inter-regional and international comparisons, with timely and systemic data to measure and evaluate the effect of policy actions on cultural participation.
  - **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 orchestras and educational institutions, or between independent art spaces and urban planners, etc.).
  - **Engage regional governments and institutions**, as the regional scale is ideal to experiment at a level of complexity that is manageable for evaluation and accountability, balanced between the large national scale and small local scale. Peer learning across regions can create awareness of the potential and pitfalls of promoting cultural participation to support culture-driven local development.

Why cultural participation matters

The direct and indirect impacts of culture on local development are largely achieved through cultural participation. Cultural participation includes the various ways and forms in which individuals may access or create cultural goods and experiences. Cultural participation can be active or passive. In active participation, individuals contribute directly and explicitly to the production of the cultural experience itself: playing a musical instrument, singing in a choir, drawing or painting, or writing a text. In passive participation, individuals' access and enjoy the experiences and contents created by someone else. Passive participation includes listening to music, reading a book, watching a show, and attending an exhibition or a theatre performance. Cultural participation may have significant effects on many areas of social and economic impact:

- **Social inclusion:** Access to cultural opportunities is far from uniform and depends on a variety of factors such as local access to cultural institutions or an individual's income, education, ethnicity, and so on. Analysis of cultural participation patterns could help highlight mechanisms of social exclusion and marginalisation. In turn, the promotion of cultural participation can be a powerful driver of social inclusion and help mitigate factors leading to social and economic marginalisation through the development of social skills (Rivas, 2016[1]), of bonding and bridging social capital (Deloitte, 2019[2]; Tavano Blessi et al., 2012[3]; Brownett, 2018[4]), and of sense of self-worth and legitimisation of expression in many categories of disenfranchised individuals and communities (Matarasso, 1997[5]; Lindström Sol, 2019[6]).
- **Well-being and health:** The COVID-19 related lockdowns and social distancing measures have made evident the importance of arts and culture for people's mental and physical well-being (Ascolani et al., 2020[7]; Razai et al., 2020[8]), and to some extent health (Mak, Fluharty and Fancourt, 2021[9]). This recognition, which now builds on a vast and rapidly expanding body of research and experimentation developed in the last two decades (Fancourt and Finn, 2019[10]), provides a new opportunity to capitalise on the role of culture in the prevention and treatment of mental and physical illness across the lifespan, and more generally in the promotion of the broader goal of developing health and quality of life (salutogenesis), contributing to solutions for health and welfare systems, as defined in the Ottawa Charter (Eriksson and Lindtström, 2008[11]).
- **Cultural and creative entrepreneurship:** High levels of cultural participation might be conducive to a favourable social environment for cultural and creative entrepreneurship (Bhansing, Hitters and Wijngarden, 2018[12]). Participation is therefore a tool to increase cultural and creative production and job creation as well as crossovers that generate innovation in other sectors (Lazzaro, 2017[13]).
- **Tackling societal challenges:** In many cities and regions, cultural participation and the role of cultural and creative sectors are evolving. They are being used to tackle societal challenges (e.g. climate change, migrant integration) from new angles, favouring resilience, skills creation and prosocial behavioural changes (Giovanis, Akdede and Ozdamar, 2021[14]; Law et al., 2020[15]).
- **Social support for culture:** High levels of cultural participation also create stronger support for public and private investment and cultural policies in public opinion, thus contributing to the financial and social sustainability of cultural and creative sectors (Miles and Gibson, 2016[16]).

Cultural participation has a range of definitions linked to the different approaches to culture more generally

Cultural participation is difficult to define due to the variety of ways in which it can occur, and can take both active and passive forms. While virtually every human activity has in principle a cultural meaning and cultural implications, cultural participation refers to involvement in experiences in which the creation and sharing of meaning with a strong symbolic and aesthetic connotation have a primary role. Cultural participation can be active or passive whether the individual is "creating meaning" or being exposed to the meaning created by others.

- **In active participation**, individuals contribute directly and explicitly to the production of the cultural experience itself: playing a musical instrument, singing in a choir, drawing or painting, writing a text, performing in a play, etc.
- **In passive participation**, individuals access and enjoy the experiences and contents created by someone else. Passive participation includes listening to music, reading a book, watching a show, attending an exhibition or a theatre performance, or playing a videogame (where there is clearly interaction, but according to the rules pre-defined by the game designer).

Several international definitions are used for cultural participation (Box 2.1). The United Nations Educational, Scientific and Cultural Organization (UNESCO) framework identifies cultural participation as a distinct phase of a "culture cycle" whose steps are: creation, production, dissemination, exhibition/reception/transmission, and consumption/participation (UNESCO, 2009[17]). The European Union places special emphasis on the notion of access to culture for diverse population groups, which implies a policy objective of removing barriers that prevent such access (Pasukowska-Schnass, 2017[18]).

Traditionally, cultural participation definitions focus on participation as a form of cultural consumption. Although this form is central, there are opportunities to go beyond and include activities related to producing content. Today, people have at their disposal an unprecedented set of tools and skills that enables practically everybody to create and share cultural and creative content. Cultural participation should not be identified exclusively with passive exposure in the role of the "audience". "High" art and culture itself is a cultural construct with complex social implications (Katz-Gerro, 1999[19]), therefore characterising participation in this way implicitly limits the scope of the definition.

Box 2.1. International definitions of cultural participation

- The **2009 UNESCO Framework of Cultural Statistics** defines cultural participation as "the activities of audiences and participants in consuming cultural products and taking part in cultural activities and experiences (book reading, dancing, participating in carnivals, listening to radio, visiting galleries)".
- **Eurostat** uses the definition of cultural participation according to the "ICET" model presented in the *ESSnet-Culture* final report. This definition distinguishes four forms of participation:
  - Information seeking, collecting and spreading information on culture;
  - Communication and community — interacting with others on cultural issues and participating in cultural networks;
  - Enjoyment and expression — enjoying exhibitions, art performances and other forms of cultural expression, practising arts for leisure and creating online content; and
  - Transaction — buying art and buying or reserving tickets for shows.

  In the ICET model, cultural participation includes people's activities both as consumers of culture (e.g. reading books, going to the theatre, cinema, and concerts, visiting historical sites

and museums, etc.) and as active participants (e.g. playing a musical instrument, dancing, painting, or engaging in any activity with an artistic dimension).

- The **European Commission** in the 2012 Report on policies and good practices in the public arts and in cultural institutions to promote better access to and wider participation in culture makes the following distinction:

> *"**Access** and **participation** are closely related terms. Policies for access and participation aim to ensure equal opportunities of enjoyment of culture through the identification of underrepresented groups, the design and implementation of initiatives or programmes aimed at increasing their participation, and the removal of barriers. The concept of access focuses on enabling new audiences to use the available culture on offer, by 'opening doors' to non-traditional audiences so that they may enjoy an offer of cultural heritage that has previously been difficult to access because of a set of barriers. The emphasis on participation (to decision-making, to creative processes, to the construction of meaning) recognises the audience as an active interlocutor, to be consulted – or at least involved – in planning and creating the cultural offer."*

Source: UNESCO (2009[17]), *UNESCO Framework for Cultural Statistics*, http://uis.unesco.org/sites/default/files/documents/unesco-framework-for-cultural-statistics-2009-en_0.pdf; Eurostat (2021[20]), "Culture statistics – Cultural participation", https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Culture_statistics_-_cultural_participation#Cultural_participation; EC (2012[21]), *Report on Policies and Good Practices in the Public Arts and in Cultural Institutions to Promote Better Access to and Wider Participation in Culture*, https://ec.europa.eu/assets/eac/culture/policy/strategic-framework/documents/omc-report-access-to-culture_en.pdf.

Broader and more comprehensive definitions of cultural participation can help policies promote new active forms with greater social and economic impact. Cultural participation in its most general and comprehensive form encompasses both passive and active forms of participation, as well as both so-called "high arts and culture" and "popular arts and culture" activities. This also means that it is possible to find a participation dimension in practically all the stages of the UNESCO culture cycle: for instance, active participation may be directly related to cultural creation and production. Three different approaches to cultural production entail different notions of participation: the patronage regime, the cultural and creative industries regime, and the open platforms regime (Box 2.2) (Sacco, Ferilli and Tavano Blessi, 2018[22]).

The three regimes of cultural production (and their associated forms of cultural participation) span the many possible ways in which the arts and culture of any kind may be meaningfully experienced by people. There may be market access where a price or fee must be paid. There may be free access, either individual or as part of a group or community. There may be access in the form of mutual exchange of content that is offered to others in certain formats and under certain conditions, and so on. Types of cultural participation are necessarily open-ended given the variety and complexity of possibilities, and their quick, ongoing evolution.

Box 2.2. Three regimes of cultural production that help define cultural participation

The patronage regime

- **In the patronage regime there is a sharp distinction between "high arts and culture" and "popular arts and culture".** In this model, only the former is prioritised for public support. The Western model of cultural production in its long pre-industrial phase, from antiquity to the modern age, has been built upon this regime. As cultural production in this regime is mostly publicly subsidised and not offered in the market, expert judgements decide which forms of cultural expression should benefit from the money raised from taxpayers. The cultural experiences offered by these cultural institutions are tailored to the knowledge and taste of 'well-

cultivated' individuals. Others can feel at ill ease in such environments, requiring a strategy to engage a wider and more socio-economically and educationally diverse public.

The cultural and creative industries regime

- **In the cultural and creative industries regime, the distinction between "high arts and culture" and "popular arts and culture" is less important, what matters is a public seeking to consume culture**. The audience needs to be willing to pay for the cultural product at a rate that covers production costs and a profit. This regime emerged to cater for the rapidly increasing demand for mass entertainment associated with growth of the industrial era, and the consequent large-scale urbanisation and the improvement of standards and quality of life. Only those who can afford to pay the ticket for a music concert, a movie, a book, and more recently digitally pay walled content, can participate – with some limited scope for the subsidised participation of the less well-off. Under this regime, the size of the audiences grows considerably, up to the scale of truly global audiences with simultaneous access to the same cultural products and experiences. Large audiences also provide an ideal basis for stardom as an essential element of show-business that allows a strong engagement of the public that results in more willingness to pay for the creative products of the preferred stars.

The open platforms regime

- **In the open platforms regime, the distinction between producers and users of content becomes blurred.** This regime is the product of the increasing social demand for spaces of free and individual expression, sparked by the explosion of countercultures and subcultures of the 1960s and 1970s. The development of digital content production and circulation technologies has accelerated such transformation: everybody can use cheap and easy-to-use content creation and editing tools for video, photography, music, multimedia, publishing and much more. Social media allows the dissemination of user-generated content to wide, as well as very targeted, audiences. This new role is also that of a "prosumer", merging the roles of producer and consumer with similar interests to engage in co-creation.
- **The "high arts and culture" versus "popular arts and culture" distinction is also blurred.** Access to culture is no longer preferentially provided by cultural institutions (as in the patronage regime), nor by markets (as in the cultural and creative industries regime) but by the self-organised output of communities of practice. These new, fluid forms of participation bypass the barriers posed by both socio-educational status and purchasing power. The only needed resource to participate is digital connectivity plus some level of digital capabilities. The digital platforms themselves, however, largely function with a traditional cultural industry logic of profit maximisation.

Source: Sacco, P., G. Ferilli and G. Tavano Blessi (2018[22]), "From Culture 1.0 to Culture 3.0: Three socio-technical regimes of social and economic value creation through culture, and their impact on European cohesion policies", http://dx.doi.org/10.3390/su10113923.

Cultural participation is one of the most overlooked variables in cultural policy, despite its clearly fundamental role in the functioning of cultural and creative systems. Policy traditionally emphasised specific consequences of participation, such as its economic impact on the local economy, or the actual participation of specific groups of people, such as minorities or people with disabilities. But participation as a measure of the level of cultural activity of a population at a given geographical scale has attracted less interest. Consequently, data on cultural participation have been seldom collected, generally on an occasional basis, leaving little room for medium- and long-term analysis and for international comparisons. Furthermore, the benefits of cultural participation are not easily convertible into specific outcome measures

that can provide the kind of quantitative evidence base used in policy making, as they are mostly related to subjective experience.

However, there is now an increasing awareness that participation is a key cultural policy variable, whose relevance goes beyond the cultural sphere itself. There is an increasing recognition (and scientific investigation) of how cultural participation is an under-recognised driver of behavioural response and change, which may affect various spheres of considerable policy interest. For instance, the recent launch of the EU New European Bauhaus flagship project that connects cultural engagement and participation to the greening of the European economy and society is a powerful illustration of this shift in mentality and of the new roles that are being assigned to culture in the policy toolbox to tackle the societal challenges.

Cultural participation has numerous social and economic benefits

Among the most under-exploited benefits of cultural participation is social impact

Cultural participation influences a very diverse range of social impact areas. A partial list that reflects the main trends in current research and policy experimentation includes: health and well-being, social cohesion and intercultural dialogue, innovation, environmental sustainability, inclusive education, minority empowerment, new forms of social entrepreneurship, and community-driven urban and territorial renewal (Sacco, Ferilli and Tavano Blessi, 2018[22]). This list is likely to expand in the next few years, as a direct consequence of the increasing focus upon, and experimentation with, new forms of cultural participation targeting specific social impact objectives. For example, museums have been very active in this space harnessing cultural participation to address a range of social impacts (see Box 2.3).

- **However, cultural opportunities are far from uniform and heavily dependent on a variety of factors such as income, education and ethnicity.** Analysis of cultural participation patterns could help highlight mechanisms of social exclusion and discrimination (Bennett and Silva, 2006[23]). Promotion of cultural participation may accordingly become a powerful driver of social inclusion and a mitigator of factors of social and economic marginalisation (Trauth et al., 2019[24]). The existing evidence provides many concrete examples of practices and projects (Sommer, 2014[25]), which suggest the potential of cultural participation as a main policy variable for addressing conflict resolution (Marcow Speiser and Speiser, 2007[26]), intercultural dialogue (Gonçalves, 2016[27]), social integration of marginalised communities and subjects (Lamb, 2009[28]), and of migrants and refugees (McGregor and Ragab, 2016[29]), and better social integration of elderly and fragile citizens (Teater and Baldwin, 2014[30]). These are all issues that rank very high in the priorities of policy agendas in many countries worldwide, and in most OECD countries specifically.
- **Cultural participation has effects on people's psychological well-being and health, which has been emphasised in the current pandemic.** This area has been recognised as a field of primary strategic importance by the World Health Organisation, with the recent publication of a comprehensive scoping review (Fancourt and Finn, 2019[10]) illustrating the breadth and articulation of the numerous interventions, experimentations and scientific studies that explore various aspects of this relationship. The relationship between cultural participation and increased life expectancy is by now well documented by several longitudinal studies (Fancourt and Steptoe, 2019[31]). The relationship between cultural participation and psychological well-being is also clearly established (Grossi et al., 2012[32]), and such association is not explained by differences in socio-economic status (Fancourt and Steptoe, 2019[33]). For example, a 2019 World Health Organisation review identified a key role for the arts in preventing illness and promoting health, as well as managing and treating illnesses throughout the lifespan (Fancourt and Finn, 2019[10]). Moreover, it has been shown that the impact of cultural participation on psychological well-being depends on average

levels of local cultural participation (Tavano Blessi et al., 2016[34]). Therefore, where collective cultural participation levels are higher, the well-being effect of participation on a single individual is higher, suggesting the existence of important social incentive mechanisms, but also the possibility of cultural poverty traps (Bucci, Sacco and Segre, 2014[35]). As the clinical experimentation of various forms of cultural participation in complementary therapeutic approaches is quickly developing (Nainis et al., 2006[36]), it is legitimate to think of cultural participation as a potential future pillar of an integrated health and well-being (salutogenetic) approach, to be applied to critical public health policy areas such as active ageing (Jacobsen, Lund and Bertelsen, 2018[37])., healthy lifestyles or disease prevention and coping (Stickley and Hoare, 2015[38]).

The New European Agenda for Culture has launched an innovative approach that links cultural participation to specific areas of social impact, as a basis for research and policy design (EC, 2018[39]). The agenda introduces the notion of "cultural crossovers" to denote the systematic and intentional "contamination" between the cultural sphere and specific social impact spheres, such as health, well-being and social cohesion. The notion of crossover is intentionally meant as an alternative to the more widely used notion of cultural spillover that emphasises the accidental, non-planned nature of the social impact of cultural activities. An example is the emergent "cultural welfare" policy paradigm creatively combining culture and health policies (Sacco, 2017[40]). This cross-contamination perspective is especially appropriate to explore possible strategies of social impact policies that combine apparently unrelated policy areas and related goals in innovative ways as a form of "lateral thinking" in collaborative, trans-sectorial policy design (O'Leary and Vij, 2012[41]).

Box 2.3. Cultural participation and social impact

Cultural participation and inclusion

- **Museums and criminal rehabilitation**: Since 2007, the Louvre Museum has partnered with penitentiary authorities to lead workshops for criminal rehabilitation. In 2009, it took further steps with an ambitious project at Poissy prison, working with inmates to stage an exhibition of quality reproductions of Louvre masterpieces. The inmates then developed an artistic project, with graphics and text, and created the exhibition catalogue.
- **Partnering for migrant integration**: Migration: Cities is an International Council of Museums (ICOM) project led by the Collections and Activities of Museums of Cities Committee, in partnership with the Commonwealth Association of Museums and the International Committee for Regional Museums. It explores how museums can support the social inclusion of migrant and refugee communities. The platform provides resources for museum professionals, policy makers and community organisations, and supports partnership building between museums, public authorities, community organisations and other sectors. Museum projects for migrant integration are very diverse. For example, the Rotterdam Museum in the Netherlands engages diverse community groups, including marginalised people, in the production of the museum's exhibitions.
- The **Royal Opera House of Wallonia** in **Belgium** implemented a collective project of expression and creation "**Another Carmen**". The project invites the network of youth centres in the region to re-create famous operas, in this case the "Carmen", by inspiring a debate on societal issues, such as the role of women in society, and gender roles.
- The "**Nós por Todos**" inclusive project is organised by the **Museum of Lisbon** and a local association dedicated to people with mental disabilities (*Associação Portuguesa de Pais e Amigos do Cidadão Deficiente Mental*). The theatre company Nós, composed of people with

mental and physical disabilities, performs a show on the history of Lisbon to schools. Their performance is preceded by a conversation to raise awareness of mental disability.

Cultural participation, health and well-being

- The **National Concert Hall** of **Ireland** established the "National Rehabilitation Hospital" project whereby a duo of musicians, trained in music for healthcare, visit the National Rehabilitation Hospital every two weeks to play in wards and common rooms. These activities foster a relationship among patients based on a shared cultural experience.
- Since 2004, the **Konstfra¨mjandet** organisation coordinates the project "Art and health" in the southern part of **Sweden**. The project aims to spread art and exhibitions to retirement homes. The organisation provides retirement homes with a package containing works of art from one selected professional artist, information about the artist and an introduction to his or her artistry, and a manual for the staff at the retirement homes, with suggestions about how to introduce the artist and topics to discuss with the elderly hosts.
- The **French Museum of Confluences** partnered with the Lyon Léon Bérard Hospital and Awabot, an enterprise specialising in robot development. Together, they provided children awaiting transplants an opportunity to digitally visit the museum by remotely driving robots throughout the museum. Children can ask questions to guides and interact with other museum visitors. The Museum also partners with the hospital Femme Mère Enfants for children to board an imaginary submarine to learn about aquatic creatures. These experiences seek both to educate children and stimulate their creativity as well as to mitigate their feeling of isolation.

Source: OECD/ICOM (2019[42]), "Culture and local development: maximising the impact: A guide for local governments, communities and museums", https://dx.doi.org/10.1787/9a855be5-en; EU (2012[43]), *Policies and Good Practices in the Public Arts and in Cultural Institutions to Promote Better Access to and Wider Participation in Culture*, https://ec.europa.eu/assets/eac/culture/policy/strategic-framework/documents/omc-report-access-to-culture_en.pdf.

Cultural participation can help (or hinder) social inclusion, including through behaviour change

One of the most commonly sought outcome measures of cultural participation is the educational performance of students. Some empirical research has highlighted that cultural participation does improve educational performance, for example in the field of music (Guhn, Emerson and Gouzouasis, 2020[44]). However, the capacity to translate the benefits of cultural participation into school performance can be mitigated by many other factors, notably the family environment and more generally socio-economic status (Willekens and Lievens, 2014[45]). Moreover, occasional or compulsory cultural participation is unlikely to generate permanent benefits in this regard (Nagel, Damen and Haanstra, 2010[46]). Regular, sustained access is needed (Timoszuk et al., 2020[47]), and this becomes especially challenging for individuals from deprived neighbourhoods or with poor socio-economic and educational backgrounds who have fewer opportunities to cultivate their cultural interests (Mak, Coulter and Fancourt, 2021[48]).

However, cultural participation may exacerbate existing social differences. A large stream of research in the sociology of culture has documented how cultural participation, and in particular access to high arts and culture forms, may function as a powerful marker of social distinction (Atkinson, 2011[49]) by facilitating the reproduction of class divides, rather than promoting social inclusion. The issue persists in the apparently more diverse and open digital participation sphere, threatening the development of an inclusive knowledge society (Mihelj, Leguina and Downey, 2019[50]).

The capacity of culture to elicit complex emotional responses, and therefore influence behaviour, is under-used in policy discussions. The developmental potential of culture, and in particular of cultural

participation, has been mostly considered in terms of its direct economic impact in relation to cultural tourism and cultural and creative production - therefore as an *instrumental* form of value creation (Belfiore, 2012[51]). In addition, there is an intrinsic capacity of culture to generate social value (and often, consequentially, also relevant economic value) by affecting human behaviour (Box 2.4).

In the current debate on behavioural science-inspired policy, much attention is being devoted to mild, benevolently paternalistic forms of behavioural programming such as nudging (Halpern and Sanders, 2016[52]). However, top-down nudging approaches have not always proven effective (Osman et al., 2020[53]). They can also raise problems of fair and/or effective agency in the policymakers implementing them (Frey and Gallus, 2016[54]). Bottom-up, inclusive approaches to cultural participation which directly involve and empower citizens, bypass many of the drawbacks that are generally made to nudging and other "engineered" forms of choice architecture (Belknap et al., 2013[55]). Nudging approaches have also been applied to fostering cultural participation in the young, with little result beyond momentary priming (Lattarulo, Mariani and Razzolini, 2017[56]). Nonetheless, in the past few years, there has been a growing awareness that a culture-based approach is an especially promising policy perspective in the design of innovative strategies to tackle societal challenges from different angles than the ones of mainstream social and economic policies (Clover, 2011[57]; Heras et al., 2021[58]).

Cultural policies can be effective at tackling issues where aspects of behavioural change or the understanding of pro-social emotions and attitudes plays such a central role. These issues include intercultural dialogue and conflict resolution (Bang, 2016[59]), global climate change (Burke, Ockwell and Whitmarsh, 2018[60]), welfare policies in favour of the most fragile members of society (Erel, Reynolds and Kaptani, 2017[61]), and the human development and empowerment of youth at risk (Brader and Luke, 2013[62]), to name just a few examples.

Box 2.4. The new frontier of neuroscience and culture

Recent developments in cognitive psychology and neuroscience have helped to understand the profound impact of meaningful cultural experiences on people. Even in ancient times it was well-known that cultural experiences have a clear, recognisable role in tightening social bonds and eliciting complex emotional, cognitive and behavioural responses. One example is that of classical Greek theatre, where the *kinesthetic choreia* (circle dance accompanied by singing) has the explicit intent of provoking pro-social emotions. Modern neuroscience documents that the strategic use of the mask in theatrical representations functions as a powerful activator of complex mechanisms of social cognition and emotional contagion (Meineck, 2018[63]).

Fictional stories function as complex social simulations that help expand experience beyond one's lifetime perspective and events, as well as improve social cognition (Oatley, 2016[64]). Watching a theatre performance or a movie powerfully activates forms of embodied cognition. Through the action of mirror neurons, they help make the audience feel personally involved in the action onstage, eliciting complex social emotions such as empathy (Gallese and Guerra, 2019[65]). The audience attending a theatre performance may even experience a gradual synchronisation of their heartbeats as the play goes on (Ardizzi et al., 2020[66]). This phenomenon is found to persist even after the end of the performance – a striking neural correlate of the onset of empathic social emotions. Similar effects of arousal generating pro-social emotions are found in other cultural experiences that involve highly coordinated social behaviours, such as collective dancing or singing in a choir (McNeill, 1997[67]). Music is, in turn, an extremely powerful source of complex emotional and cognitive response, which can also spark empathy through a shared emotional expression from listening (Clarke, DeNora and Vuoskoski, 2015[68]).

Cultural participation is increasingly understood as contributing to good "brain health" (Smith et al., 2021[69]). There are also encouraging results from experiments on how cultural activities can mitigate the negative effects of neurodegenerative diseases such as Alzheimer's or Parkinson's disease for patients, and support better coping by caregivers and families (Pereira et al., 2019[70]) (Osman, Tischler and Schneider, 2016[71]).

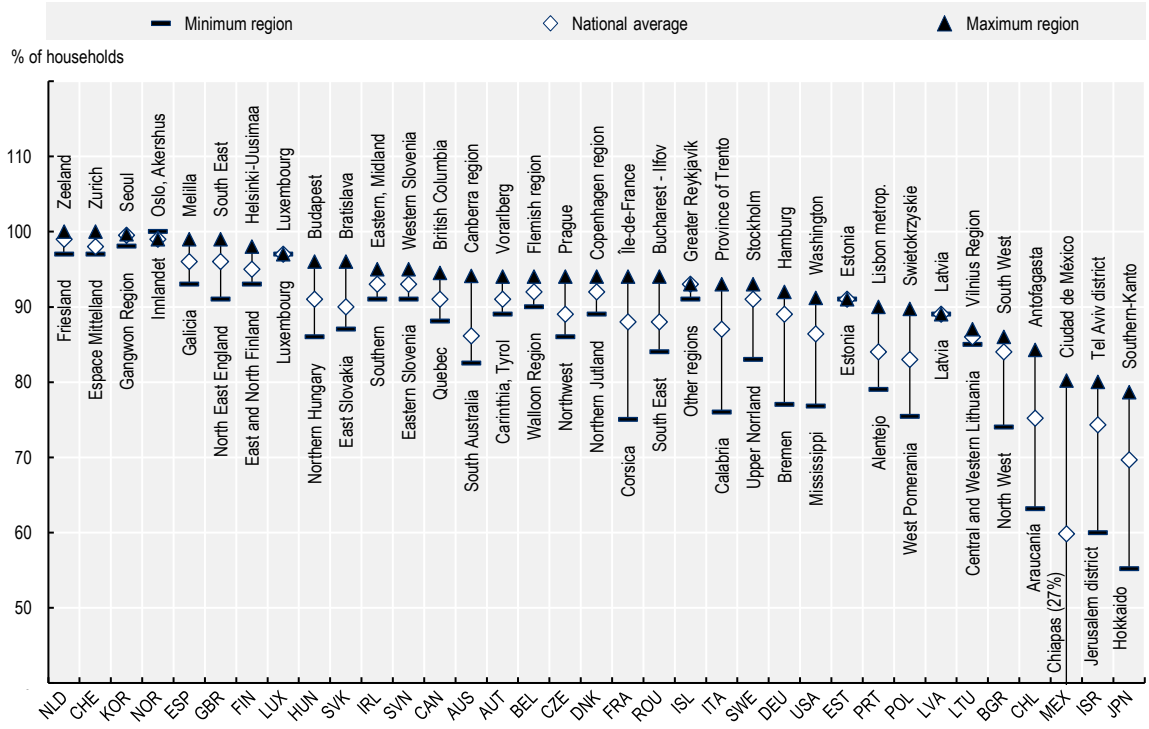
Source: Meineck, P. (2018[63]), *Theatrocracy: Greek Drama, Cognition, and the Imperative for Theatre*, Routledge, London; Oatley, K. (2016[64]), "Fiction: Simulation of social worlds", *Trends in Cognitive Sciences*, http://dx.doi.org/10.1016/j.tics.2016.06.002; Gallese, V. and M. Guerra (2019[65]), *The Empathic Screen: Cinema and Neuroscience*, http://dx.doi.org/10.1093/oso/9780198793533.001.0001; Ardizzi, M. et al. (2020[66]), "Audience spontaneous entrainment during the collective enjoyment of live performances: Physiological and behavioral measurements", http://dx.doi.org/10.1038/s41598-020-60832-7; McNeill, W. (1997[67]), *Keeping Together in Time: Dance and Drill in Human History*, Harvard University Press, Cambridge, MA; Clarke, E., T. DeNora and J. Vuoskoski (2015[68]), "Music, empathy and cultural understanding", http://dx.doi.org/10.1016/j.plrev.2015.09.001; Smith, E. et al. (2021[69]), "A brain capital grand strategy: Toward economic reimagination", http://dx.doi.org/10.1038/S41380-020-00918-W; Pereira, A. et al. (2019[70]), "Music therapy and dance as gait rehabilitation in patients with Parkinson disease: A review of evidence", http://dx.doi.org/10.1177/0891988718819858; Osman, S., V. Tischler and J. Schneider (2016[71]), "'Singing for the brain': A qualitative study exploring the health and well-being benefits of singing for people with dementia and their carers", *Dementia*, Vol. 15, pp. 1326-1339.

Cultural participation can also reinforce civic participation

Cultural participation interacts with, and possibly reinforces, other forms of civic participation such as political participation, volunteering and community engagement (Campagna, Caperna and Montalto, 2020[72]). Cultural participation might either reinforce motivations to pursue collective and public interest goals (Gilmore, 2013[73]) or preclude alternative forms of participation (for instance when it encourages discriminatory forms of in-group cultural identification (Jarness and Friedman, 2017[74])), and there are in principle reasons that might support both perspectives. It is likely that the mutual reinforcement vs. the social competition between different forms of cultural participation might depend on specific local conditions and circumstances. For instance, performing classical theatre as a high arts and culture activity, directly appealing to exclusive social circles and regulating admission through expensive tickets, might have as its main social consequence to limit participation to highly educated, affluent members of the upper-middle class (Gerhards, Hans and Mutz, 2012[75]). This would preclude interaction and cross-fertilisation with local forms of popular culture. On the contrary, the same theatre repertoire could be enacted to tackle outstanding social issues by reaching out to less typical audiences such as marginalised groups or prison inmates (Keehan, 2015[76]). Which option prevails is basically a consequence of the social and institutional context in which a certain cultural experience is proposed and how it engages different potential constituencies.

In an increasingly digitalised contemporary culture, levels of cultural participation might help achieve better levels of digital literacy (Hobbs, 2017[77]). Such literacy is quintessential to the full-fledged development of knowledge societies (Minariková and Novotny, 2020[78]) and mature democracies (Polizzi, 2020[79]). Of special interest in this regard is the Indicator Framework for Culture and Democracy (IFCD) promoted by the Council of Europe (Anheier et al., 2018[80]). Digital skills include access to, and familiarity with, innovative technologies such as virtual and augmented reality, and the capacity to make use of digital creation tools, especially in the case of active cultural participation (Burgess, Foth and Klaebe, 2006[81]). With more and more cultural activities being mediated through digital means, cultural participation can help close gaps in digital fluency in lagging regions and geographically marginalised areas (Prinsloo and Rowsell, 2012[82]). However, this benefit of cultural participation relies on the availability of digital infrastructure, which is uneven across countries and regions. For example, OECD data shows that regional differences in broadband access between households significantly vary between capital regions and other regions, reaching a gap of over 30% in some countries (Figure 2.1) (OECD, 2020[83]).

Figure 2.1 Share of households with broadband access, TL2 regions, 2021 or last available year



Note: Large (TL2) regions. 2021 data, except: 2020 (ITA, MEX), 2019 (GBR, CAN, USA, POL,JPN), 2018 (KOR, ISR), 2017 (AUS, CHL).
Source: OECD (2022[84]), *OECD Regional Statistics (database)*, http://dx.doi.org/10.1787/region-data-en.

Economic growth and innovation benefit from cultural participation, both market-based and other forms

Economic impact studies tend to privilege forms of cultural participation that are mediated by the market and involve the payment of a ticket or fee. An unintended consequence of this approach is the assessment of cultural activities in terms of their capacity to generate revenues, therefore putting under pressure all those institutions where revenue generation is, for several reasons, not a central concern or at odds with the institution's mission and scope (Belfiore, 2014[85]).

However, new forms of economic impact, as promoted by the New European Agenda for Culture (NEAC) (EC, 2018[39])**, can also occur from cultural participation, such as innovation and entrepreneurship, which plant the seeds for future impact.** This agenda highlights the crossovers between cultural participation and innovation, on the one side, and education, on the other. These crossovers are based on the recognition that art-related skills may play an important role in innovation processes (Oakley, Sperry and Pratt, 2008[86]); that access to culture improves educational performance in students (Holochwost et al., 2017[87]); and, more generally, the accumulation of human capital (Crociata et al., 2020[88]). Moreover, high levels of cultural participation might be conducive to favourable social environments for the development of entrepreneurial models outside the sphere of cultural and creative sectors, but in which cultural and creative elements play a key role (Altinai et al., 2021[89]). Familiarity with challenging cultural experiences might help entrepreneurs develop skills of lateral thinking and problem solving, which are not typically developed in engineering or business schools (Berthoin Antal, 2012[90]).

Finally, high levels of cultural participation can induce wider recognition of the professional opportunities and status of cultural and creative workers (de Miranda, Aranha and Zardo, 2009[91]). The fact that the social relevance and benefits of cultural participation are not sufficiently acknowledged

may provoke negative consequences that further exacerbate the marginality of culture. These include insufficient revenue streams for many providers of cultural and creative services (Siebert and Wilson, 2013[92]) and content (Moyon and Lecocq, 2013[93]), low social appreciation and recognition of many cultural and creative professions (Geller and Denny, 2013[94]), with consequent limitations in their capacity of access to credit (IDEA Consult/Ecorys, 2013[95]), limited employability in non-cultural economic and social sectors (Mao and Shen, 2020[96]), reduced willingness of educational institutions to provide courses and training in the cultural sphere (Kingston, 2015[97]), and so on. Higher levels of cultural participation could not only improve professional opportunities for those working in cultural and creative sectors (CCS) and attract more skilled talent to these sectors but could also lead to greater recognition of the importance of cultural and creative skills in other economic and social activities beyond CCS (Higgs, Cunningham and Bakshi, 2008[98]). For example, such skills provide important and still under-recognised contributions in corporate environments, health systems, social services, and research and development (R&D) labs (Tom Fleming Creative Consultancy, 2015[99]).

Box 2.5. Measuring the full economic and social value of culture and heritage

Evaluating benefits and costs forms an important part of policy decision making. However, calculating the value of arts and heritage to a region, or to society more broadly is not straightforward. Economic value generation is typically measured by calculating the gross value added (GVA) of an industry sector. However, for many parts of CCS, the broader economic value generated by, say, a museum extends far beyond the revenue it derives from ticket sales. For example, museums can act as a magnet to attract visitors, spending money in other economic activities including restaurants, hotels and travel. This broader economic vale, as well as broader social value can be particularly important to consider for CCS units that offer free services (e.g. libraries).

There are multiple alternative approaches to measuring the impact of arts and heritage in monetary terms which can be used in policy making:

- **Indirect and induced economic impact**. These type of economic impact assessments look beyond the direct economic contribution of an organisation and considers the broader economic impact the organisation has on supply chains and jobs. Indirect impacts include value generation across supply chains and visitor spending in the local economy. Induced impacts include additional spending in the economy as a result of employment created.
- **Contingent valuation**. This method centres around what people would hypothetically pay for a good or service if they needed to. It is calculated either by asking people the maximum they would be willing to pay (WTP) for a good or service (e.g. a ticket to a museum), or asking how much money they would be willing to accept (WTA) to not use a good or service. This can help to assess the value of goods and services that are offered for free and to assess “consumer surplus” or the amount of value a consumer places on a good or service beyond what they paid for it.
- **Travel cost**. Similar to contingent valuation approaches, this method derives an individual’s willingness to pay from the amount they invest in traveling to and from a particular place (e.g. the cost of travel to a library).
- **Choice modelling**. This method derives value from assessing the decisions people make in hypothetical scenarios (stated preference), or in real life (revealed preference). Here individuals are not directly asked for their willingness to pay, but instead this willingness is derived from the choices they make.
- **Hedonic pricing**. This is a revealed preference method that looks at price changes in a surrogate market to determine additional value in the main market. For example, the cost of

housing may be higher in areas with more cultural amenities. Hedonistic pricing models could be constructed to assess the extent of additional value in the housing market that can be attributed to local cultural amenities.

- **Subjective wellbeing**. This approach considers the change in subjective wellbeing after participating in arts and cultural heritage. This method offers an indication of the broader social benefits of arts and cultural heritage. In some methodologies, an economic price can be attributed to this non-monetary indicator by inferring from the relationship between wellbeing and income.
- **Quality Adjusted Life Years (QALYs) and Disability Adjusted Life Years (DALYs)**. Similar to the subjective wellbeing approach, this method assesses the impact of arts and culture on physical health outcomes. These health outcomes can expressed as either years lived in perfect health gained (QALY) or years in perfect health lost (DALY). Further calculations can be made to attribute an economic cost the change in QALY or DALY as a result of participation in arts and culture.

It is important to point out that any approach to calculating value could include both *use* and *non-use* value. For example, non-use value might include: the value of having the option to use a cultural institution in the future; the value to an individual for their children or family members to use a cultural institution; or the derived benefits of proximity to, or mere existence of, a cultural institution (e.g. impact on local environment, sense of pride in place or culture).

Source: OECD/ICOM (2019[42]), "Culture and local development: maximising the impact: A guide for local governments, communities and museums", https://dx.doi.org/10.1787/9a855be5-en; Lawton, R. et al. (2021[100]), *How to Quantify the Public Benefit of Your Local Museum Using Value Estimates: A Resource for Understanding the Value of Local Museums*, https://www.artscouncil.org.uk/sites/default/files/download-file/ACE%20Local%20Museums%20Guidance%20Note.pdf.; DCMS (2021[101]), *Valuing Culture and Heritage Capital: A Framework Towards Informing Decision Making*, https://www.gov.uk/government/publications/valuing-culture-and-heritage-capital-a-framework-towards-decision-making/valuing-culture-and-heritage-capital-a-framework-towards-informing-decision-making#an-introduction-to-culture-and-heritage-capital (accessed on 14 March 2022).

Cultural participation can also be used to address environmental issues such as climate change

Even in fields that might seem weakly related to cultural participation, such as the environment and climate change, participation may provide important new routes for innovative policy design. For what concerns pro-social behaviours, such as complying with the guidelines of waste recycling, cultural participation is the best predictor of actual compliance, more than income or education (Crociata, Agovino and Sacco, 2015[102]). For some forms of cultural participation, a relationship with energy-saving behaviours (Quaglione et al., 2017[103]) and sustainable mobility choices (Quaglione et al., 2019[104]) also exists. More generally, future sustainability scenarios will be heavily influenced by the ability to internalise social norms of environmental responsibility by local communities (Yamin et al., 2019[105]). On the basis of the existing, preliminary evidence, culture is already providing a significant contribution in the deployment of the Agenda 21 (UCLG Committee on Culture, 2008[106]). Moreover, cultural participation might favour the emergence and diffusion of circular economy practices by stimulating individuals to embrace more sustainable consumption patterns which are less centred upon practices of purchase of material goods and more orientated toward the pursuit of meaningful experiences (Sacco, Williams and del Bianco, 2007[107]).

Measuring different forms of cultural participation

There are a range of measurement approaches, albeit not without challenges

Despite the importance of cultural participation for many social and economic benefits, its measurement is infrequent and inconsistent. A general framework that defines participation in a comprehensive, widely adopted way, and that develops common standards of measurement and common systems of indicators would be of great value (Cicerchia, 2015[108]). Currently, there is a wide discrepancy as to what is defined to be part of the cultural sphere of participation in different countries, how it is measured, how often, and to what purpose. The most common measures tend to take into account time use, participation in particular cultural activities or attendance rates of specific entities, or even access through geolocalisation of cultural amenities (Box 2.6).

Box 2.6. Main sources of cultural participation data and their limitations

A number of sources (official statistics and complementary data sources) can be used to measure involvement of people in cultural activities (like reading books and newspapers, going to cinema, going to theatres and concerts and visiting cultural sites), and access to culture (e.g. availability of cultural amenities in a given territory).

- **Official statistics:** Data on income and living conditions (e.g. European Union Statistics on Income and Living Conditions (EU-SILC) and its ad hoc modules on social and cultural participation), adult education surveys, surveys on the use of information and communication technology (internet) for cultural purposes (e.g. European Union Community survey on ICT usage in households and by individuals) can be used to measure the involvement of people in cultural activities. Whereas these are helpful to draw a picture of cultural participation by age, gender, educational levels, and often by income and origin, they also have a number of limitations:
  - **Continuity:** often cultural participation is measured through *ad hoc* modules within these surveys which limits observations across time and comparisons across countries.
  - **Coverage at the subnational level:** sample size at the regional level remains a caveat (with a notable exception for EU Time Use Surveys which provide rich data on cultural participation at NUTS II level).
  - **Difference in coding** among variables also limits observations across countries and regions.
  - **ICT usage surveys limitations** include:
    - the increasing take-up rate of digital services among the population would show a rise in digital access to culture that might not truly reflect a rise in general cultural consumption in the population;
    - digital consumption might cause a substitution effect, moving individuals away from consuming culture in more conventional ways.
  - **Limitations of data on household expenditure on cultural goods and services** include:
    - underestimating the actual cultural consumption level, e.g. in countries where many museums are free for everyone (such as in the United Kingdom);
    - limited ability in controlling for technological developments.

- **Complementary data sources** (e.g. Internet–based data: TripAdvisor, Google maps etc.) can be used for mapping of cultural places (e.g. museums, galleries, theatres) in a given territory as well as to measure attendance rates. Limitations of complementary data sources include:
  - **Underestimates of the level of cultural engagement** of certain groups of the population or possible downward bias for sites that are less popular online than in real-life;
  - **Accuracy of online information;**
  - **Legal considerations** concerning disclosure of individual information on location.

There is an opportunity for a more systematic approach to measuring cultural participation taken up by national statistical institutes and other data-oriented institutions. The recent commitment of Eurostat to produce systematic data on cultural participation across Europe is an important step (Eurostat, 2021[20]). Several countries such as Denmark and Germany conduct annual surveys on some elements of cultural participation, and other countries and regions also focus on specific issues such as barriers to participation (Box 2.7). As to the kind of indicators that could be useful as a first, basic benchmark that could be viable in terms of time and resources across countries in the OECD and beyond, considerations include:

- **Available audience data** for all sectors of cultural activity for which they may be, or are already, routinely measured: theatres, cinemas, newspapers, museums, television, digital content platforms, etc.
- **Sales data** for cultural and creative products (books, music, cinema, videogames, etc.)
- **Access data for online cultural and creative content** (number and type of products accessed, total viewing time, reactions such as comments, likes, etc.).
- **General cultural participation indices** such as the average number of cultural events from a given list of categories attended yearly by a given individual.
- **Active cultural participation indices** such as the total number of hours spent yearly in activities from a given list of categories by a given individual.
- **Specific cultural participation indices**, measuring individual time shares of passive and active cultural participation, for given spheres of activity (music playing/listening, writing/book reading, art-making/attending exhibitions, etcetera).

It would also be useful to include cultural participation-related questions in national censuses and surveys. This would help to track cultural participation choices and relate them to key demographics such as socio-economic and educational levels, age, sex, civil status, geographical location, etc. This would allow the possibility of designing and conducting survey experiments and to build in time longitudinal evidence to infer causal relationships between cultural participation and specific spheres of social and economic value creation.

Box 2.7. Differences in measuring access to cultural activities in different countries

Several countries conduct systematic surveys to determine access conditions to some specific cultural offers. The following examples highlight differences in data gathering across countries:

User surveys

- The **Danish Agency for Culture**, as part of the **National Education Plan for Museums**, conducts national user surveys offering insights about the social demographics of museums

visitors, how they use museums, and how they access them. The survey supplies systematic annual national overviews and provides each museum with a report on its specific users.

- In **Germany**, since 1990, the Cultural Barometer (**Kulturbarometer**) is a measurement tool that highlights current attendance trends and developments in various cultural fields. It is conducted as a representative survey by the Centre for Cultural Research (ZfKf) in Bonn.

User vs non-user surveys

- The **United Kingdom** national network of **Audience Development Agencies** has worked since 1998 on increasing access by hard-to-reach audiences. It provides an analysis of the segmentation of such audiences, their behaviours and needs by identifying specific groups, such as ethnic minorities, migrants, people with disabilities, families, young people, and the intergenerational public. It uses a combination of tools, such as the Insight Research of Arts Council England, socio-demographic area profiles and data provided by commercial companies (Mosaic/Acorn).
- The **Participation Survey** is a large-scale research study in **Flanders, Belgium** which was conducted in 2004 and 2009. It focuses on participation behaviours, barriers to participation, and on mapping the supply of art, heritage, and socio-cultural activities. It gives insights on cultural participation trends in Flanders, possible levers for increased participation, and on possible explanations for different levels of participation.

Source: EC (2012[21]), *Report on Policies and Good Practices in the Public Arts and in Cultural Institutions to Promote Better Access to and Wider Participation in Culture*, https://ec.europa.eu/assets/eac/culture/policy/strategic-framework/documents/omc-report-access-to-culture_en.pdf.

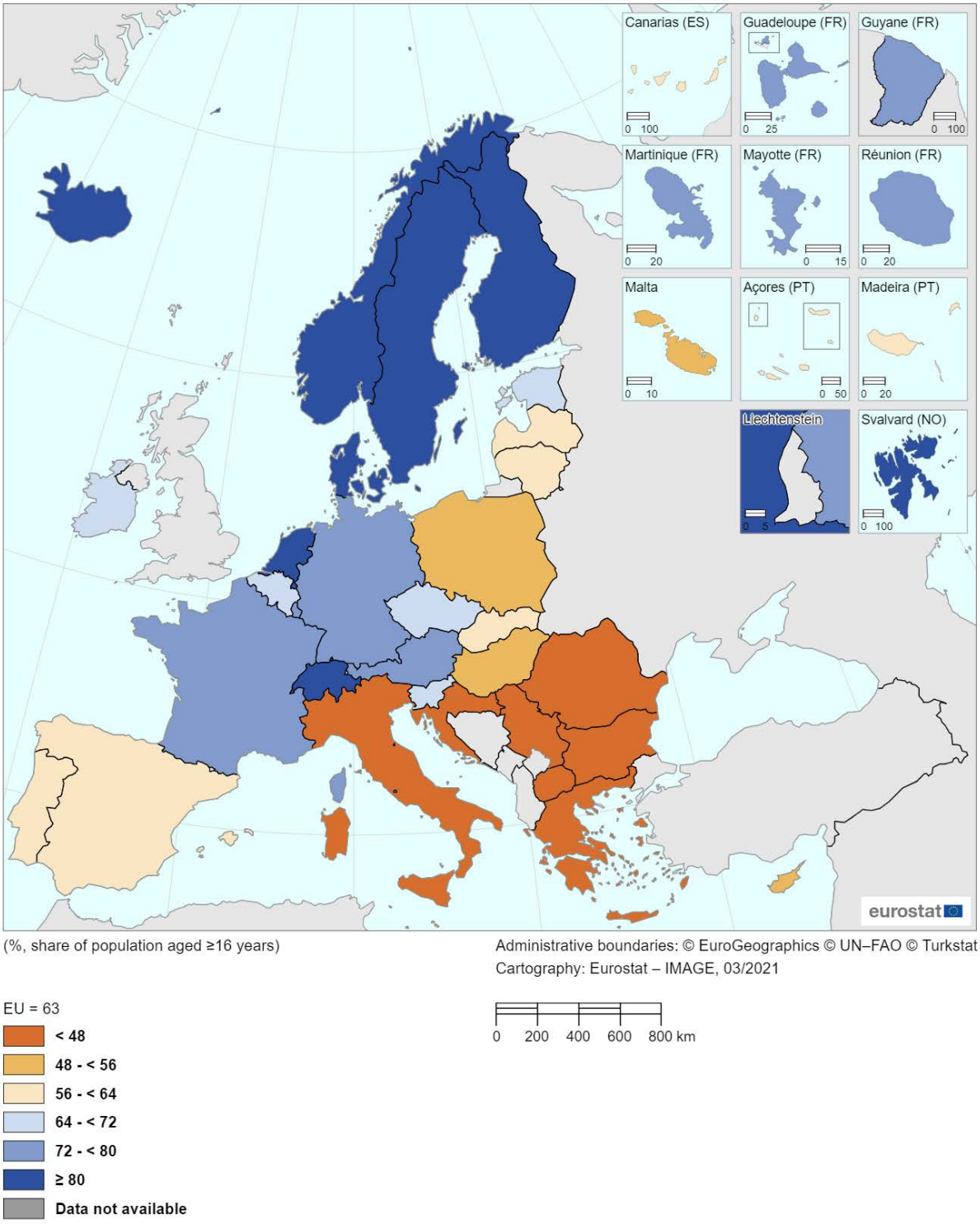
Evidence on cultural participation from selected data sources

Given the fragmented and incomplete cultural participation data, it is difficult to analyse comparable evidence for a large number of countries. However, in 2015 Eurostat compiled results of an ad-hoc module on social and cultural participation that formed part of EU statistics on income and living conditions (EU-SILC). This relatively homogeneous and comparable cultural participation statistics for European countries provide a first useful benchmark in comparing participation rates across European countries. Due to the richness of cultural diversity across European countries, comparison of cultural participation data at the country level offers a number of interesting insights.

Europe is divided into geographic blocks concerning levels of passive cultural participation, suggesting that factors of geographic and cultural proximity may influence participation rates (Figure 2.3). Splitting passive participation rates into four levels (low, moderately low, moderately high and high), we see that low levels of cultural participation (less than 48%) are found in South-Eastern Europe, mainly Italy and the Balkans. Moderately low participation rates (between 48% and 63%) are found in all Eastern European countries minus the Czech Republic, Estonia, and Slovenia, plus the remaining Southern European ones (Portugal, Spain, etc.). These two tiers are the ones that include countries whose levels of cultural participation fall below the EU average. Moderately high participation rates (between 64% and 79%) can be found in the Western side of Central Europe plus Estonia, Ireland and France. It is interesting to remark that Eastern European countries such as the Czech Republic and Slovenia are closer, in terms of cultural participation patterns, to the German-speaking part of Europe than to their Eastern European neighbours. Finally, high levels of cultural participation (80% or more) can be found in the Nordic countries plus the Netherlands and Switzerland.

Figure 2.2. Passive cultural participation across Europe, 2015

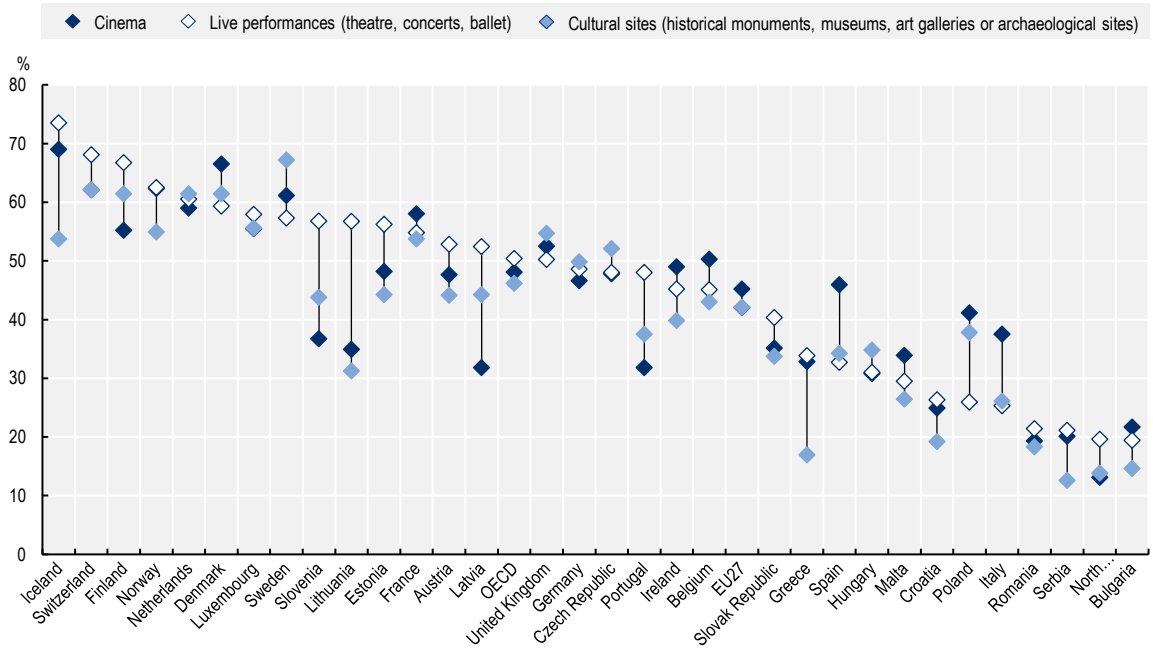
Share of population aged 16 and over who visited cinemas, live performances, and cultural sites at least once in the last year



Note: EU: estimate. Ireland and Poland: low reliability. Cultural attendance includes visits to cinemas, live performances, and cultural sites.
Source: Eurostat (2021[20]), *Cultural Statistics - Cultural Participation*, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Culture_statistics_-_cultural_participation#Cultural_participation.

Figure 2.3. Passive cultural participation by cultural activity, 2015

Share of persons aged 16 and over who participated in a cultural activity



Source: Eurostat (2021[20]), *Cultural Statistics - Cultural Participation*, https://ec.europa.eu/eurostat/web/culture/data/database.

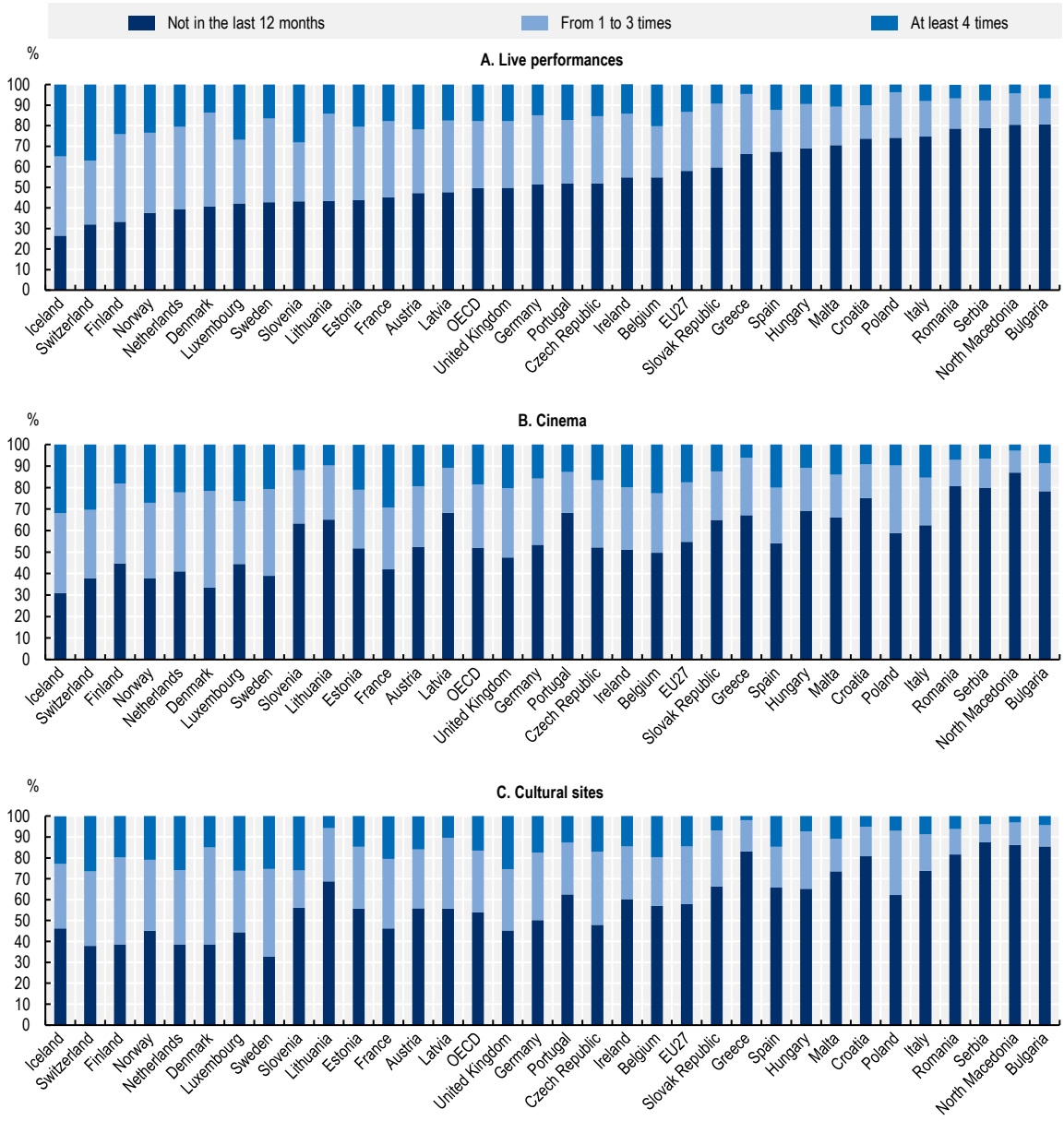
As a consequence, the expected impact of passive cultural participation on the various spheres of interest – health and wellbeing, social cohesion, innovation, etc. – is likely to be very different across European countries. Upper-tier countries will therefore likely provide the most favourable environment for the largest effect sizes. This means that also experimentation with cultural crossovers should take into account the differences in levels of cultural participation and design projects and interventions accordingly. In countries where effect sizes are expected to be comparatively larger, it would be possible to launch country-wide projects and experimentations, whereas in countries with lower levels of cultural participation it would be more constructive to experiment with regional or urban contexts where levels of cultural participation are likely to sit above the country average, and to progressively extend the pilot projects in high participation areas to lower participation ones.

Disaggregating overall passive cultural participation into three main categories (cinema, live performances, and visits to cultural sites) shows that even in countries with low total cultural participation, some attendance of certain activities can be high (Figure 2.4). Whereas for certain countries the participation rates for the three categories of activity are fairly similar, others show larger variations. Balkan countries such as Bulgaria, Romania, Croatia, Serbia and North Macedonia present low participation levels for all categories. In the case of Greece and Italy, however, we find much higher levels of participation for certain categories (cinema and live performances for Greece, cinema only for Italy). It is meaningful that, in the case of these two countries which are especially renowned for their physical cultural heritage, visits to cultural sites attract significantly less participation than other categories. It is also of interest that the three Baltic States, together with Slovenia and Portugal, stand out for particularly high levels of participation in live performances. More generally, live performances are the category that features the highest level of participation in most countries, followed by cinema. Only in five European countries, visits to cultural sites are the category with the highest participation.

However, each country is characterised by its own mix of participation levels for specific activities that further reflect local socio-cultural and economic characteristics. For nearby countries whose aggregate passive participation levels are comparable, the country-specific mixes may differ. For instance, in two Nordic countries such as Denmark and Finland which both sit in the top cultural participation tier, in the former cinema is the most widely participated category and live performances the least participated one, whereas the opposite is true for Finland. In fact, although one can find some similarities in the disaggregated patterns across nearby countries (such as in the case of the three Baltic States where live performances clearly prevail upon the other categories), each one has its own mix, despite the similarities at the aggregate level.

Figure 2.4. Frequency of passive cultural participation by cultural activity, 2015

Share of persons aged 16 and over who participated in a cultural activity

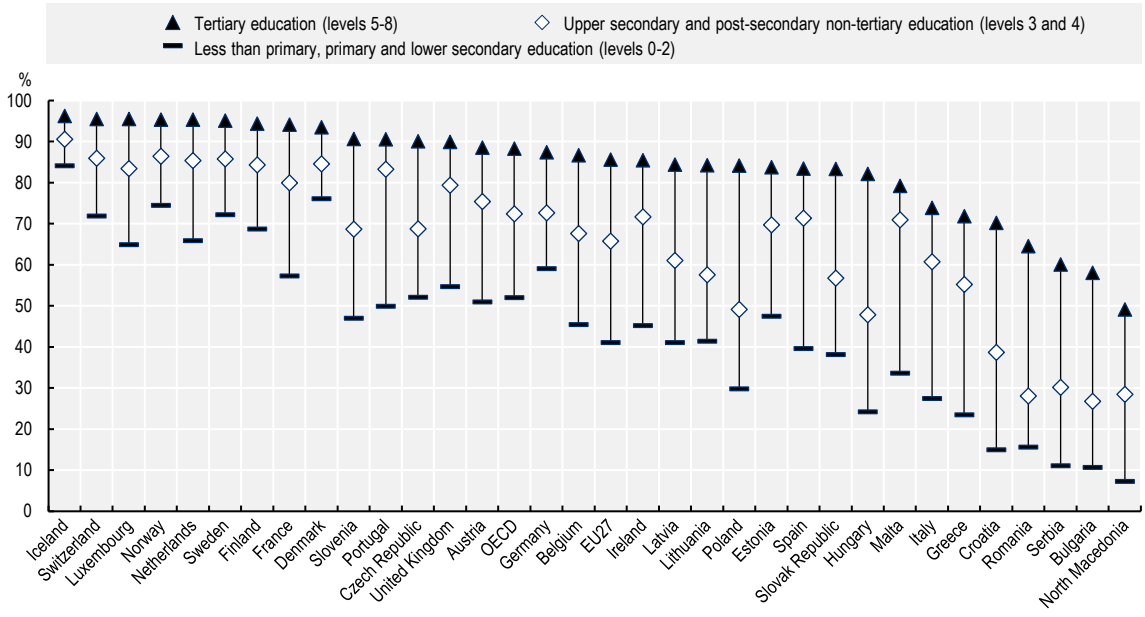


Source: Eurostat (2021[20]), *Cultural Statistics - Cultural Participation*, https://ec.europa.eu/eurostat/web/culture/data/database.

Statistics on overall passive cultural participation also disguise differences in concentration of cultural participation, as some countries may have fewer people attending cultural activities, but these participating individuals could be attending cultural events more frequently. Looking at frequency of passive cultural participation (Figure 2.4) country specificities become even more marked. For instance, as to the share of citizens that go to the cinema at least once a year, there are Nordic countries such as Sweden and Denmark that present higher overall values than France, but France has the highest share in Europe of citizens that go to the cinema at least 4 times a year. That is to say, aggregate levels of cultural participation may fail to reveal that in countries with relatively lower participation levels there may be a large share of "core" participants with especially high involvement in certain activities. A similar pattern is found for instance for live performances, where Finland has the highest share of attendance but Slovenia has the highest share of strong attendance (at least four times a year).

The country differences in terms of frequency of access appear to be related to socio-economic inequalities in cultural participation (see Figure 2.5 and Figure 2.6). Cultural participation, in Europe at least, presents a strong positive correlation with educational and income levels, pointing out that still much is to be done to ensure more inclusive access to culture, especially given the potentially positive effect cultural participation could have on those that are socio-economically disadvantaged.

Figure 2.5. Percentage of individuals who participated in cultural activities at least once during the year, by level of educational attainment, 2015

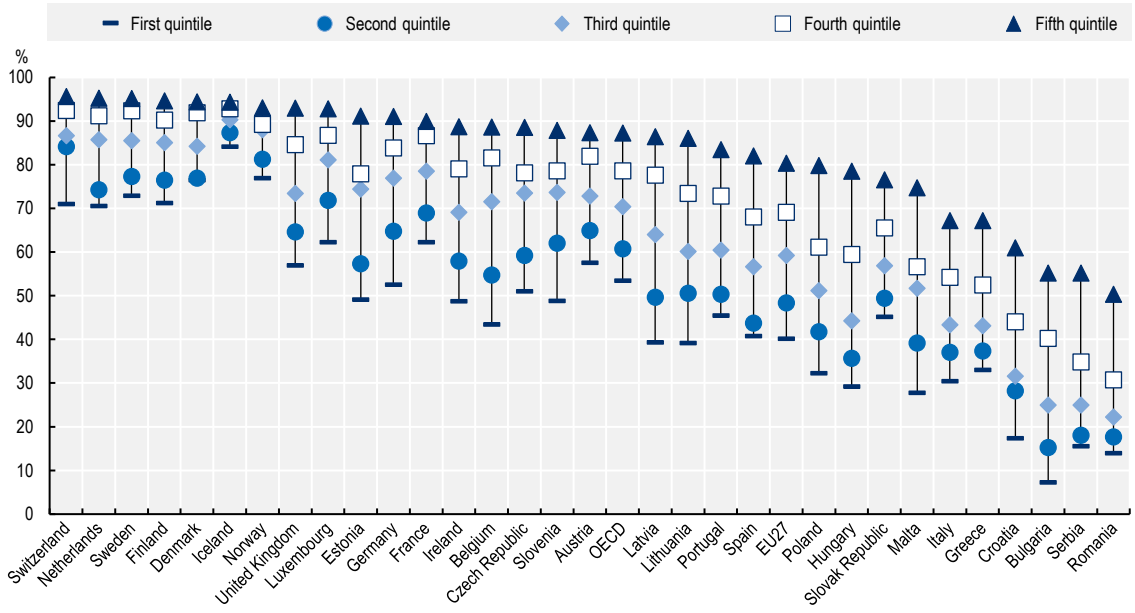


Note: Persons aged 16 and over. Cultural participation includes visits to cinemas, live performances, and cultural sites. Education level is based on ISCED 2011.
Source: Eurostat (2021[20]), *Cultural Statistics - Cultural Participation*, https://ec.europa.eu/eurostat/web/culture/data/database.

Indeed, in every country in the panel, the level of cultural participation increases with the level of educational attainment. In many countries, the participation gap between highly educated and less educated citizens is very large, whereas in a few others it is much narrower. The gap tends to be particularly big in countries with an overall low aggregate level of cultural participation, where the highly educated have levels of access that are close to the aggregate ones of high participation countries, and the less educated have extremely low levels of participation. In high participation countries, even the least educated have relatively high participation rates, and generally the higher the aggregate participation rate, the narrower

the gap between the most and least educated. Therefore, in Nordic countries, the overall gap is relatively narrow, in other countries sitting in the next lower participation tier such as France, Slovenia, the Czech Republic and Ireland the gap is wider. Policy action is therefore more urgent in countries with low aggregate participation rates.

Figure 2.6. Percentage of individuals who participated in cultural activities at least once during the year, by income quintile, 2015



Note: Persons aged 16 and over. Cultural participation includes visits to cinemas, live performances, and cultural sites.
Source: Eurostat (2021[20]), *Cultural Statistics - Cultural Participation*, https://ec.europa.eu/eurostat/web/culture/data/database.

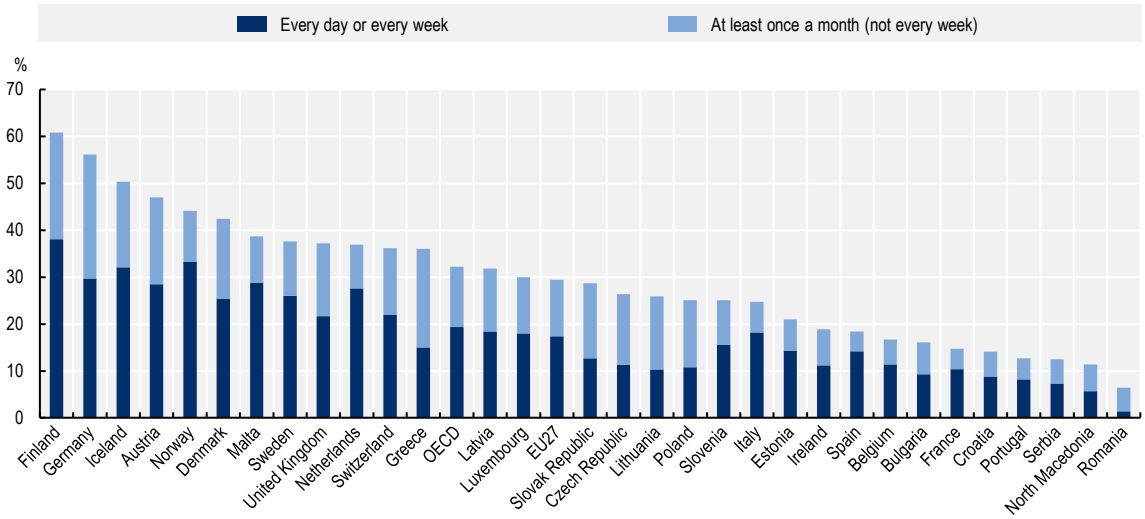
Looking at *active* participation (e.g. playing a musical instrument, dancing, painting, etc.), shows a slightly different pattern across national contexts (Figure 2.7). Some low-participation countries in terms of passive participation have a much higher position when considering active participation. For example, in Greece, 44% of the population had engaged in active cultural participation in the last year, well above the OECD average of 37%. Additionally, some of the countries with relatively high passive participation rates such as France and Belgium present some of the lowest active participation rates in the EU.

Overall, around two-thirds of European citizens are estimated to never engage in *active* cultural participation (Figure 2.8). On average, 65.7% of people across the EU27 had not engaged in active cultural participation in the last year. In Belgium, Bulgaria, Croatia, Estonia, France, Ireland, Italy, North Macedonia, Portugal, Romania, Serbia and Spain this figure was above 75%. The large share of people not participating in cultural activities deserves special attention given the potential expected benefits.

Better understanding of country differences in the rates and forms of participation could help to fully leverage the potential of cultural participation for economic and social value creation as well as inclusion. Although sizes are very different across countries, in every single European country there is a participation gap between the most and the least well-off, which implies that there is a need for more targeted inclusive cultural policies, the more so the lower the cultural participation level of a country overall.

Figure 2.7. Frequency of practice of artistic activities, 2015

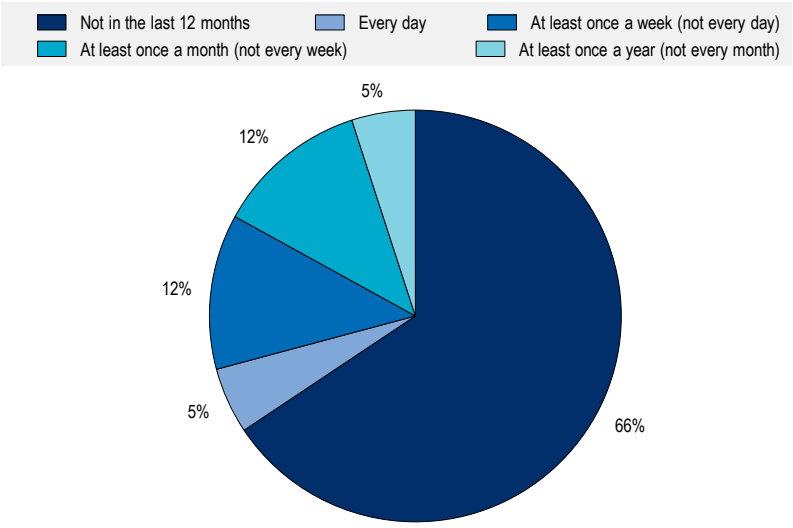
Share of persons 16 and over who participated in artistic activities



Note: Artistic activities are defined as practices of playing a musical instrument, composing music, singing, dancing, acting, photography, filmmaking, drawing, painting, sculpting or other visual arts, handcraft, writing poems/short stories/fiction, etc. Only activities performed as a hobby are included. It is not important if the activities are organised or not. If the respondent performs more than one activity, the time spent on all of them should be counted. All activities performed as the respondent's professional activity are excluded (EC, 2015[109]).
Source: Eurostat (2021[20]), *Cultural Statistics - Cultural Participation*, https://ec.europa.eu/eurostat/web/culture/data/database.

Figure 2.8. Frequency of active participation in artistic activities during the year, 2015

Share of persons aged 16 and over in the EU who participated in artistic activities



Note: OECD average (with available countries) shows identical numbers. Artistic activities are defined as practices of playing a musical instrument, composing music, singing, dancing, acting, photography, filmmaking, drawing, painting, sculpting or other visual arts, handcraft, writing poems/short stories/fiction, etc. Only activities performed as a hobby are included. It is not important if the activities are organised or not. If the respondent performs more than one activity, the time spent on all of them should be counted. All activities performed as the respondent's professional activity are excluded (EC, 2015[109]).
Source: Eurostat (2021[20]), *Cultural Statistics - Cultural Participation*, https://ec.europa.eu/eurostat/web/culture/data/database.

A regional view on participation patterns reveals in some countries a dualism between the capital and other regions

Attendance data for some cultural activities are available from both European and non-European countries. Attendance data is gathered at delivery point (museum, library, cinema, theatre, etc.) rather than by user survey, and therefore covers attendance both by residents and by tourists.[1] The list of data sources can be found in Annex Table 2.A.1. Specifically for European countries, this includes cinema attendance, library attendance (distinguishing between library visits and library users, as different European countries measure participation by using either one or the other indicator), museum and live shows attendance. For non-European countries, data is available only for museums and cinema attendance.

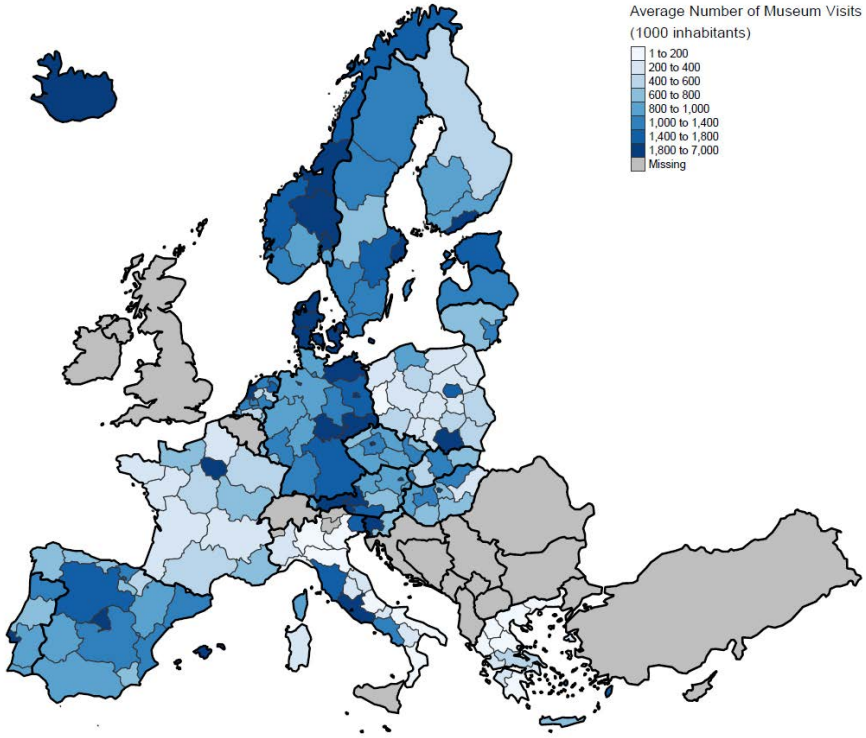
- **Libraries and museums are institutions that are the pillars of public cultural policies.** These institutions have a primary mission is enable people to participate for educational and public interest purposes, and not to optimise revenues from paying visitors, and this is generally the case also for privately owned museums and libraries. Therefore, participation data on these institutions help us understand how non-profit-oriented cultural institutions engage residents vs. tourists.
- **Cinema and live performances are mainly profit-oriented and industrially organised.** These data help to understand the balance of the cultural participation mix in a certain country as to entertainment versus educational motives.

Different cultural activities present different geographies of cultural participation across European and non-European countries and regions (Figure 2.9 to Figure 2.11). Certain activities, such as museum attendance, generally feature high and often prevailing shares of tourists with respect to residents, whereas others, such as libraries, are mainly attended by residents. National orientations seem to count with respect to cultural participation, with Southern European countries (as well as countries such as Israel and Mexico) relatively more interested in activities where the entertainment component is stronger, such as in live events and cinema, and Northern European countries which are more interested in activities with stronger high art and culture components such as museum and library attendance. Moreover, countries with relatively low income are more limited as to access to relatively expensive entertainment opportunities such as cinema – similar to the relationship between income levels and cultural participation in the Eurostat data.

These data reveal a clear North-South divide, with Northern European countries reporting much higher rates of cultural participation than Southern European ones, but the regional picture is more nuanced. The highest rates of cultural participation are typically reached in each country's capital city regions. This reflects both the fact that such regions often host some of the most important museums at the national level and that they are also among the most attractive tourist destinations, such as Paris, Berlin, Rome, Madrid, Stockholm, Helsinki, Vienna, Prague, and Budapest.

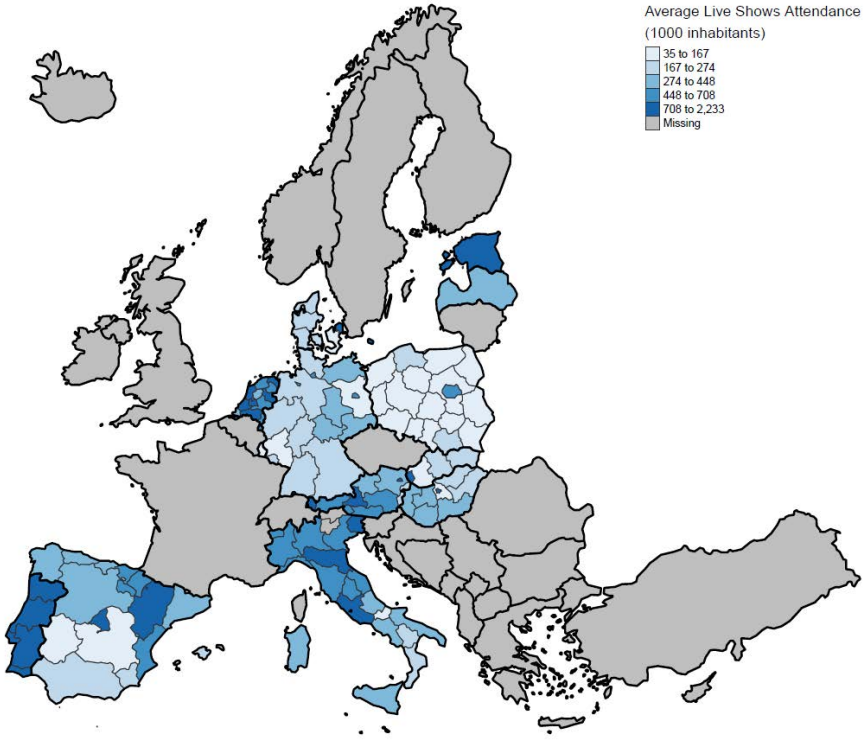
However, there are also different general patterns across different European countries. In France, the dualism between Paris and the other regions is very apparent, whereas in Spain almost all regions present relatively high rates of museum attendance. Italy is somewhat in the middle, with Tuscany and Campania getting close to Lazio (the capital city region), and other regions presenting lower rates, similar to the French case. It is interesting to notice that in Italy, a border region like Friuli-Venezia Giulia presents high levels of cultural attendance that partially reflect those of bordering Austrian and Slovenian regions.

Figure 2.9. Average number of museum visits per 1 000 inhabitants in Europe



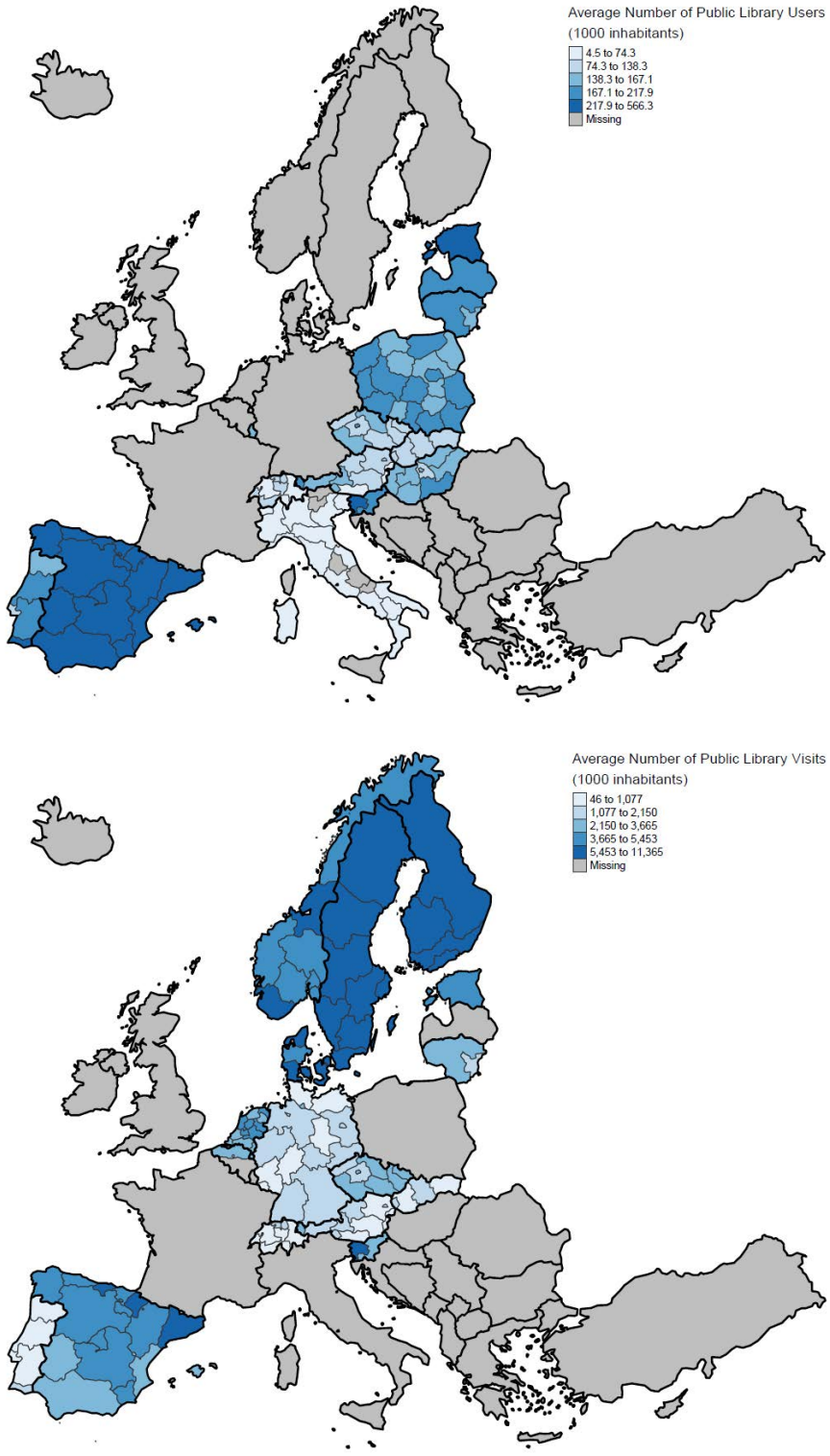
Source: Ad-hoc data collection, see list of sources in Annex 2.A.

Figure 2.10. Average number of live shows attendance per 1 000 inhabitants in Europe



Source: Ad-hoc data collection, see list of sources in Annex 2.A.

Figure 2.11. Average rates of public library users (top) and visits (bottom) per 1 000 inhabitants in Europe



Source: Ad-hoc data collection, see list of sources in Annex 2.A.

In the case of museums, attendance data per capita is a misleading indicator of local cultural participation, as much of these attendance rates can be attributed to tourists. Museums are typically visited more by tourists than by residents. However, in less tourist-oriented regions, museum visits may also reflect the attendance of locals. For example, the country that presents uniformly high levels of museum attendance rates is Norway, which also has high cultural participation of rates of actual residents. Also of interest are the high participation rates of small, but very dynamic countries such as Estonia and Iceland. Eastern regions in Germany are characterised by higher participation rates than Western ones. There is also a relatively high level of cultural participation across the regions in Central Europe, spanning Southern Germany, Austria, the Czech and Slovak Republics, Northern Hungary, and South-Eastern Poland – an area with several cultural tourism destinations such as Prague, Vienna and Salzburg.

Libraries, on the contrary, almost exclusively represent local attendance and therefore are more reliable markers of local cultural participation. Two alternative measures need to be considered, visits and users, as different countries use different criteria to measure library attendance. In Spain, for instance, the average rate of users is uniformly high across the country. However, the visit rates show that there are significant differences in terms of access, with Catalonia leading at the national level. Indeed, one of Catalonia's most important festivals, the day of the Saint Patron Sant Jordi, is celebrated by girls buying books for their friends, showing how reading is deeply ingrained not only in cultural, but also in local social practices. For libraries, the geography of attendance is not easily organised in terms of a North-South divide within Europe. Once again, the unavailability of data for many European regions is a big limitation.

Box 2.8. Proximity to cultural venues in Europe

The Cultural and Creative Cities Monitor

The Cultural and Creative Cities Monitor is a benchmarking tool designed and developed by the Joint Research Centre (JRC), the European Commission's science and knowledge service. Its aim is to monitor and assess the performance of "Cultural and Creative Cities" in Europe providing benchmarking on a range of different quantitative and qualitative criteria. As part of the analysis, the report uses the open-source mapping tool OpenStreetMap to collate geo-localised data on museums, theatres and cinemas across European cities.

The report finds that in about 40% of European cities, most people would reach the closest cultural venues within a 30-minute walk. In nearly half of the European cities analysed people are, on average, no more than 2 km away from a museum, theatre or cinema, with 75 cities identified as having over 50% of the population within this distance. The cities with the highest population living within walking distance of a cultural venue were found mainly in southern Europe (seven out of the top ten from southern Europe), with cities in Northern Europe generally showing lower proportions. For example, in Paris and Athens, around 95% of the population live within 2 km of a cultural venue. However, there was wide variation across cities within a country. For example, while Paris had the highest proportion of people living within 2 km of a cultural venue, Montpellier had the third-lowest proportion at 50%.

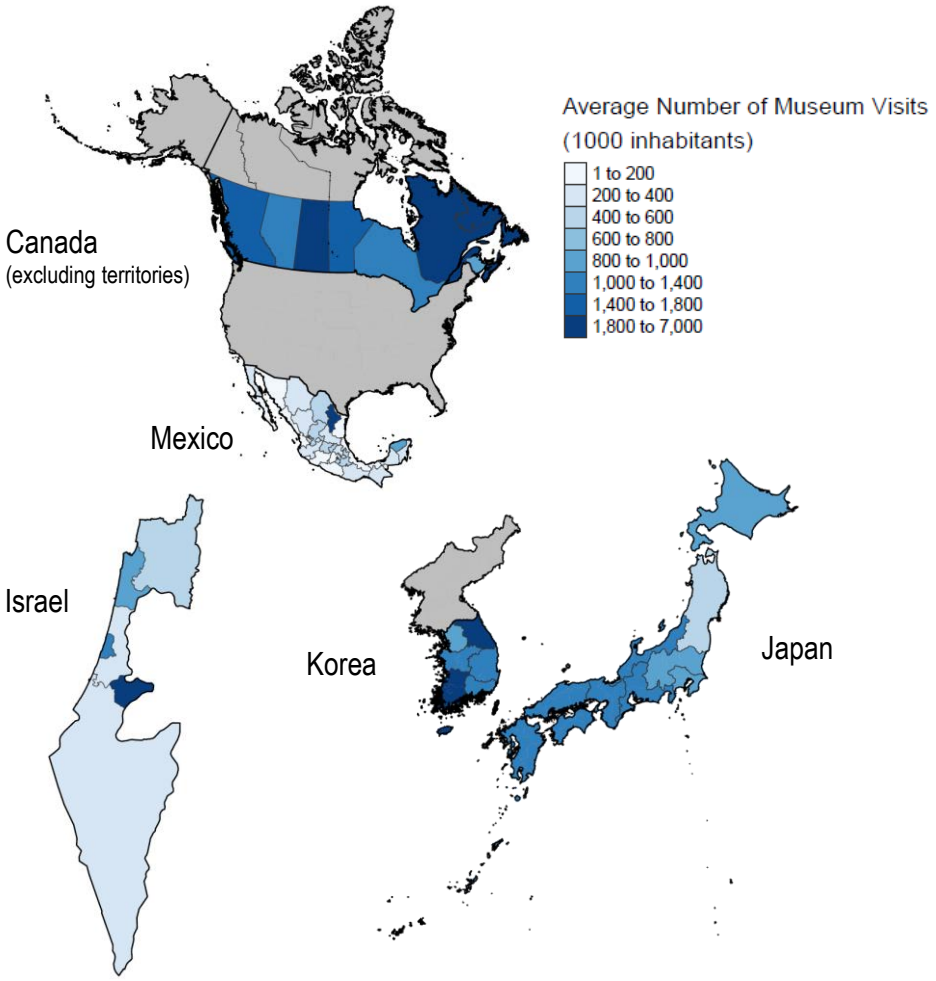
European cultural venues are generally well served by public transport. Analysis of the availability of bus stops in close proximity to cultural venues shows that in 150 out of the 179 European cities analysed, more than 50% of cultural venues are located in close proximity (within 500 m) to at least 6 bus stops. In addition, in 74 cities, all the cultural venues considered have at least one bus stop available within 500 m.

Source: Montalto, V. et al. (2019[110]), *The Cultural and Creative Cities Monitor: 2019 Edition*, http://dx.doi.org/10.2760/257371.

Moving beyond Europe, there are interesting national and subnational distinctions, albeit regional divides within countries are more marked for museum relative to cinema attendance (Figure 2.12 and Figure 2.13).

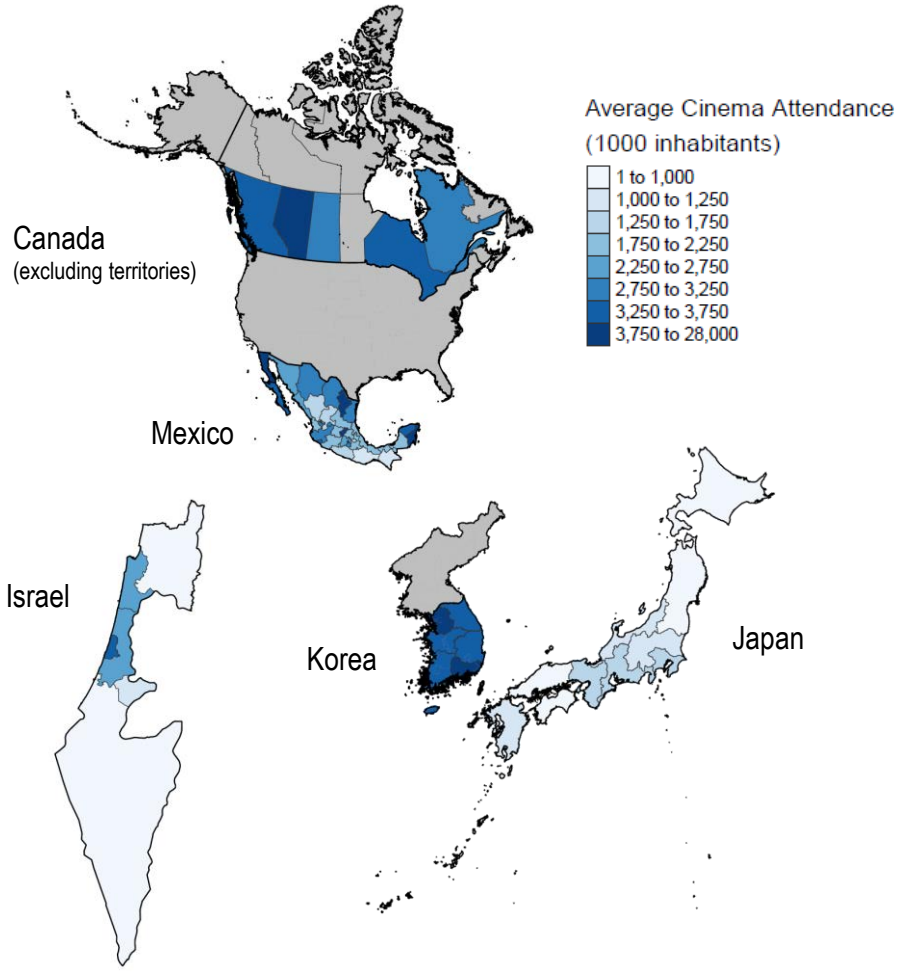
- **In Asian countries such as Korea and Japan, participation patterns are also different across countries**. Korea presents very high participation levels for both museum and cinema attendance, reflecting a broad interest in various forms of both high art and culture and popular culture experiences. In the case of Japan, there is a sharp split between high participation rates for museum attendance, but surprisingly low participation rates for cinema attendance.
- **Canada presents uniformly high rates of cultural participation for both museums and cinema, but the regional hubs are different.** Quebec, which in the Northern American context is especially closer to Francophone Europe in terms of cultural distance, shows higher participation for museum attendance, whereas Ontario is more inclined toward the entertainment-related sphere of cinema attendance.
- **Israel, on the contrary, is overall more of a low-attendance country, but also with a regional dualism.** Regional leadership in high art and culture is found more in Jerusalem, while entertainment-oriented forms of participation are more prevalent in Tel Aviv.

Figure 2.12. Average number of museum visits per 1 000 inhabitants in Canada, Mexico, Israel, Korea, and Japan



Source: Ad-hoc data collection, see list of sources in Annex 2.A.

Figure 2.13. Average number of cinema attendance per 1 000 inhabitants in Canada, Mexico, Israel, Korea, and Japan



Source: Ad-hoc data collection, see list of sources in Annex 2.A.

Time-use surveys help measure cultural participation, but it is difficult to extract culture-related activities from the data currently collected at a national level

Another important kind of data about cultural participation comes from time-use surveys which measure how citizens allocate their time across different activities. It could provide detail on the actual role and importance of culture-related experiences in the daily activity of people, which could be of great importance in designing a new generation of cultural participation-driven social impact policies. However, survey formats vary from country to country and discerning what is actually cultural participation is not obvious.

In examples from Germany and Spain, there is not a specific category of time-use that directly refers to cultural participation (Table 2.1, Table 2.2). In fact, in the classification from Germany, culture-related activities may fall into different categories at the same time: qualification and education, social life and entertainment, sport, hobbies and games, and media use. For Spain, cultural activities are split across many categories (social life and entertainment, hobbies, the media, and possibly also the outdoor activities part associated with sports (for instance visits to heritage sites). Currently, it is difficult to extract the needed information from the available data in countries.

Table 2.1. Time-use survey in Germany, 2012/13

Average time use of persons aged 10 and older by sex

Activities	Total	Male	Female
	Hours and minutes per day		
Personal sphere, physiological regeneration	11:07	10:57	11:16
Economic activity	2:43	3:19	2:09
Qualification, education	0:32	0:33	0:32
Housekeeping and taking care of the family	3:07	2:24	3:49
Voluntary and community work	0:21	0:21	0:21
Social life and entertainment	1:50	1:46	1:55
Sports, hobbies, games	0:59	1:08	0:51
Media use	3:03	3:15	2:52

Source: Statistisches Bundesamt (2019[111]) Time Utilization (ZVE) 2012/2013, https://www.destatis.de/DE/Themen/Gesellschaft-Umwelt/Einkommen-Konsum-Lebensbedingungen/Zeitverwendung/Tabellen/aktivitaeten-geschlecht-zve.html.

Table 2.2. Time-use survey in Spain, 2002/03 and 2009/10

Average time use of persons aged 10 and older by males

Activities	Males		Females	
	2002-03	2009-10	2002-03	2009-10
Personal care	11:24	11:35	11:21	11:29
Work	3:37	3:03	1:44	1:53
Studies	0:42	0:47	0:43	0:47
Household and family	1:30	1:50	4:24	4:04
Volunteer work and meetings	0:11	0:11	0:16	0:15
Social life and entertainment	1:32	1:01	1:27	0:57
Sports and outdoor activities	1:32	1:01	1:27	0:57
Hobbies	0:27	0:44	0:12	0:23
The media	2:25	2:45	2:08	2:33
Journeys and unspecified time	1:15	1:14	1:05	1:07

Source: Instituto Nacional de Estadística (2010[112]), Time Use Survey (TUS), https://www.ine.es/en/prensa/eet_prensa_en.htm.

Cultural participation activity that is related to the production and dissemination of user-generated content in particular is still very poorly understood and structured in terms of statistical measurement. For instance, internet activity is typically generically classified as leisure time or media use. Such information will be needed to understand how new forms of participation (related to the "open platform" approach) is changing individual and collective attitudes and habits for both passive and active cultural participation. The measurement frameworks developed need to reflect the complex reality of cultural participation in the digital age.

Expenditure on cultural activities by households and the public sector can complement other measures of cultural participation

Household expenditure could be another source of information on cultural participation activities, but it only considers those forms of participation that have to do with paying a ticket or fee.[2] This kind of data is of special importance in tracking how market-mediated access to culture is influenced by

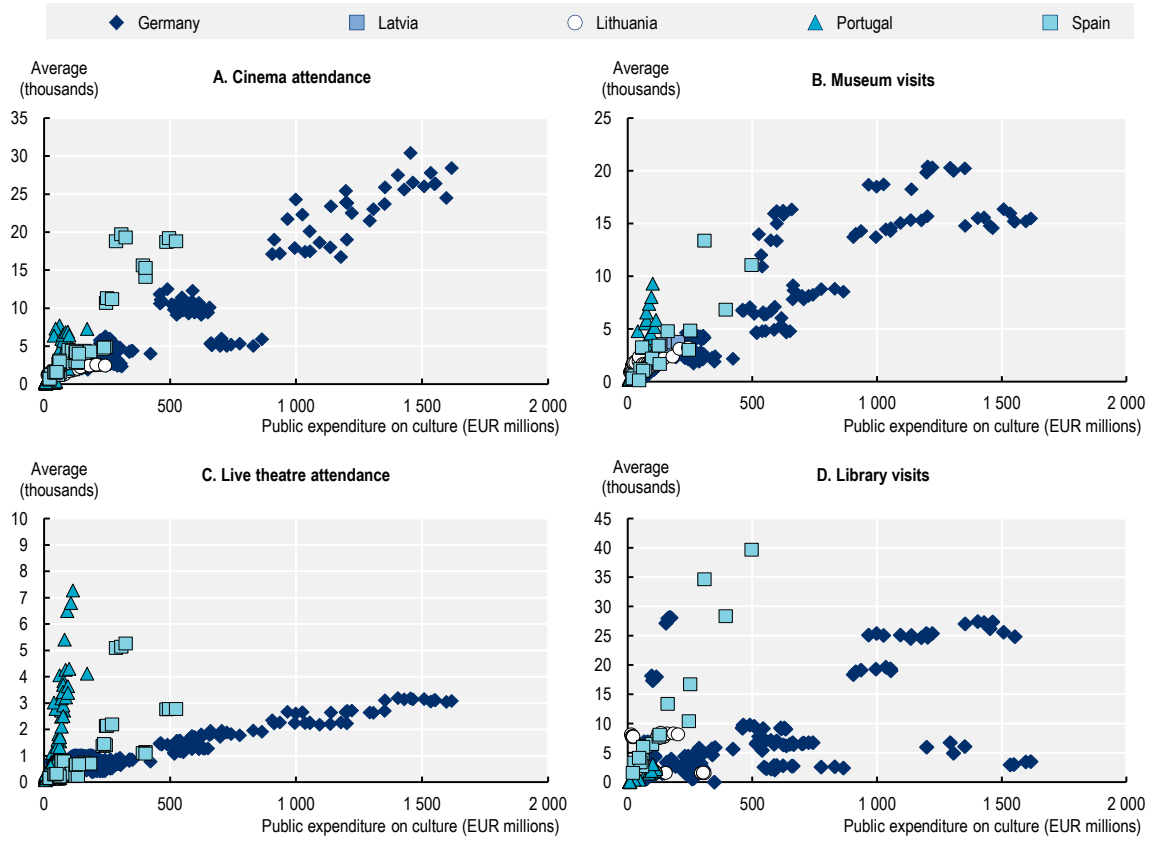
economic cycles. Expenditure data can provide detailed insights into how the cultural participation of households responds to varying economic and social conditions. However, understanding fluctuations, for example substituting between higher and lower cost of cultural services, is not easy to discern without complementary data such as for time-use.

Another source of indirect information on cultural participation patterns is the share of public expenditure devoted to culture-related activities. It can be helpful to compare, for example, the patterns of regional differences in local government spending (see Chapter 5) alongside household expenditure since both can indicate the net impact on cultural participation. In times of economic crisis, households spend less in market-mediated forms of leisure but may find a richer offering from publicly financed institutions (if public financing is maintained), possibly driving adjustments in cultural participation choices.

In selected European countries, there is a positive correlation between public expenditure on culture and cultural participation (Figure 2.14). This relationship is found even for participation in areas that generally receive less or no public financing such as cinema and live performances. This seems to suggest that there could be a complementarity between public and private expenditure: as publicly financed cultural institutions enrich their offering thanks to more public spending, increased attendance also stimulates attendance in non-publicly-financed cultural activities. At the same time, it could be that high levels of cultural participation create the political consensus conditions for high levels of public spending in culture, so a causal relationship may be at play, and in either direction.

Figure 2.14. Correlation between public expenditure on culture and cultural activities for selected European countries

Regional averages over 1995 (or earliest) to 2019 (or latest) available data



Note: Each data point represents a country at different points in time.
Source: Ad-hoc data collection, see list of sources in Annex 2.A.

Policy perspectives

Cultural participation has been a relatively neglected policy topic, calling for greater policy action given its manifold impacts across policy spheres. It can be used to address key societal and economic challenges, such as fostering social inclusion and cohesion or promoting entrepreneurship and innovation, from very different angles and through very different methods compared to the policy mainstream. On one hand, it is through participation that culture may spark individual and social processes of behavioural change that positively impact social value creation and the pursuit of public interest goals. Cultural participation has been shown to promote human development and active citizenship, facilitating the acquisition of important capabilities and the prevalence of pro-social dispositions. On the other hand, cultural participation also provides an important basis for the support of cultural and creative production, irrespective of whether access to such production entails the payment of a ticket or fee that results in a direct economic impact.

In countries with higher levels of cultural participation, one can also expect relatively higher spending on culture and, vice versa, high levels of cultural spending pave the way to higher levels of cultural participation. This is likely a process of mutual causation, where more cultural participation causes more spending, but also vice versa where more spending invites even more participation. Moreover, high participation rates can be reflective of broader societal values, which also influence public spending decisions and public policies which further reinforce this relationship.

Broaden the scope of the policy approach to cultural participation

The policy rationale for public spending in culture, and for the development of cultural participation, generally tends to be narrowly focused on support for culture as a merit good. However, cultural participation may have important implications for health and well-being, innovation, social cohesion, and even responsible environmental behaviours. This implies that the policy approach to cultural participation could evolve to broaden in scope. Cultural participation should be considered relevant in all other policy contexts where cultural participation brings about major effects: e.g. health, social change, research and innovation, environment and climate, and education, among others.

One example of this broader approach is found in the European Commission's, New European Agenda for Culture (NEAC). Through the innovative notion of cultural crossovers, the NEAC explicitly recognises the importance of the trans-sectoral impacts related to cultural participation. However, it is important that the principles set forth in the agenda are both pursued in future policy choices and promoted beyond the European policy sphere. For instance, the interest toward the impacts of cultural participation on health and well-being is now quickly escalating both in the global research scene and in the policy sphere.

Develop a common statistical framework, including for inter-regional and international comparisons

For cultural participation to be viewed as a vehicle to achieve multiple policy goals, timely, systematic, comprehensive and consistent statistical frameworks are needed. This data would help to underpin measurement and the evaluation of policy actions on cultural participation. Promoting the development of such a framework, in collaboration with national statistical institutes and other relevant institutions collecting and analysing statistical data at various territorial scales and capacities, is one of the most pressing needs to further this agenda. Promoting this at an international scale is also very valuable for benchmarking and learning.

Promote research on the causal effects of cultural participation on other social impacts

More research is needed on the causal effects of cultural participation on target areas of special relevance for social impact. Even in fields such as the relationship between cultural participation, health and well-being, much of the available evidence is of a correlational rather than causal nature. This is due to the longer timeframes and significant resources needed for longitudinal analyses and randomised trials to ascertain causal effects. Further research could be connected directly to specific experiments in policy design, to improve the connection between new evidence and concrete policy implementation. The development of a solid basis for experimentation, according to rigorous scientific evaluation standards, is required for a truly evidence-based approach to cultural participation.

Create new collaborations between cultural and non-cultural institutions

Given the promise of culture-driven crossovers with high potential for social and economic impact, it is important to create the conditions for them to unfold. To make this happen, there is a need to break old silos and build bridges between different disciplinary and professional spheres. New collaborations between cultural and non-cultural institutions can help in innovating, experimenting and implementing crossover projects (e.g. between museums or theatres and hospitals, between orchestras and educational institutions, or between independent art spaces and urban planners, etc.). This new dialogue requires careful preparation on both sides. The launch of pilot programmes to establish common ground and understanding, build trust, and develop professional skills with bridging functions can help in this direction. The monitoring and evaluation of such pilot projects will be important for learning and building the evidence base to better inform wider policy initiatives.

Engage regional governments and institutions together

The regional scale is in an intermediate position between the country-wide scale, which necessarily calls for macro policies, and the local scale, which requires adaptations. The effects and appeal of cultural participation also depend to a large extent upon the local socio-cultural environment and on local history. The regional scale can therefore be helpful for experimentation on cultural participation-driven crossovers. In certain contexts, entertainment-oriented vs. high arts and culture-oriented forms of participation may have a different appeal. In others, income inequalities may or may not become a barrier to certain forms of pay-walled participation. The relationship between the cultural participation of residents and the logic of cultural tourism development, especially in art and heritage cities, is another field. Peer learning across different regions and territories may be extremely useful to build more expertise and awareness of the potential and pitfalls of culture-driven local development. Promoting the creation of a community of practice within regions, across countries and across continents may therefore be a promising opportunity to promote greater experimentation, learning and impact.

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Annex 2.A. Data sources for cultural participation

Due to a lack of a common source of cultural participation statistics, different official data sources have been used. The selected data were harmonised as much as possible to facilitate comparisons across countries. The exclusion of some countries depends on data availability and/or extreme heterogeneity. Data was also modified to reflect the OECD TL2 territorial classification. The population-weighted values have been obtained from OECD demographic data.

Annex Table 2.A.1. Data sources and reference years

Country	Variable	Reference years	Source	Link
All countries	Regional demography	1995-2019	OECD	https://stats.oecd.org
Austria	Cinema attendance	2000-18	Statistik Austria	https://www.statistik.at
	Museum visits	1995-2018		
	Library users	2000-18		
	Library visits	2006-18		
Belgium	Cinema attendance	2010-17	Statbel	https://statbel.fgov.be
	Library visits	2006-18	Flemish Government	https://vlaanderen.be
Canada	Cinema attendance	2008-10	Statistics Canada	https://www150.statcan.gc.ca
	Live show attendance	2014-18		
	Museum visits	2013-15	Government of Canada	https://www.canada.ca
	Library users	2010-10	Canadian Library Association	http://cla.ca
	Library visits			
Czech Republic	Library users	2010-18	Czso	https://vdb.czso.cz
	Library visits			
	Museum visits	2008-18	Nipos	https://www.statistikakultury.cz
Denmark	Museum visits	2017-19	Statistics Denmark	https://www.statbank.dk
	Library visits	2009-19		
	Live show attendance	2010-15		
	Cinema attendance	2014-19		
Estonia	Museum visits	1995-2019	Eesti Statistika	http://andmebaas.stat.ee
	Library visits	2019-19		
	Live show attendance	2004-18		
	Cinema attendance	1995-2018		
	Public spending	1995-2019		
Finland	Museum visits	2007-19	National Board of Antiquities	https://www.museotilasto.fi
	Library visits	1999-2019	Ministry of Education and Culture	https://tilastot.kirjastot.fi
	Public spending	2015-19	Statistics Finland	http://pxnet2.stat.fi
France	Cinema attendance	1995-2019	French Government	https://www.data.gouv.fr
	Museum visits	2005-16	Ministry of Culture	https://data.culture.gouv.fr

Country	Variable	Reference years	Source	Link
Germany	Museum visits	2002-18	Destatis	https://www-genesis.destatis.de
	Library visits	2000-19		
	Live show attendance	2000-18		
	Cinema attendance	2000-19		
	Public spending	2005-15		
Greece	Museum visits	1998-2019	Hellenic Statistical Authority	https://www.statistics.gr
Hungary	Museum visits	2000-2018	Hcso	https://www.ksh.hu
	Library users	2000-18		
	Live show attendance	2000-19		
	Cinema attendance	2000-19		
Iceland	Museum visits	1995-2018	Statistics Iceland	http://px.hagstofa.is
	Cinema attendance	1996-2014		
Israel	Museum visits	2008-16	Central Bureau of Statistics	https://www.cbs.gov.il
	Cinema attendance	2008-19		
Italy	Museum visits	2010-18	Istat	https://www.istat.it
	Library users			
	Live show attendance			
	Cinema attendance			
Japan	Cinema attendance	2009-18	Ministry of Economy, Trade and Industry	https://www.meti.go.jp
	Museum visits	2007-17	Japanese Government	https://www.e-stat.go.jp
South Korea	Library visits	2018-18	Kosis	http://kosis.kr
	Museum visits		Korean Film Council	http://www.kobis.or.kr
	Cinema attendance		Ministry of Culture, Sports and Tourism	https://www.mcst.go.kr
Latvia	Museum visits	1995-2019	Official Statistics of Latvia	https://data.csb.gov.lv
	Library users	2003-19		
	Live show attendance	1995-2019		
	Cinema attendance			
	Public spending	2001-18		http://data1.csb.gov.lv
Lithuania	Museum visits	1995-2019	Lietuvos Statistika	https://osp.stat.gov.lt
	Cinema attendance	2010-19		
	Public spending	2004-19		
	Library users	2006-19	Lithuanian National Library	https://lnb.lt
	Library visits			
Luxembourg	Museum visits	1995-2009	Statec	https://statistiques.public.lu
	Library users	2012-19		
	Live show attendance	2002-09		
	Cinema attendance	1995-2009		
Mexico	Cinema attendance	2019-19	Instituto Mexicano de Cinematografia	http://www.imcine.gob.mx
	Museum visits	2016-19	Inegi	https://www.inegi.org.mx

Country	Variable	Reference years	Source	Link
Netherlands	Museum visits	1995-2019	Museums Association	https://www.museumvereniging.nl
	Cinema attendance	2001-19	Boekman Foundation	https://www.boekman.nl
	Library visits	2015-18	National Library of the Netherlands	https://www.bibliotheekinzicht.nl
	Live show attendance	1999-2018	Statistics Netherlands	https://opendata.cbs.nl
Norway	Museum visits	2004-19	Statistics Norway	https://www.ssb.no
	Library visits	2015-19		
	Cinema attendance			
Poland	Museum visits	1995-2019	Statistics Poland	https://bdl.stat.gov.pl
	Library users			
	Live show attendance	2009-19		
	Cinema attendance	1995-2019		
Portugal	Museum visits	2012-18	Francisco Manuel dos Santos Foundation	https://www.pordata.pt
	Live show attendance	2002-19		
	Cinema attendance	2006-19		
	Public spending	2009-18		
	Library users	2016-18	General Directorate for Book, Archives and Libraries	http://bibliotecas.dglab.gov.pt
	Library visits			
Slovak Republic	Museum visits	2001-18	Statistical Office of the Slovak Republic	https://slovak.statistics.sk
	Library users			
	Library visits			
	Live show attendance	2009-18		
Slovenia	Museum visits	2004-15	Statistical Office of the Republic of Slovenia	https://pxweb.stat.si
	Library users	2000-19	BibSist	https://bibsist.nuk.uni-lj.si
	Library visits			
Spain	Museum visits	2000-18	Ministry of Culture and Sports	https://www.culturaydeporte.gob.es
	Library users			
	Library visits	2002-18		
	Live show attendance	2003-18		
	Cinema attendance	2000-19		
	Public spending	2015-17		
Sweden	Museum visits	2003-19	The Swedish Agency for Cultural Policy Analysis	https://kulturanalys.se
	Cinema attendance	2001-16	Swedish Film Institute	https://www.filminstitutet.se
	Library visits	2004-12	Statistics Sweden	http://www.statistikdatabasen.scb.se
Switzerland	Cinema attendance	2009-19	Federal Statistical Office	https://www.atlas.bfs.admin.ch
	Library users	2003-19		https://www.bfs.admin.ch
	Library visits			

Notes

[1] Data are fragmented and incomplete, and often reflects different criteria, both in apparent ways (such as in the measurement of library attendance), and in subtle ways (when measures that nominally refer to the same variables might in practice follow different criteria in different countries).

[2] In addition, in most countries it is included in broader categories that cover recreation, which can also include activities such as watching sports, gambling, non-cultural tourism, and so on.

Regional perspectives: 4 case studies

To accompany this report, the OECD has conducted four in-depth regional case studies in Emilia-Romagna, Italy; Flanders, Belgium; Glasgow, United Kingdom (UK) and Klaipėda, Lithuania. These case studies, undertaken in collaboration with local partners, examine trends and issues in the local context and assess current policy provisions. Comparing evidence from each of these case studies reiterates the different challenges faced by policy makers at the regional level and how diverse contexts require tailored solutions.

Each region has unique characteristics in regards to both institutional arrangements for cultural and creative sectors (CCS) policy making, sub-sectoral strengths and financial ecosystems. Each region has implemented a number of effective and innovative CCS policy initiatives around cultural participation, cultural and creative skills, business support, and access to finance. For example, in Emilia-Romagna, the Laboratori Aperti projects provide physical spaces, workshops and training to support cultural entrepreneurs to test pilot projects that could be eventually scaled up to economically viable ventures. In Flanders, the Cultuurkrediet initiative supports CCS businesses in accessing credit through the partner bank Hefboom. In Glasgow, policy makers are promoting fair work principles, to encourage better pay and working conditions for artists and CCS professionals. And in Klaipėda, a disused tobacco factory was repurposed in 2014 to form Cultural Factory, a municipal institution that operates as a cultural and creative sector incubator, quickly becoming the centre for contemporary cultural action and an essential platform for local creative businesses.

Emilia-Romagna, Italy

About the area

Emilia-Romagna is one of the 20 administrative regions of Italy, situated in the northeast area of the country. Emilia-Romagna is divided into nine provinces: Piacenza, Parma, Reggio Emilia, Modena, Bologna, Ferrara, Ravenna, Forlì-Cesena, and Rimini. The population density (200 inhabitants per km^2 in 2019) is close to the national average. Moreover, the population is evenly distributed, with no dominant large city but rather an axis of medium-sized cities along the Via Emilia, where two-thirds of the population and the majority of the industrial production are concentrated.

Emilia-Romagna is one of the wealthiest and most developed regions in Europe. It has the third-highest gross domestic product (GDP) per capita in Italy (after Lombardy and Trentino-Alto Adige) and the percentage of the population with a tertiary education degree was 23.3% in 2021, above the national average of 20% (Eurostat). It also has high employment rates and low unemployment rates.

Manufacturing still plays a leading role in the overall regional economy, with some of the most important industrial districts in Italy. Such districts relate to many different sectors, the most important ones being mechanical engineering, automotive, ceramics, automation and robotics, construction materials, and food processing and packaging. Other relevant districts in the region relate to the agri-food, fashion, and biomedical sectors.

History of CCS policy in the region

Since the establishment of Emilia-Romagna as a regional entity in 1970, regional authorities have been active in supporting CCS. Up to the end of the Nineties, regional policies were mainly characterised by a traditional approach, cantered on the funding and management of cultural institutions, such as museums, libraries, and theatres with a strong focus on social inclusion and access to culture throughout the territory. Since the 2000s however, regional policies have become more focused on the strategic role of CCS in developing the overall regional economy. This policy agenda has seen increasing dialogue and collaboration between regional authorities and local municipalities, and with foundations, associations, and other actors.

The policy landscape for CCS in the region now takes a markedly integrated approach based on both direct intervention (public funding, management of cultural institutions), and sustaining bottom-up initiatives and collaborations among different actors. Such an integrated approach is pursued also by public policies implemented in other areas (e.g., tourism, welfare, employment), which consider potential synergies with CCS. This approach has been characterised recently by an increasingly tight relationship between CCS and other sectors, including the region's large, sophisticated manufacturing economy, and a progressive integration of CCS within the Smart Specialization Strategy devised at the regional level.

Continued policy support for CCS since the region's inception has led the sector to no longer be regarded as an appendix of the tourism industry, but rather as an important pillar for regional development.

Cultural participation

Unlike some regions, where cultural amenities (e.g. movie theatres, museums etc.) are concentrated in a few urban areas, in the Emilia-Romania region, they are well spread across the different provinces, due to a sustained public effort over the past few decades. Alongside hosting a large number of museums, Emilia-

Romagna has the third-highest attendance rates for live performances across Italian regions. These attendance rates have been increasing by 4.7% between 2017 and 2019, with visitor numbers for opera, theatre and dance in particular seeing attendance rate increases above the national average. The region also offers a wide and growing variety of festivals across its provinces, with regional authorities supporting the emergence of a vast number of festivals in different artistic fields (e.g., photography, film, music).

Household spending on recreation and culture in Emilia Romagna was the second-highest among Italian regions (after Piedmont) in 2018, with a little under 8% of all household spending falling into this category. While household spending on recreation and culture had dropped slightly in the region between 2011 and 2018, this in line with national trends.

The region has developed a strong focus on cultural welfare and inclusion through culture. In addition to supporting cultural infrastructure to provide access to culture across regional provinces and population groups, the region has developed several initiatives and projects leveraging culture as a driver of social inclusion and promotion of health and well-being. Regional and local authorities have supported collaboration between the cultural sphere and specific social impacts, such as public health, well-being, and social cohesion.

Jobs and skills

In 2019, 3.4% of employment in Emilia-Romagna was in cultural and creative employment. This proportion is slightly lower than the average across Italy (3.6%) and across the EU27 (3.7%). Moreover, cultural and creative employment has fallen between 2014 and 2019 in both absolute and relative terms. Although on average across Italy cultural and creative employment as a share of total employment has fallen slightly over this time period, there is no clear pattern of decline across regions, with some areas, such as Trento and Marche showing significant growth in cultural and creative employment shares from 2014 to 2019. However, employment trends have been uneven across sub-sectors in the region. For example, there has been growth in the number of people employed in the creative, arts and entertainment sub-sectors in the three years prior to the pandemic.

Much like other regions, cultural and creative employment in Emilia-Romagna is characterised by high levels of precariousness. In Emilia-Romagna, individuals working in CCS consist mainly of autonomous, self-employed workers, and of those in employment, many are employed under temporary or short term contracts. Analysis also suggests that there is a pronounced gender imbalance in CCS employment in the region. Work using a slightly broader definition of CCS than the one used in this report found that only 36% of those working in creative and cultural sectors in 2017 were women (ERVET, 2018[1]). This is however broadly in line with more general trends characterizing the Italian socio-economic context, which has a larger gender imbalance across all industries than many other OECD countries.

Emilia Romagna has invested significant resources in CCS education and training programmes over the last seven years. Regional authorities have dedicated around EUR 35 million in the last seven years to finance a wide array of educational activities in CCS areas, including high school initiatives which integrate internship placements with classroom learning, and continuous learning projects which aim to upskill employees and retrain those out of work.

Entrepreneurship and business support

In 2019, around 8% of all CCS enterprises in Italy were based in Emilia Romagna. In 2018 the share of CCS local enterprises in the region was 5.4%. This is higher than the EU27 average of 5.2%, but slightly lower than the average across Italy of 5.8%. Emilia Romagna shows particular strength in architectural activities and specialist design activities, with these sub-sectors representing 23% and 21% respectively

of total CCS enterprises in the region. The growth in specialist design activities in the region has been particularly marked, with a 10% increase in specialist design enterprises between 2012 and 2019. The region has also shown high growth in creative arts and entertainment, as well as in cultural education. In line with international trends, the region has seen a reduction in the number of publishing enterprises and retail trade in cultural goods, as much of this activity has moved online.

Public support for CCS businesses and entrepreneurs in the region has primarily focused on stimulating networks and opportunities for collaboration. For example, the region has established a dedicated institutional platform (Clust-ER Create) to create formal and informal opportunities for collaboration and co-production among actors operating in CCS, research and high education, and other sectors of the local economy. Business and entrepreneurship support is also offered through the 10 Laboratori Aperti which provide physical spaces, workshops and training to support cultural entrepreneurs to test pilot projects that could be eventually scaled up to economically viable ventures, as well as the INCREDIBOL! project which is led by the city of Bologna and provides support to creative start-ups, small businesses, and citizen-led organisations through funding, consulting and training activities, networking initiatives, and the rent-free use of public buildings (see Chapter 4 for further details on the project).

Accesses to finance

In Italy, the institutional framework for funding CCS consists of three levels of public funding: national, regional, and local. For example, cultural organisations in Emilia-Romagna receive public funding from the national level (government/ministries), the regional level, the provincial level, and the municipality level. While national public support for CCS has decreased since 2011, regional public support has considerably increased, with regional government investment growing by almost EUR 6 million between 2011 and 2017.

CCS benefit from laws introduced at the national level in recent years. A notable example is “Art Bonus” (a tax credit/tax shelter measure introduced in 2014) thanks to which, in 2018, the CCS in the region were able to dispose of about EUR 28 million for maintenance, shelter or restoration of public cultural heritage goods, and for support to CCS their activities (ERVET, 2018[2]).

The regional financing system of CCS has progressively evolved towards a multi-stakeholder approach, where multiple sources of financing are present, and public-private partnerships are encouraged. This includes public and private sector support for philanthropy, patronage, sponsorship, social impact investment and cross-sector collaboration projects.

Bank foundations also play an important role in the funding landscape for CCS in the region. The last available data shows that bank foundations contributed approximately EUR 100 million to regional CCS across Italy between 2014 and 2016, distributed through almost 3,000 interventions. The role of bank foundations in contributing to CCS has been rising in recent years. For example, the amount of economic resources allocated to interventions supporting CCS was about EUR 30 million in 2014, while it has reached around EUR 34 million in 2016.

While some Italian regions (e.g., Lombardy and Piedmont) have a single large-sized foundation operating on the whole regional territory, in Emilia-Romagna the landscape is more articulated and fragmented. Overall, there are 19 bank foundations: nine are related to a specific provincial territory (for example, each provincial capital has its own bank foundation, called “Fondazione Cassa di Risparmio of [city]”), while the remaining ones refer to smaller cities or territories.

Flanders, Belgium

About the area

Belgium consists of three main communities (the Flemish Community, the French Community and the German-speaking Community) and three regions (the Flemish Region, the Brussels Capital Region and the Walloon Region). Each region has their own political and administrative policy structures (parliaments and governments) with increasingly specifically allocated competencies. The designation Flanders can refer to the Region (with territorial competencies) as well as to the Community (with cultural competencies inter alia). For example, through the development of specific institutions such as the Flemish Community Commission, much cultural policy for the Flemish Community extends beyond the Flanders Region into Brussels. In general, treatment of demographic or economic characteristics of Flanders usually refers to the description of the Region, unless stated otherwise.

Flanders has an area of 13,625 km^2 and is one of the most densely populated regions in the world (488 inhabitants/km^2). Flanders is characterised by high employment rates (78.5% in 2020) and low unemployment (3.5% in 2020). In 2020, the GDP in Flanders amounted to EUR 34 183 per inhabitant, an increase of EUR 4 000 per inhabitant since 2010. However, between 2014 and 2019 real economic growth decreased by 0.5%.

Flanders is a highly knowledge-intensive region, characterised by high levels of innovation and human capital. The majority of the economy is based around services, with the services sector representing around 73% of Flemish GDP. The Flemish economy is also strongly export-oriented, with exports from the region accounting for around 83% of Belgium's total export volume.

History of CCS policy in the Region

Investigating the cultural and creative sectors in Flanders is complex, given the different political-institutional entities in Belgium which each has its own administrations and associated institutions, agencies, and history.

Belgium transitioned from a unitary to a federal state through the enactment of six reforms beginning in the 1970s. The first state reform in 1970 resulted in the formation of cultural communities, even before a real regionalisation was implemented. With the state reform of 1980, the domain of culture was completely transferred to the communities, with the first appointment of a minister of culture in 1981 in the Flemish Community government. The domain "economy" was (largely) transferred to the regions, and also in 1981 a first ministerial portfolio for economy was assigned in Flanders (in contrast to Wallonia, only one government and one parliament were installed for the Flemish Community and the Flemish Region). In other words, Flanders has had an autonomous cultural policy for more than 40 years (distinguished from the French or German-speaking cultural policy in Belgium) with its own regulations, in which different emphases have been placed.

The Flemish government has played an active role in supporting the culture domain since the 1970s. Until the late 1990s, the support measures were still scattered and fragmented, but from the 2000s onwards a coherent policy was pursued whereby the cultural domain was addressed through a number of large decrees. Emphasis was placed on participation: more participants, more participation of minority groups, and on more coherent cooperation between the different policy levels. Over the past two decades, successive policies focused on the reorganisation of financial resources, sector professionalisation, the development of a sustainable cultural policy with a more diverse workforce, scale enlargement and digital transformation.

Before 2000, Flanders already had various institutions (e.g. Flanders Design, Flanders Fashion Institute) whose aim was to support specific CCS sub-sectors, but an important step was the establishment of Flanders District of Creativity (Flanders DC) in 2004. Flanders DC was given the explicit task of supporting CCS as a whole and making the Flemish economy more competitive through creativity and entrepreneurship. Since then, CCS has been seen as an important part of the innovative economy; agencies have been set up to support companies in the sector and many initiatives have been launched to support entrepreneurs and organisations.

Cultural participation

Flanders has a widespread network of cultural institutions across the entire region and has a particularly wide range of activities, some of which are organised on a recurring basis for the entire region. From an international perspective, Flanders seems to score only moderately high in terms of cultural participation, but its own official surveys show that in 2018 over 8 out of 10 adult inhabitants of the Flemish Region took part in at least one cultural activity. The rate of non-participation has fallen in recent years, from 24% in 2011 to 16% in 2018. Cultural participation is higher amongst those with higher educational attainment and is particularly high for couples with children.

Household spending on recreation and cultural activities in Flanders is around that of the national average, but is lower than in the Brussels capital region. In 2018, 2.9% of household spending was on recreation and cultural activities in the Flemish Region, compared to 3.2% in the Brussels Capital Region and 2.8% in the Wallonia Region. However, household spending in this category increased in the Region from 2.4% in 2011.

The Flemish government has enacted a number of policy initiatives to increase the cultural participation rate in the Flemish Region and for the Flemish Community, including providing financial compensation for cultural participation among various minority groups. Much of this policy work has been framed within the context of the importance of cultural participation for general well-being and personal development.

Jobs and skills

In 2020, around 4% of employment in the Flanders Region was in cultural and creative employment. This is higher than the EU27 average of 3.6%, but substantially lower than cultural and creative employment in the Brussels Capital Region at 8.4%.

In regards to employment in CCS only, there are marked differences between the Flanders Region and the employment in Flemish CCS companies in the Brussels Capital Region. In the Flanders Region the CCS subsectors with the most wage employment are “printing and reproduction of recorded media”, “cultural education”, “creative, arts and entertainment”, and “libraries, archives, museums etc.”. In Brussels, the most frequent wage employment can be found in the subsectors 'creative, arts and entertainment' and 'programming and broadcasting'.

The Flanders Region has seen considerable growth in the proportion of self-employment in CCS, with CCS self-employment increasing by around 48% between 2005 and 2019. This growth is higher than in the total economy. This may point to an increase in self-employed occupations as a secondary occupation, the consequences of digitalisation, and the disappearance of the older age categories with the replacement of flexible jobs filled by younger workers.

The Flemish Community has a wide range of higher education courses that are situated in the creative and cultural sectors. In the 2019/20 academic year, 13.2% of enrolments (34 465 students) were located in one of these creative courses. It is not known how many of these students will be employed in the CCS, but the potential is clearly important.

Entrepreneurship and business support

In 2019, the Flanders Region had 5 071 registered organisations in CCS (including both firms and non-profit), representing around 3% of all organisations in the total economy. When also including Flemish organisations operating within the Brussels Capital Region, the number of organisations rises to 5 694. Growth in the number of CCS organisations in the Flanders Region is lower than the growth in the total economy. The sectors with the largest number of organisations are those specialised in creative arts and entertainment, architectural activities, retail or cultural and recreation goods.

The Flemish government has an extensive general system of business support that companies in CCS can use, e.g. VLAIO – a one-stop-shop for innovation and entrepreneurship support. In addition, specific measures and initiatives have been developed during the past 15 years specifically for the CCS. These range from subsidies to the granting of (micro) credits (e.g. CultuurInvest, Culktuurkrediet), legal support (e.g. FinMIX CS, with VLAIO and Flanders DC), the deployment of experts, the development of a tax shelter for the performing arts and audiovisual arts, and help in finding crowdfunding or business angels. Specifically, within the COVID-19 context, additional resources were invested in the sector. An online tool has also been developed by the Flemish administration for companies to check which support they are eligible for.

Access to finance

Government spending on cultural services from the Regional Flemish government has decreased from 3.8% of total spending in 2011 to 2.5% in 2019. However, spending on cultural services by the Flemish Community government increased from 24.4% of total spending in 2011 to 26.0% in 2019, highlighting both the importance of community-level governance for supporting CCS.

Depending on the various institutional levels, financial resources for CCS are generally allocated through operating credits, project credits and infrastructure credits. Cultuurloket, an agency set up by the Flemish government, works to provide free first line business and legal advice for individuals and enterprises in the cultural sector. Along with this guidance is included vocational training, personal coaching and advice in finding extra finances.

Alongside the opportunities for credit and financial support, the various government agencies (Flanders DC, VLAIO) also offer advice on additional financing. In 2018, the Flemish Government launched a public-private collaboration with Hefboom, a cooperative serving as an intermediary between investors and professional initiatives from the social and sustainable economy. This collaboration was to start a “cultural credits” financing initiative called “Cultuurkrediet.” Cultuurkrediet aims to provide greater support for professionals in the cultural sector, including facilitating access to finance and providing support through counselling and training opportunities.

Glasgow, UK

About the area

With a population in excess of 1.8 million, Glasgow City Region (GCR) is the fourth largest city region in the UK and Scotland's economic powerhouse. There are two international airports and an extensive rail and road infrastructure, and the region has almost one-third of Scotland's jobs, business base and economic output.

The Region benefits from numerous assets:

- access to a highly skilled workforce of 1.2 million across a wide range of industries;
- existing strengths in a number of sectors including financial services, life sciences, engineering, manufacturing and creative and media industries; and
- home to a number of internationally acclaimed successful universities and research institutes that provide the space for innovation and the people who drive the Region's development.

The GCR comprises eight of Scotland's 32 local authority areas. Local authorities have direct responsibilities for the delivery of business advice and support services and for local economic development, including employability services and local area regeneration. They are also responsible for a wider range of services and functions which impact directly on the growth of the economy, including, planning, roads and transport, environmental health, education and childcare, events and tourism, community development and culture and leisure services. Councils are also the drivers of the recent City Region and Growth Deals, agreements between the Scottish Government, the UK Government and local authorities designed to bring about long-term strategic approaches to improving regional economies.

History of CCS policy in the region

Like many industrial cities, Glasgow suffered from the demise of heavy industry and by the mid-1980s was largely regarded as a city in decline. The civic response was to look to culture as an engine of regeneration and renewal beginning with the opening in 1986 of the Burrell Collection, a large collection gifted to the city and now housed in a museum within Pollok Country Park in the city's south side. This was followed by the Glasgow Garden Festival in 1988, the widely praised year as European City of Culture in 1990, the Glasgow Design Festival in 1996 and the Year of Architecture and Design in 1999.

This investment in culture also extended beyond high profile events. Since 1983, the city has invested almost GPB 800 million (in current prices) in cultural infrastructure. In addition to high profile developments such as the opening of the Burrell Collection, Glasgow Royal Concert Hall, Gallery of Modern Art, Tramway, Riverside Museum, the SECC/Clyde Auditorium and the SSE Hydro, this also includes the redevelopment of the Kelvingrove Art Gallery and Museum, City Hall and the Old Fruit Market as well as improvements to smaller venues and a host of local libraries and community facilities.

The initial focus on high profile events and buildings helped to raise the profile of culture in the region and move Glasgow's image and reputation away from declining heavy industry towards that of a modern, vibrant city. Towards the turn of the century, there was growing interest in the economic potential of culture and the creative industries, and Glasgow was again an early leader. Civic support for the screen sector was strong, and Glasgow quickly developed a reputation for film and TV production, and for design, building on the international profile of the Glasgow School of Art. The city spawned bespoke support providers for the sector, and invested in facilities and infrastructure for artists, film and TV producers and small creative businesses, often using European Structural Funds.

Throughout this time, Glasgow's visitor economy also grew, not least as a result of its strong cultural profile, and cultural policy started to shift towards engaging the people of the city in culture, in particular those in greatest need. Despite steady growth in the city economy, Glasgow continued to struggle with persistently high levels of deprivation and health inequalities. These challenges continue to this day and in many respects have gotten worse rather than better.

Policy interest in the CCS from an economic development perspective declined in Glasgow during this time, and many felt that its early leadership position (relative to other parts of the UK) had been lost. However, the tide appears to be turning on this once again as the city region looks again to the creative industries to support future growth. Importantly, the focus of this renewed policy interest is based more on creative economy thinking than it is on CCS as a key sector. This new approach is interested in the growth of CCS itself, but also in the application of creativity across the wider economy. It is a broader and more open approach that is not restricted to more traditional notions of business growth. Instead, it sees the application of creativity across areas like manufacturing, technology and tourism as an enabler of innovation far beyond the sector's own boundaries.

However, for many partner councils outside the main city area, policy interest is more around culture and its role in community wellbeing. All have some cultural assets although for some these may be limited. Others, such as North and South Lanarkshire have larger cultural services which are mainly focused on delivering against social outcomes relating to poverty and health.

Cultural participation

The GCR has generally high cultural participation rates, with nine in ten adults in the region participating in cultural activities. Prior to the pandemic, cinema was the most common form of attendance at a cultural event or place of culture, with 60% of adults in the Glasgow City Region having visited in the last 12 months, and live music and heritage site attendance had been steadily rising in the years leading up to 2019. While data is not available at a subnational level, Scotland had the third-highest household spending on recreation and cultural services of all regions in the UK.

Attending museums is the second most popular form of cultural participation in the GCR (after cinema) and data from Glasgow Museums demonstrates strong performance in engaging those from more deprived areas. Museums and other cultural venues have been a central element of Glasgow's cultural regeneration effort and Glasgow City now has the largest civic museums service in Scotland. For example, in the city of Paisley, a GBP 100 million culture-led investment programme began in 2016 with investment of GBP 3.7 million in The Secret Collection. This facility replaced a vacant department store and is the first publicly accessible museum store on a UK high street. The large basement unit of the facility houses tens of thousands of items from Renfrewshire's museum collections, not on display in the main museum – many unseen by the general public for decades. Paisley Museum Reimagined (PMR) is the flagship project in the investment programme, which aims to deliver a free to enter cultural campus of national and international significance, whilst ensuring accessibility for all. The Museum's High Street location will be used to transform Paisley's perception of itself, develop a visitor economy, lead the regeneration of the town centre, and give Paisley an outward-facing profile.

Alongside culture led-regeneration strategies, cultural participation has been incorporated into health and wellbeing agendas with some success. Health and wellbeing are major policy drivers in Scotland and in the GCR, and there has been growing interest in the role that arts and culture can play in promoting wellbeing. This has led many of the authorities and culture trusts within the GCR to develop pilot programmes tackling specific health and wellbeing issues through cultural participation.

Jobs and skills

In 2019, around 40% of employment in CCS in Scotland (excluding cultural and creative jobs outside the sector) came from The Glasgow City Region. There has been 5% growth in employment in CCS in the region since 2010, outperforming Scotland as a whole which has experienced an overall decline in CCS employment in this period, with growth of -1%. In the GCR, employment in CCS is highly concentrated in the urban core (Glasgow city) and the main areas of growth are in screen and in design and architecture. Performing arts is also strong, particularly in Glasgow City but has not shown much employment growth.

The sector has some notable skills gaps. For example, in the screen sector, the skills base in under pressure with continued growth over recent years that shows little sign of abating. It has been highlighted that these skills gaps risk threatening the longer-term competitiveness of Scotland's screen sector if not addressed (Skills Development Scotland/EKOS, 2019[3]). Concerns have also been raised around the impacts of Brexit on the ability of CCS to access international talent, not least in areas such as computer games and animation (Carey, Florisson and Giles, 2019[4]).

Much like other regions, cultural and creative employment in GCR is often precarious. In 2020, following a broad consultation, the Scottish Government launched a *Culture Strategy for Scotland* (Scottish Government, 2020[5]), which placed strong emphasis on fair work and on inclusiveness and diversity in the cultural and creative workforce. The strategy recognises the often-difficult working conditions for many in the sector (low paid and insecure work) and pledges action to promote and apply fair work principles across the arts and cultural industries.

Entrepreneurship and business support

In 2020, GCR accounted for 35% of the total CCS business base in Scotland. Just under half of CCS businesses in the region came from the following three sub-sectors: "motion picture, video and television programme activities" (19%), "architectural activities" (15%) and "specialised design activities" (15%). Between 2010 and 2020, the business base of the creative industries in GCR has grown by almost one-fifth (17%) – more than double the growth at a national level (8%). With the exception of businesses within Books and Press sub-sector, all sub-sectors have grown significantly since 2010 and have outperformed growth at a national level. Growth has been particularly pronounced in the three sub-sectors mentioned above.

Entrepreneurship and business support in the region is diverse, with a mix of mainstream and sector-specific provisions. The screen sector benefits from specific support from Screen Scotland and from local film offices (including the Glasgow Film Office and others within the GCR) and some sector organisations and programmes (e.g. TRC Media, Film City Futures). There is also a range of bodies supporting arts organisations and CCS businesses, mainly at a national rather than regional level such as the Federation of Scottish Theatre, Arts and Business Scotland and Publishing Scotland. Further support may be provided by Creative Scotland and local authorities but this is less likely to focus on business development. Specific business start-up and development support is generally provided by mainstream services, such as Scottish Enterprise (one of Scotland's three economic development agencies) or the Business Gateway (a national service delivered by local authorities across Scotland).

Accesses to finance

Following the global financial crisis of 2008, the UK Government policy of austerity led to reduction in UK government spending on culture and put pressure on local council budgets. At a national level, Creative Scotland (funded by the Scottish Government and the National Lottery) continues to provide essential

funding to the CCS both through ongoing revenue funding support and specific project funding. At a sub-sector level, Screen Scotland has a key role in offering support to the screen sector as does Museums Galleries Scotland.

In GCR, the majority of local government expenditure on culture is on direct provision – the cultural buildings and services that councils either run themselves or deliver through arms-length external organisations (ALEOs). The ALEO model has grown significantly over the last ten years. Essentially a facilities-based model, most ALEOs were established with a view to achieving savings on non-domestic rates by virtue of the charitable status of these organisations. The ALEO model also opens up other avenues for income generation, wider fundraising and operational efficiencies, but has been seen by some as politically problematic.

Trusts and Foundations have long played a critical role in helping to fund arts activities and arts organisations in the region, for both revenue and capital. However, arts organisations reported that both business sponsorship and trusts and foundations income are increasingly competitive and require investment (time, people and money) to secure. Larger organisations tend to do better in these areas as they are better able to hire specialist skills in business development.

Wider review also suggests that access to finance for creative businesses remains an issue, but there is a marked lack of data to assess the extent or impacts of private sector investment in the sector. Some CCS business may be accessing mainstream business grants via councils or enterprise agencies, but no data are available to assess the extent of this, nor its impacts. Similarly, it is not known how many CCS businesses may have accessed commercial investment or even bank finance. It has been noted that this lack of data is a constraint on effective policymaking to support access to finance for CCS businesses and entrepreneurs.

Klaipėda, Lithuania

About the area

The territory of the Republic of Lithuania is divided into ten administrative units – counties. Since 2018, these counties have been grouped into two larger regions; the Vilnius Capital Region, and the Central and Western Lithuania region, which contains Klaipėda County.

Klaipėda county is the country's third-smallest territory geographically (5 222 km2) but houses the third-largest population (319 958 inhabitants in 2020). Klaipėda also has a comparatively high population density, third after Vilnius and Kaunas counties. The county encompasses seven municipalities and hosts several large cities. Klaipėda city houses Lithuania's only major seaport, the Northernmost ice-free port on the Eastern coast of the Baltic Sea.

Up to 45% of added value created in Klaipėda county is produced by traditional sectors of logistics and manufacturing industry, which take advantage of the beneficial status of Klaipėda's seaport (Klaipėda City Administrative Division, 2017[6]). Tourism is another significant sector for the county, with areas like Palanga, and Neringa being major tourist destinations. As specified in Klaipėda Region's Development Plan for 2014-2020, the region's strengths include a beneficial geographical position, physical infrastructure, abundant natural resources (including wind energy), well-developed social and educational infrastructure, budding recreational services and a rich cultural heritage (Klaipėda Region, 2013[7]).

History of CCS policy in the county

At the national level, CCS policy began to be formalised in around 2007, with the publication of The Strategy for the Promotion and Development of Creative Industries document. Since then, policy support for CCS has come from both the Ministry of Culture and the Ministry of Economy, indicating the growing status of CCS in addressing both cultural and economic priorities.

In 2011, the 2012-20 Programme for the Development of Regional Culture established key priority areas for regional cultural development and set out to create conditions for cultural access and dissemination by making the regions more attractive for local communities, investors and tourism. While Lithuania has strong policy support for CCS, territorial level policy also plays an important role in supporting the sector.

For example, the preservation and development of local culture are also among the responsibilities of municipal administrations, such as Klaipėda City, Palanga, and Neringa. At the local level, the Klaipėda Integrated Action Plan 2018-2020, includes fostering CCS as one of its key priorities. The creative and service economy, also features as one of four strategic growth areas in the *Klaipėda 2030: Vision, Development Scenario and Strategic Directions* (Klaipėda City Administrative Division, 2017[6]).

Cultural participation

According to the *Participation in Culture and Satisfaction with Cultural Services in Lithuania* survey, in 2020, 45% of the Lithuanian population actively participated in cultural activities (such as, singing, painting, sculpting or film making) and 88% engaged in passive cultural participation (such as attending, exhibitions, museums, cultural heritage sites, cinemas, or read books) (The Lithuanian Council for Culture, 2021[8]).

Data suggests cultural access has improved in Lithuania. Compared to 2017, in 2020, the overall culture accessibility indicator increased. A statistically significant increase of the indicator is observed in the fields

of performing arts, museums and galleries, cultural monuments and archaeological sites, and books and periodicals. When comparing different regions, Klaipėda County was found among those counties in which the number of people who are willing to participate in cultural activities is comparatively higher, which presents an opportunity to further enhance the offer and accessibility of cultural services.

Klaipėda county has a vibrant cultural offering. For example, Klaipėda city houses eight municipal cultural institutions. These include the Klaipėda Concert Hall, the History Museum of Lithuania Minor, the culture centre “Žvejų rūmai”, the Klaipėda Cultural Communication Centre, the Klaipėda City Public Library, the City Centre of Ethnic Culture, the Centre for Ethnic Cultures and the “Festivals of Klaipėda” public institution. In the city of Palanga, a number of high profile periodic cultural events contribute to Palanga’s reputation as a national and regional cultural centre: the international music festival of M. K. Čiurlionis, the international brass music festival “Amber Wind”, and the arts festival for children "Dwarf of Kurhaus”. Moreover, the area of Neringa, which was already a UNESCO World Heritage Site because of its outstanding natural beauty, was awarded the status of 2021 Lithuanian capital of culture, recognising the unique cultural space of this region.

Jobs and skills

CCS represent a growing share of employment in Lithuania. In 2020, people working in the cultural and creative sectors in Lithuania accounted for around 4% of those in employment (higher than the EU average of 3.6%). Compared to the EU average, in Lithuania those working in the cultural sector per inhabitant is higher. CCS employment experienced a steady growth in Lithuania from 2011 to 2020, increasing by 18.2% over this time period.

Those working in CCS are distributed unevenly across cultural and creative professions in Lithuania relative to EU peers. Those working in library archives, museums and other cultural activities account for some 17% of the total cultural and creative workforce in Lithuania, while these subsectors represent over 7% of total cultural and creative employment in the EU.

Cultural and creative employment is concentrated in certain demographic categories. In Lithuania, the share of women employed in the cultural sector is significantly above the EU average. In the country, 60% of cultural and creative workers are women, while 52% are men across the EU (average). Youth aged 20 to 29 represent 13.9% of cultural and creative workers in Lithuania, compared to the EU average of 16.43%. Those aged 30 to 39 years old, however, represent 28.2% of those employed in the cultural sector in Lithuania compared to 25% across the EU. Lithuania also counts a significantly larger share of those aged 65 and over in the cultural sectors (7.24%), compared to the EU average of 4.14%. Finally, to a greater extent than the EU average, those with tertiary education drive cultural and creative employment, representing 69% of cultural and creative workers, relative to 59% in the EU.

Entrepreneurship and business support

Between 2017 and 2021, the total number of CCS enterprises in Klaipėda County increased by 2.9% (these estimates are based on a slightly different definition of CCS making direct comparison with other countries difficult). Growth was strongest in information service activities with an increase of 23.5%. The highest decrease in the number of enterprises, meanwhile, occurred in motion picture, video and other media publishing activities, which decreased by 11.1%.

In 2019, cultural and creative sectors created over EUR 1 billion in value added in Lithuania. It is estimated that Klaipėda County creates approximately 6% of all Lithuania’s value added in cultural and creative sectors. Publishing activities and advertising and market research were particularly high contributors of

value added in Klaipėda County before the pandemic. However, creative arts and entertainment activities also represented a significant proportion of value added.

Entrepreneurship and business support for CCS in the county has accelerated in recent years. For example, "Kulturosfabrikas" or the culture factory, is a creative hub based in Klaipėda City. The hub offers co-working spaces, events, workshops, and studio and gallery spaces. It also acts as an incubation centre, offering advice and support to local creative businesses, freelancers and artists. The hub aims to promote entrepreneurship and innovation by combining art and business initiatives. Other initiatives, such as the artist residency Nida Art Colony in Neringa, have been developed specifically to broaden opportunities for CCS businesses and artists in the "off season", where the region has fewer tourists.

Accesses to finance

Financing for Lithuania's cultural sector is driven by public sources, though a private ecosystem is beginning to emerge. In 2019, Lithuania had one of the highest shares of government spending on cultural services of OECD countries, with 1.6% of total government spending dedicated to this category (compared to 1.2 of OECD average). In contrast to the trend we see across OECD countries, this share has increased from 2011, when it stood at 1.1%. Lithuania also has one of the highest sub-national government spends on cultural services of OECD countries, with cultural services representing slightly over 4% of subnational spending (compared to 3% of OECD average).

The national government has also enacted a number of tax relief policies either directly targeted towards CCS, or of which CCS can benefit. For example, the film tax relief scheme aimed at attracting funding for film production from private business entities, offers tax incentives of up to 30% of a film's production budget spent in Lithuania. The law on charity and sponsorship similarly aims at fostering private support for a range of recipients of charity, including artists and cultural organisations. The law allows individual taxpayers to allocate 1.2% of their income tax to any legal entity that has the status of recipient of charity, which, since 2017 includes artists and other creators. The law on patronage also provides tax incentives for individuals and corporations to encourage private spending. According to the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania, around 6.4% of private sponsorship from enterprises are allocated to the cultural sector.

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3 Cultural and creative jobs and skills: who, what, where, and why it matters

Cultural and creative employment accounts for up to 1 in 20 jobs in some countries, and up to 1 in 10 in some regions and cities. Cultural and creative professionals can be found in almost all sectors, helping to drive innovation across the economy. While COVID-19 put a dent in longer-term growth in cultural and creative employment, its importance is likely to continue to grow in the future. However, to unleash the full potential of the sector, addressing issues such as high rates of precariousness, persistent skills gaps, diversity and inclusion, and the digital transition will be essential.

In Brief

Unleashing the full potential of cultural and creative employment

- **Cultural and creative employment accounts for up to 1 in 20 jobs in some OECD and European Union (EU) countries.** It is particularly important in cities and capital regions, where it can account for up to 1 in 10 jobs.
- **Cultural and creative professionals help to drive innovation across the wider economy.** Forty percent of cultural and creative employment can be found outside of cultural and creative sectors, e.g. industrial designers working in the automotive industry. Likewise, creative skills more generally, even outside of those held by creative professionals, help to drive innovation.
- **In recent years, growth in cultural and creative employment has outpaced growth in overall employment in most countries** (13.4% growth compared to 9.1% on average between 2011 and 2019 across OECD and EU countries), but COVID-19 made a dent. The lingering effects of the pandemic could put longer-term strains on the sector and cultural and creative professionals, who frequently transition to non-cultural and creative careers during times of economic crisis. 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 and creative jobs are, on average, also more precarious than jobs in other sectors when looking at issues such as contract stability, fluctuations in income, and access to social protection**. For example, across OECD countries, 29% of cultural and creative employees are self-employed, just over twice the average rate for all workers.
- **Women are better represented in cultural and creative jobs than employment overall, but significant disparities exist related to seniority, pay and market access**. Likewise, 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. Improving entrepreneurship skills in particular is a key priority given the high rate of self-employment in the sector.
- **A lower share of cultural and creative jobs are at risk of automation than jobs overall, but these jobs will be transformed by digitalisation in other ways**. 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 to ensure the full potential of digitalisation in the sector is realised.
- **Policymakers, the private sector and philanthropy all have a role to play in maximising the contributions cultural and creative employment can make to drive growth, innovation and inclusion.** Key actions include:
    - **Addressing gaps in social protection coverage, and leveraging 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.

- **Closing skills gaps, particularly related to entrepreneurial skills and for specific sub-sectors.** Strategies include enhancing access to entrepreneurial training, coaching and mentoring programmes and developing skills strategies at the appropriate geographic scale.
- **Supporting the sector's digital transition,** including addressing divides in digital infrastructure, tools and skills across workers and firms.
- **Maximising the full potential of the synergies between cultural and creative sectors (CCS) and other sectors such as education and health.** This implies a need for new professional training that combines cultural skills with those of education, nursing, medical or social services.
- **Strengthening the data and evidence base** to better understand the strengths and challenges for the sector at a more granular level, build public awareness of the importance of the sector, and design more effective and efficient policies to support it.

Why cultural and creative employment matters

Cultural and creative employment is not a niche issue – it accounts for up to 1 in 20 jobs in some countries, and up to 1 in 10 in some regions and cities. Cultural and creative professionals can be found in almost all sectors of the economy and help to drive innovation more generally. In fact, creative professionals working outside of cultural and creative sectors (CCS) account for over 40% of cultural and creative employment.

While COVID-19 put a dent in longer-term growth in cultural and creative employment, its importance is likely to continue to grow in the future. Cultural and creative jobs tend to be highly skilled, and a lower share (10%) are at high risk of automation than in the labour market more generally (14%). Digitalisation will likely lead to an uptick in the demand for cultural and creative skills, while also transforming these jobs in other ways, for example in terms of how cultural goods and services are produced and disseminated.

Despite the growing importance of these jobs, there are still underlying vulnerabilities to address. In particular, cultural and creative jobs are, on average, more precarious than other types of jobs when looking at issues such as contract stability, fluctuations in income, and access to social protection. Across OECD countries, 29% of cultural and creative employees are self-employed, just over twice the average rate for all workers. Skills shortages also hold the sector back, particularly in relation to entrepreneurship skills, for some specific sub-groups (e.g., indigenous or other marginalised groups) and related to technical skills for specific sub-sectors, such as traditional crafts.

Maximising the contributions of cultural and creative employment to drive growth, innovation and inclusion requires actions on a number of fronts. Policymakers at all levels – from local to national – as well as the philanthropic and private sector all have a role to play. Priorities include addressing high rates of precariousness in the sector, closing skills gaps, enhancing diversity, helping the sector seize the potential of digitalisation and cross-overs with other sectors, and improving data collection and analysis.

Cultural and creative employment accounts for one in twenty jobs in some countries, and as many as one in ten in some cities

In OECD and EU countries with available data, cultural and creative employment accounts for between 1.4% and 5.7% of all employment (see Figure 3.1). Cultural and creative employment encompasses a wide range of jobs across the economy, from architects to librarians, to interior designers, video game programmers and ceramicists. Beyond the emblematic examples of musicians, actors and artists, it also includes the workers like accountants and HR advisors in the film and broadcasting industry, as well as creative professionals working outside creative sectors, such as industrial designers in the automotive industry or interpreters working in the public sector (see Box 3.1).

Box 3.1. Clarifying concepts: from employment in CCS to cultural and creative employment

Across countries, academic studies and research by international organisations, many different concepts and methodologies are used to identify and measure employment in cultural and creative sectors. In general, cultural and creative employment is often underestimated in official statistics for a number of reasons. Often only activities and occupations in cultural and creative sectors are measured. However, cultural and creative workers can be employed in non-cultural and creative sectors (e.g. designers working in automotive industries). In addition, labour force surveys include a respondent's main paid job but do not always capture secondary employment, which is highly relevant to work in CCS. It is also important to note that the sector includes high shares of volunteers or those who engage in cultural production outside of remunerated work. This accounts for a considerable share of unpaid work that is not captured by the national accounting systems. They are sometimes included in cultural participation statistics but not in employment figures.

To the degree possible, this chapter uses the "trident" approach to measuring cultural and creative employment. This approach is recommended by the European Statistical System Network on Culture (ESSnet-Culture). Further details on the industry sectors (NACE classifications) and the cultural and creative occupations (ISCO-08) included in these calculations can be found in Chapter 1, but generally this includes:

- **Specialist workers:** cultural and creative professionals (e.g. those working in cultural and creative occupations) within cultural and creative sectors;
- **Support workers:** non-cultural and creative professionals working in cultural and creative sectors; and
- **Embedded workers:** creative professionals working in other sectors outside CCS.

However, to be able to draw on a wider range of statistics and research, other definitions of cultural and creative employment and cultural and creative professionals are sometimes used in this chapter. This is the case when information is not available for this grouping, or to disaggregate some of the issues raised in this chapter for different occupations or sub-sectors. This includes:

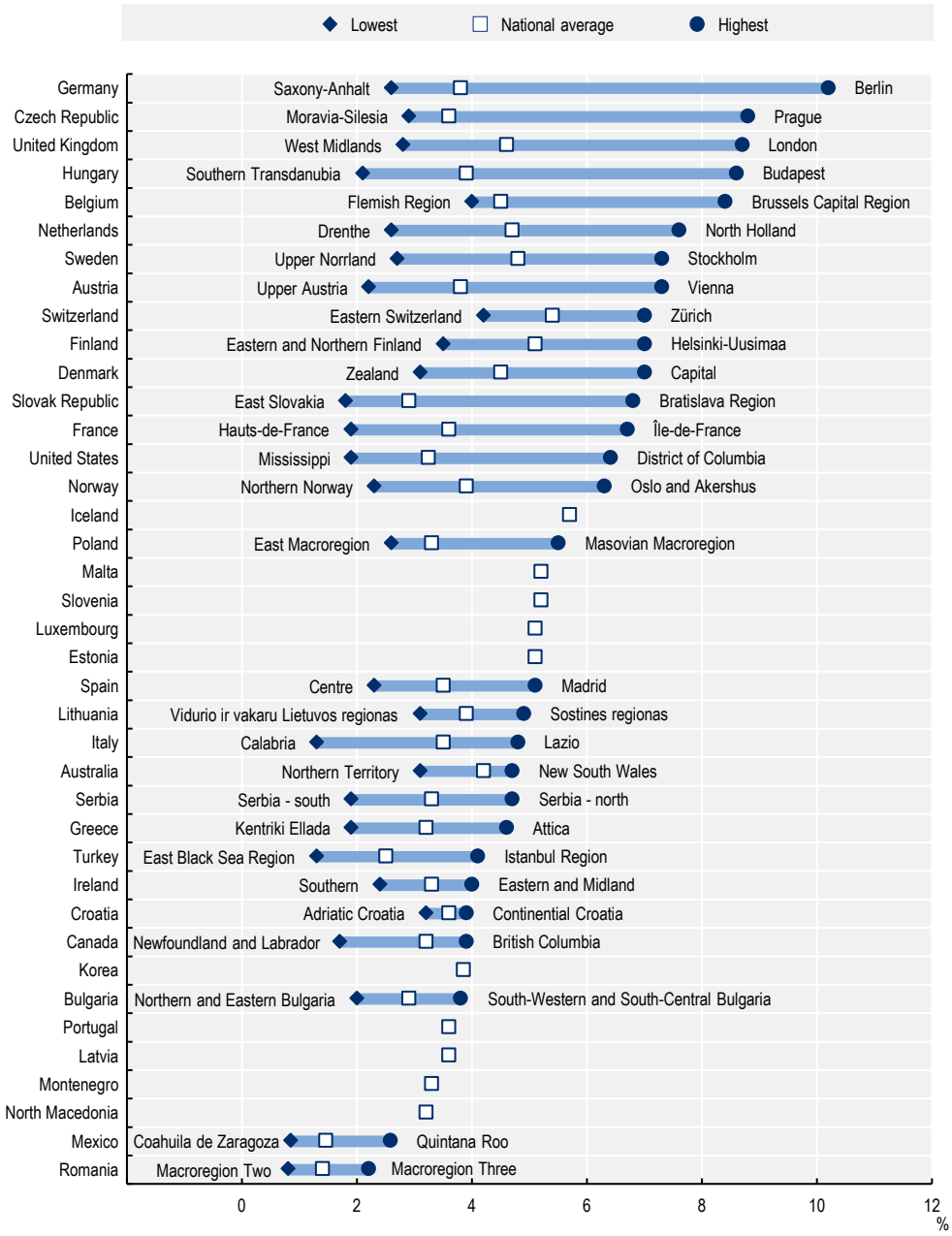
- **Employment from cultural and creative sectors only,** using the NACE classifications described in Chapter 1 (e.g. excluding embedded cultural and creative professionals working in sectors outside of CCS);
- **Internationally comparable proxies for cultural and creative sectors,** such as the broader NACE category of "arts, entertainment and recreation" which may be less precise but for which a broader range of data is available;
- **Country specific definitions of cultural and creative sectors and occupations**, for example in relation to literature on trends or patterns in specific countries; and
- **Specific sub-categories of cultural and creative employees,** whether those working specifically in CCS or specific cultural and creative occupations (e.g. visual artists).

In Iceland, Switzerland, Slovenia, Malta, Estonia, Luxembourg and Finland, cultural and creative employment accounts for about one in twenty jobs. In Switzerland and Luxembourg, high shares "embedded workers" drive these relatively high rates – in both countries, 3% of more of the overall workforce are cultural and creative professionals working in other sectors. For the others, the high rates are driven more by employment in cultural and creative sectors specifically (see Box 3.2 for further descriptions of employment in these specific sectors). In contrast, shares of cultural and creative employment are lower in Bulgaria, Mexico, Romania, the Slovak Republic and Turkey, where it accounts for less than 3% of jobs.

Forward and backwards linkages in cultural supply chains mean an even larger share of overall employment. In London, for example, one study suggests that for every 4 jobs in creative industries, there is an additional 3 jobs in the broader creative supply chain and that 50% of supply chain spending by CCS falls outside of creative industries. Looking at the National Theatre in London, for example, over 200 businesses supply goods and services to maintain the premises (cleaning, electrical, etc.), support daily operations and host the public (catering, food and drink, printing) and support in-house productions (lighting technicians, set designers, etc.) (Greater London Authority, 2019[1]). Digital cultural goods, which were estimated to generate USD 66 billion of business-to-consumer (B2C) sales in 2013, also drive sales of electronic devices (tablets, smartphones, e-readers, television, DVD players) as well as high-bandwidth telecoms services (CISAC, 2015[2]).

Figure 3.1. Cultural and creative employment accounts for more than 1 in 20 jobs in some countries

Cultural and creative employment as a share of total employment, selected OECD and EU countries, TL2 regions, 2020 or latest year available



Note: Data for Canada, Mexico, the United Kingdom, and the United States are from 2019. Data for Australia is from 2016. Regions for Serbia, Croatia, Bulgaria, Poland, Romania, and Spain are based on Nomenclature of Territorial Units for Statistics 1 (NUTS 1) while the remaining regional classifications are based on Territorial Level (TL). The minimum and maximum regional employment shares are only reported for countries with sufficient data for at least two regions.

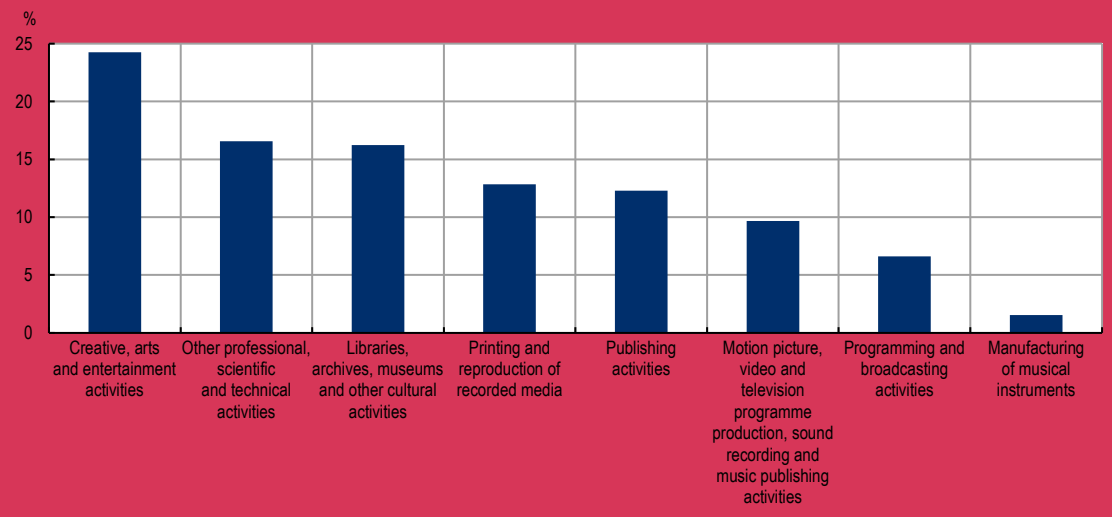
Source: Eurostat (2021[3]) *Cultural employment by NUTS 2 regions*, https://ec.europa.eu/eurostat/web/culture/data/database; OECD calculations on American Community Survey, 2019, Canadian Labour Force Survey, March 2019, Mexican National Survey of Occupation and Employment, 2019 quarter 4, Australian Census, 2016, and Statistics Korea, 2020.

Box 3.2. Zooming in on employment in culture and creative sectors specifically

Looking specifically at culture and creative sectors, one estimate suggests that they account for 29.5 million jobs globally and generate annual revenues of USD 2.25 trillion (more than the telecoms or automotive sector in many economies) (EY, 2015[4]). These sectors specifically account for about 2.3% of all employment on average within the OECD, but up to 3.2% in some countries (e.g. Estonia, Iceland) (see Annex Figure 3.A.1.). Rates can be even higher in some non-OECD countries. Other international studies show that developing countries such as Bolivia, Pakistan and Togo are among the countries with the highest share of employment in cultural and creative sectors (UNESCO/World Bank, 2021[5]).

Figure 3.2. Share of employment in CCS by sub-sector, 2020 or latest year available

Share of total employment, OECD



Note: OECD average includes Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. Data for Canada, Mexico, the United Kingdom, and the United States are from 2019. Other professional, scientific and technical activities include specialised design activities, photographic activities and translation and interpretation activities. Data for Canada, Mexico, the United Kingdom, and the United States are from 2019.
Source: OECD calculations on Eurostat (2021[3]) *Cultural employment by NUTS regions*, https://ec.europa.eu/eurostat/web/culture/data/database; American Community Survey, 2019; Canadian Labour Force Survey, March 2019; Mexican National Survey of Occupation and Employment, 2019 quarter 4.

Within cultural and creative sectors, the "creative, arts and entertainment activities" sub-sector accounts for nearly one-quarter of jobs. This includes, for example, performing arts such as live theatre, concerts and opera, as well as the activities of individual artists, writers, journalists and art restoration. "Libraries, archives, museums and other cultural activities" account for another 17% of jobs on average, as do "other professional, scientific and technical activities", which include, amongst other activities, specialised design, photography, translation and interpretation.

Source: EY (2015[4]), *Cultural Times: The First Global Map of Cultural and Creative Industries*; UNESCO/World Bank (2021[5]), *Cities, Culture, Creativity – Leveraging Culture and Creativity for Sustainable Urban Development and Inclusive Growth*, http://dx.doi.org/10.1596/35621.

Cultural and creative jobs tend to concentrate in cities

Cultural and creative jobs tend to concentrate in cities and capital regions (OECD, 2020[6]). 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 cultural and creative employment (see Figure 3.1). Other studies, using varying methodologies, estimate that the share of jobs in cultural and creative sectors is over 10% in cities such as Austin (US), Guangzhou (China), London (UK), Los Angeles (US), Milan (Italy), Seoul (South Korea), and Tokyo (Japan) (OECD, 2021[7]).[1]

Box 3.3. A snapshot of culture and creative sectors in London and New York

London: According to the 2019 Creative Supply Chains Study, the creative industries contribute GBP 52 billion to London's economy, and spend an estimated GBP 40 billion within their London supply chain – boosting a wide range of other sectors. London's creative sector is also generating business activity across the United Kingdom, with case studies of eight London-based organisations showing that 40% of their suppliers are located outside of London. Employment in the creative industries was growing four times the rate of other areas of the economy. In total, 267 500 people were working in London's creative industries in 2017, with 203 200 in creative supply chain employment – more than in the legal and accounting sectors combined.

New York: Some 15 000 cultural firms and institutions provided employment to over 231 000 people in New York City's creative sector in 2017. In addition, over 62 000 workers in the sector are self-employed – a figure which has grown at nearly twice the rate of growth of those employed in a business or non-profit organisation. Altogether, New York City's creative sector represents about 5.4% of private employment in the city, and 6.7% of wages paid. The creative sector accounts for 13% of total economic output. In total, one out of every eight dollars of economic activity in the city – USD 110 billion in 2017 – can be traced directly or indirectly to the sector.

Source: Greater London Authority (2019[1]), *Mayor of London Creative Supply Chains Study*, https://www.london.gov.uk/sites/default/files/creative_supply_chains_study_final_191011.pdf; Office of the New York City Comptroller (2019[8]), *The Creative Economy: Art, Culture and Creativity in New York City*, https://comptroller.nyc.gov/wp-content/uploads/documents/Creative_Economy_102519.pdf.

The concentration of cultural and creative sectors in large cities has increased in recent decades. This suggests that "success breeds success", with CCS in large cities growing and diversifying into new sub-sectors over time (UNESCO/World Bank, 2021[5]). Research in the United States on employment in core arts industries shows that while it grew and became more diffuse across places between 1980 and 2000, in the following decade, it shrunk and reconcentrated (Grodach, 2014[9]). However, there are different patterns across countries. In the US, for example, larger metropolitan areas host more diversified creative economies than smaller urban areas. While London shows similar diversification patterns as large US metropolitan areas, the relationship between size and diversity is weaker in other UK regions (Kemeny, Nathan and O'Brien, 2019[10]).

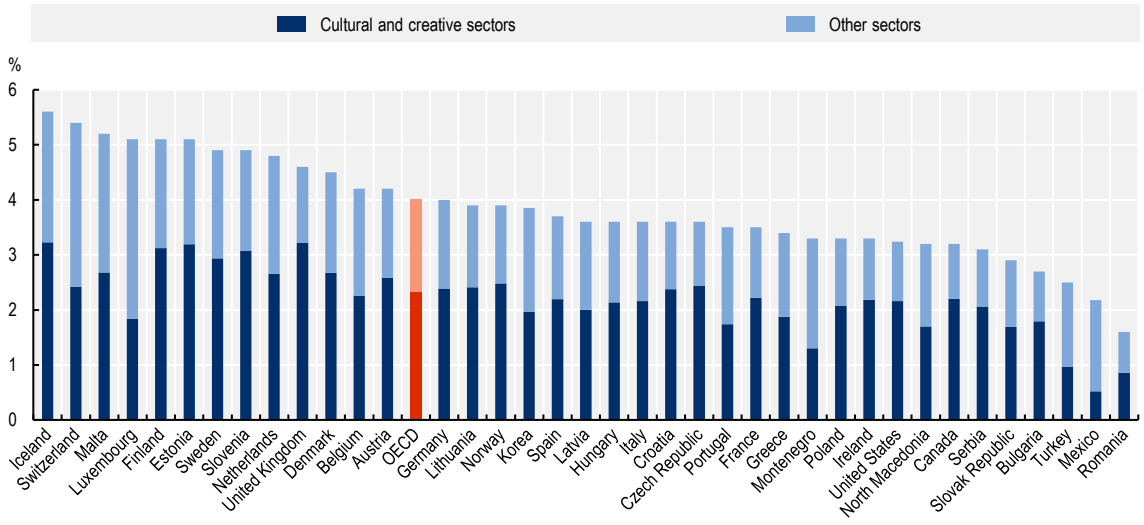
Creative professionals are attracted to specific cities and regions for a variety of reasons. Artists have been found to be more mobile than average, with factors such as a nurturing artistic and patron community, amenities and affordable cost of living driving residential decisions (Markusen and Schrock, 2006[11]). Other research has suggested that factors such as tolerance are more important for attracting a creative workforce than the population more generally (Florida, 2014[12]; Boschma and Fritsch, 2009[13]). It has also been found that artists who enter self-employment are much more likely to live in cities with a high concentration of other artists (Woronkowicz and Noonan, 2017[14]).

Four in ten cultural and creative jobs can be found in other economic sectors, helping to drive innovation across the economy

On average, about 40% of cultural and creative employment can be found outside of cultural and creative sectors, i.e. the "embedded" cultural and creative professionals working across the economy. The share ranges from 30% in the United Kingdom to 64% in Luxembourg. In Australia, for example, creative workers make up over 10% of the workforce in manufacturing, wholesale trade and professional scientific and technical services (SGS Economics and Planning, 2013[15]), and design professionals can be found across 129 different industries (Cunningham, 2011[16]). Data from the United States show that specialist cultural and creative workers, i.e. cultural and creative professionals working in cultural and creative sectors, only account for just under one-fourth of all cultural and creative employment.

Figure 3.3. Around 40% of cultural and creative jobs can be found outside cultural and creative sectors

Cultural and creative employment as a share of total employment within and outside cultural and creative sectors, 2020



Note: Data for Canada, Mexico, the United Kingdom, and the United States are from 2019. Please refer to Eurostat (2018[17]) for the list of cultural and creative sectors included in the calculation.
Source: OECD calculations on Eurostat (2021[3]) Cultural Statistics, https://ec.europa.eu/eurostat/web/culture/data/database; American Community Survey, 2019; Canadian Labour Force Survey, March 2019; Mexican National Survey of Occupation and Employment, 2019 quarter 4; and Australian Census, 2016.

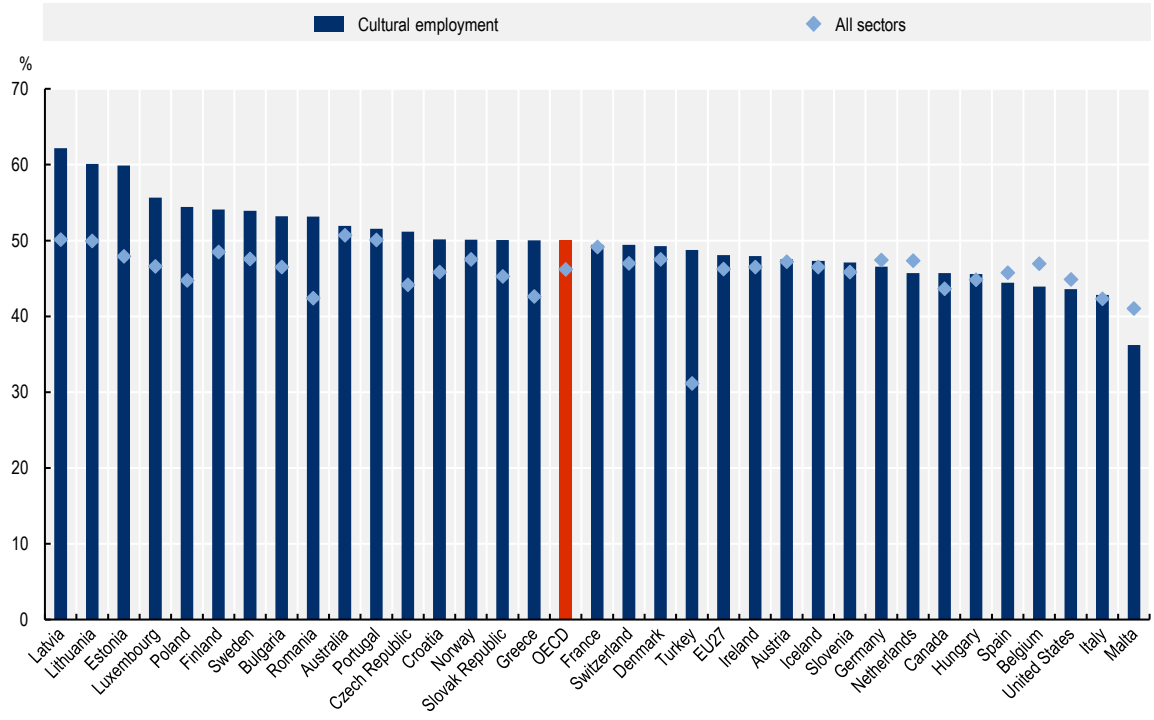
These "embedded creatives" help to drive innovation and competitiveness across the economy. Research on SMEs in the UK suggests that cultural and creative professionals may actually be more robust drivers of innovation than cultural and creative sectors themselves (Lee and Rodríguez-Pose, 2014[18]). Indeed, tertiary graduates in the arts play an important role in innovation, with one study finding that they are just as likely to participate in product innovation as graduates in engineering and computing (Avvisati, Jacotin and Vincent-Lancrin, 2014[19]). At the regional level, a positive relationship between a large presence of the "creative class" – which includes a broader range of workers than the definition of cultural and creative employment in this chapter[2] – and growth, entrepreneurship and innovation has been documented in both the US and Europe (Boschma and Fritsch, 2009[13]; Florida, 2002[20]). However, there is significant debate as to whether this is linked to creativity specifically or just higher levels of human capital more generally (Florida, 2014[12]; Peck, 2005[21]; Glaeser, 2005[22]).

Artist-in-residence programmes, which embed artists within non-arts organisations, are another example of how the talents and expertise of cultural and creative professionals can drive innovation in other sectors (EC, 2014[23]; Stephens, 2001[24]). Used in both public and private organisations, these programmes integrate artists in university learning curricula (Stephens, 2001[24]), technology corporations (Voight, 2017[25]), and government agencies (Civic Artists Project, 2020[26]), among other types of organisations. For example, inspired by the longstanding artist-in-residence programme in the Department of Sanitation, New York City's Public Artists in Residence programme (PAIR) was launched in 2015. It matches artists with city agencies such as health, sanitation, and sustainability, so that artists can work "collaboratively" to "propose and implement creative solutions to pressing civic challenges." Likewise, Los Angeles named oral historian and artist Alan Nakagawa as the city's first "Creative Catalyst" to support the Department of Transportation with its Vision Zero initiative (Woronkowicz and Schert, 2020[27]).

Women are well represented in cultural and creative employment in general, but face significant barriers in terms of seniority, pay and market access

In general, women are well represented in cultural and creative employment. In 2020, the proportion of women in full-time cultural and creative employment across the OECD (50%) was slightly higher than the average share of women in employment across the whole of the economy (46%) (Figure 3.4). Only in a handful of countries are women more poorly represented in cultural and creative employment than employment overall (e.g. Belgium, Malta and the Netherlands). On the other hand, the Baltic States, as well as Luxembourg, Poland, Finland, and Sweden have particularly high shares of women in cultural and creative employment.

Figure 3.4. Share of full-time female employment in cultural and creative employment, 2020



Note: Data for Canada and United States are from 2019. Data for Australia is for 2016 and includes both full-time and part-time workers.
Source: Eurostat (2021[3]), *Cultural Employment by Sex*, https://ec.europa.eu/eurostat/web/culture/data/database; Eurostat (n.d.[28]) *Employment and Activity by Sex and Age – Annual Data (15-64 year-olds)*, https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsi_emp_a&lang=en; OECD calculations on American Community Survey, 2019, Canadian Labour Force Survey, March 2019, and Australian census, 2016.

Despite the strong representation overall, significant disparities exist at more senior levels and as well in relation to pay, access to creation and production resources, and representation in the art market (EU, 2018[29]). In the field of arts, entertainment and recreation worldwide, women make up 30% of less of senior management positions in over half of firms (ILO, 2019[30]). In the museum sector in the United States, 61% of museum staff are women, compared to only 46% of museum directors (Schonfeld and Westermann, 2018[31]). In France, women make up only 9% of directors at the 100 largest cultural enterprises, and receive only 28% of public funds given to arts and cultural producers (UNESCO, 2020[32]). Women comprised only 21% of all directors, writers, producers, executive producers, editors, and cinematographers in the top 100 grossing films of 2020 (Lauzen, 2021[33]).

Likewise, more can be done to make the sector more diverse in other ways. One study of galleries in New York City found that of the 1 300 artists represented by the city's top 45 commercial galleries, 81% are white, 9% were African American, and only 1% were Latino (Neuendorf, 2017[34]). Other work in the United Kingdom has found that while representation of Black, Asian and ethnic minorities in cultural and creative sectors is growing, they remain underrepresented compared to the demographics of the places where these sectors are concentrated (Easton, 2015[35]). Other research from the UK suggests that those from privileged social origins (i.e. those from managerial and professional social origins) are overrepresented in cultural and creative occupations, that the rates of absolute social mobility are declining for these occupations (Brook, O'Brien and Taylor, 2018[36]), and that the class divide in creative sectors is worse than any in any other industrial sector (Carey, O'Brien and Gable, 2021[37]). Similarly, women, people of colour, and those who have large amounts of student debt who graduate with arts degrees in the US were found to be less likely to persist in arts-related careers over time (Frenette and Dowd, 2018[38]).

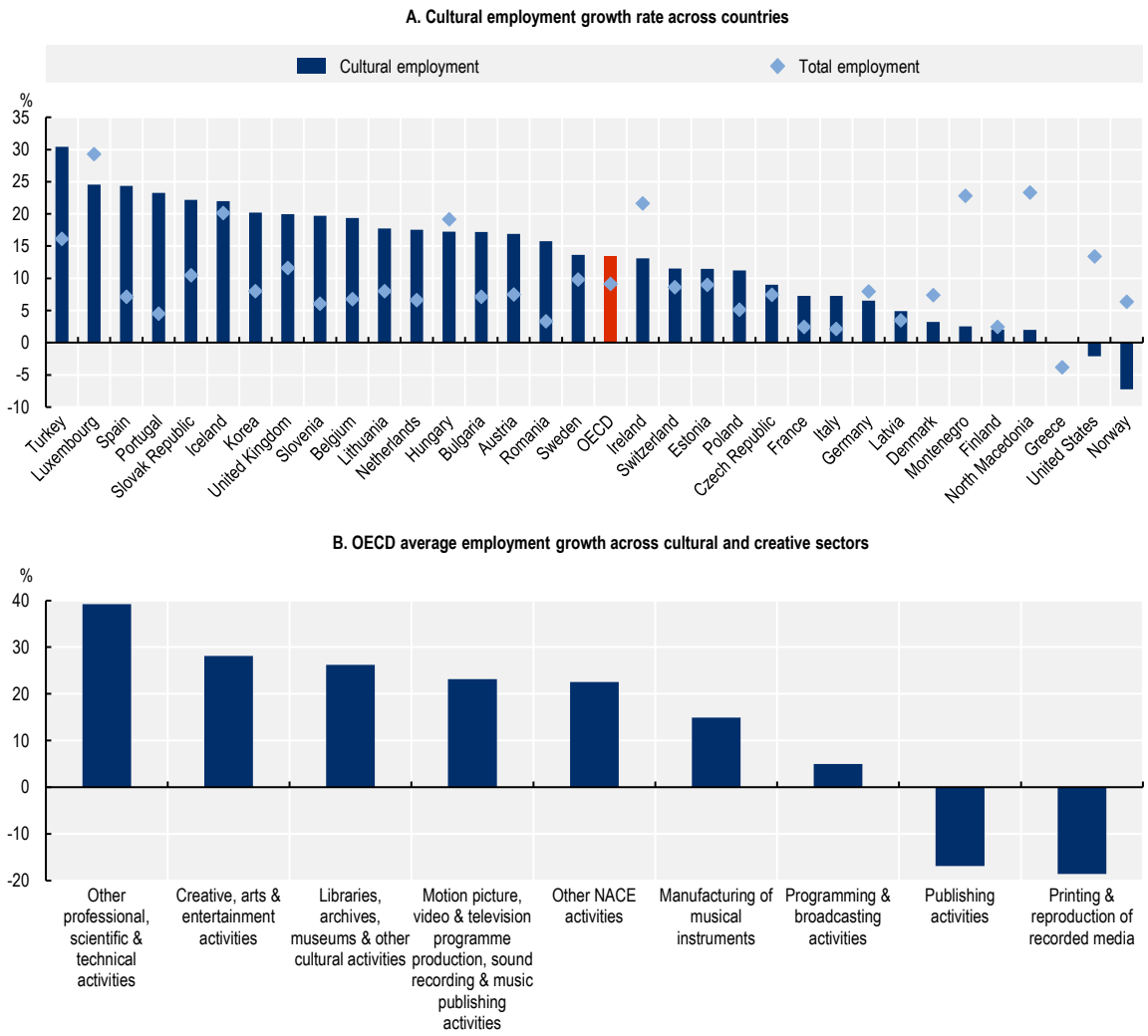
COVID-19 put a dent in longer-term growth in cultural and creative employment

Cultural and creative employment has outpaced overall employment growth in recent years, but COVID-19 has likely left a dent. Public and private relief schemes played an important role in buffering these shocks, but were not always well-suited to the specificities of the sector or to support longer-term growth and resilience. While COVID-19 is unlikely to radically alter longer-term growth patterns for the sector overall, some specific occupations and sub-sectors may struggle to bounce back quickly.

Prior to COVID-19, cultural and creative employment was growing

Between 2011 and 2019, cultural and creative employment grew by 13.4%, compared to 9.1% for overall employment across OECD and EU countries (see Figure 3.5). Only in a handful of countries – including Luxembourg, Hungary, Ireland, the United States and Norway – did overall employment growth outpace cultural and creative employment growth over this period (and the latter two are the only countries where cultural and creative employment actually declined over this period). However, specific cultural and creative sub-sectors have experienced markedly different employment growth rates. In the EU-27, employment in "other professional, scientific and technical activities", which includes specialised design activities, photographic activities and translation and interpretation activities, grew by 39% between 2011 and 2019. In contrast, printing and reproduction of recorded media; and publishing saw significant employment declines (-17% and -19% respectively).

Figure 3.5. Cultural and creative employment grew faster than overall employment on average over the past decade, 2011 to 2019



Note: Growth rate in Panel A for Korea refers to the period, 2013 to 2019.
Considering sectoral data available across years, the OECD average in Panel B includes Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. Other professional, scientific and technical activities include specialised design activities, photographic activities and translation and interpretation activities.
Source: OECD calculations on Eurostat (2021[3]), *Cultural Employment*, https://ec.europa.eu/eurostat/web/culture/data/database, American Community Survey, 2019; and Statistics Korea, 2019.

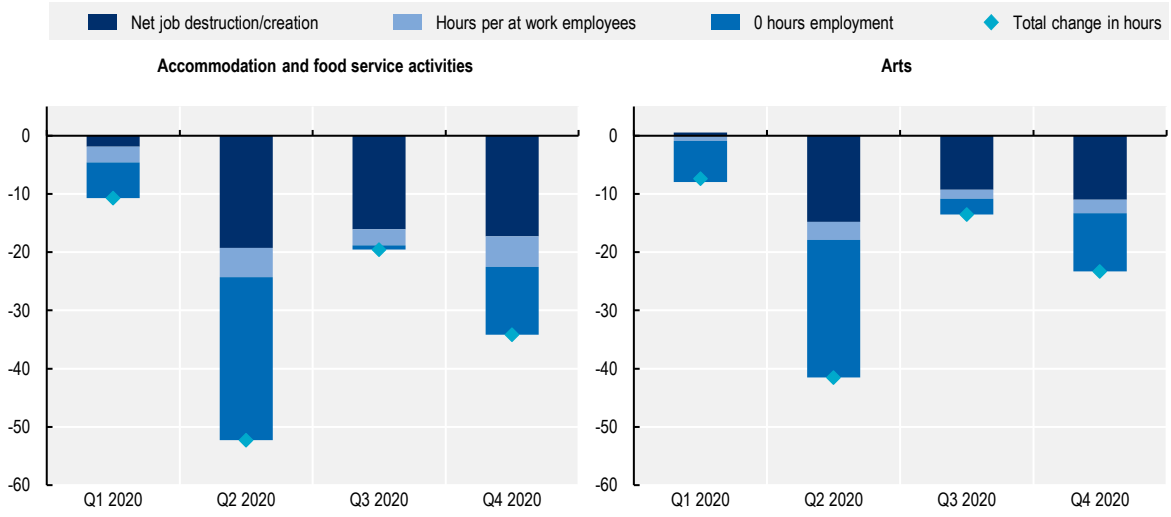
COVID-19 had hard-hitting but diverse impacts on jobs and livelihoods in the sector

Cultural and creative sectors were heavily affected by COVID-19, particularly venue-based sectors like museums, theatres, cinema, performing and live arts (OECD, 2020[6]). In comparison with 2019, in 2020, the cultural and creative employment in the EU fall by 2.6 % compared with 1.3 % reported for the total employment (Eurostat, 2021[3]). The total turnover of the sector in the EU-27 plus the United Kingdom is estimated to have fallen by over 30% (almost EUR 200 billion) between 2019 and 2020 (EY, 2021[39]). In Q2 of 2020, 36% of private sector-dependent employees in the arts, entertainment and recreation sector were on job retention schemes in selected countries, compared to 19% overall, and hours worked for employees in this sector had fallen by 42%. The only industry which saw a greater reduction in hours

worked was the accommodation and food sector (OECD, 2021[40]). While initially, most of the reduction in hours worked was due to the use of job retention schemes, as the pandemic persisted, job destruction accounted for a growing share of lost working hours (see Figure 3.6).

Figure 3.6. Impacts of COVID-19: change in hours worked by sector

OECD average, percentage change, year on year

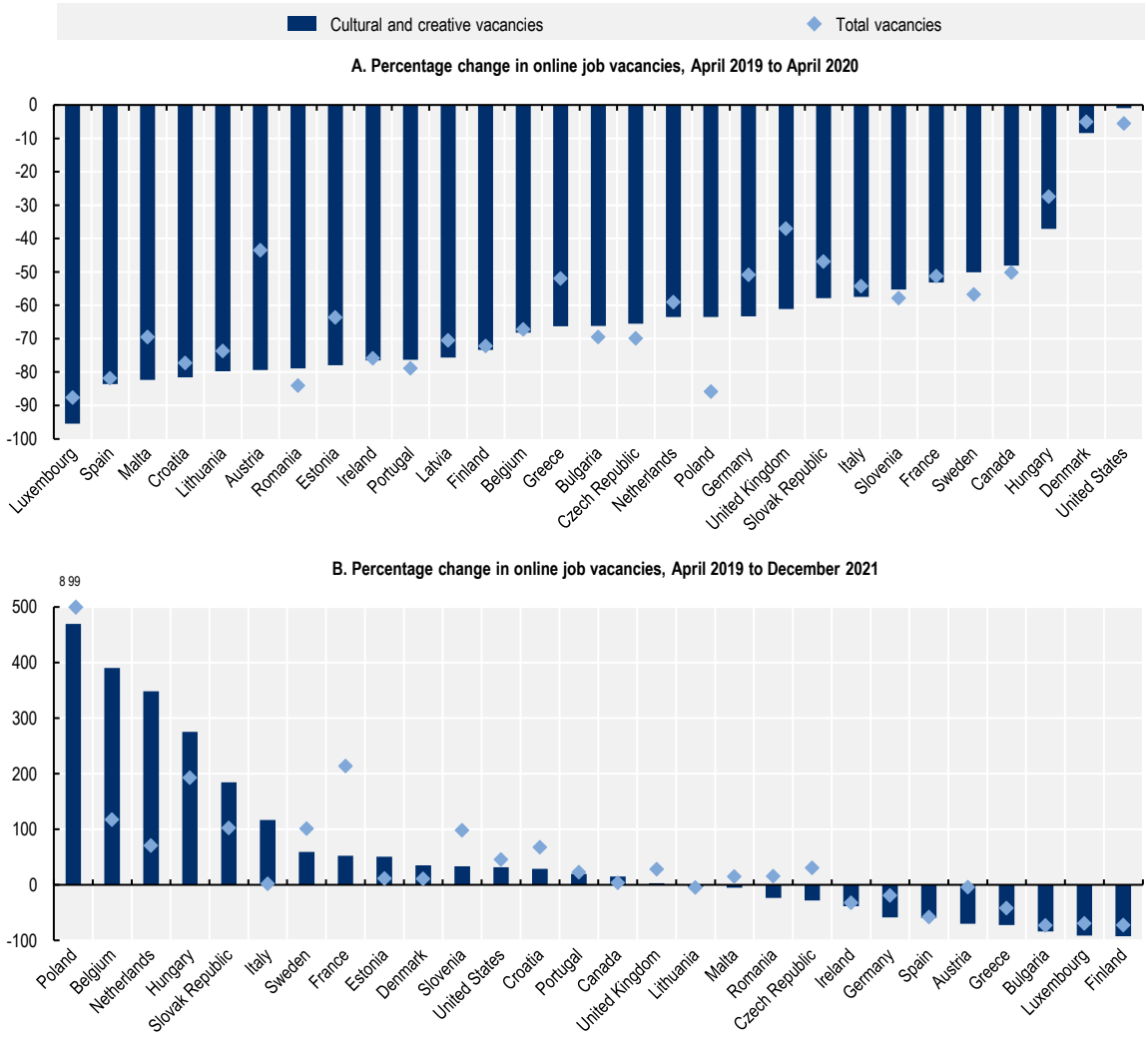


Note: The figure reports the contribution of each category to the change in total hours. Average of EU countries (excluding Germany), Chile, Japan, Mexico, Norway, Switzerland, Turkey, the United Kingdom and the United States.
Source: OECD (2021[40]), *OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery*, https://dx.doi.org/10.1787/5a700c4b-en.

Online job postings for cultural and creative employment decreased by over 50% in most OECD and EU countries with available data in April 2020 compared to April 2019 (Panel A in Figure 3.7). In countries such as Austria, Greece, and the United Kingdom, cultural and creative employment took particularly large hits compared to other sectors. By December 2021, job postings for cultural and creative roles were higher than April 2019 levels for some countries but had not yet recovered to April 2019 levels for other countries (Panel B in Figure 3.7).

Lockdowns and social distancing rules were clearly a large driver of job losses in CCS, but so too was the particular structure of these industries and the nature of cultural and creative work. Throughout the pandemic, government lockdowns forced many businesses to close their doors to the public. Venue-based businesses and institutions, such as museums and live music venues were often some of the last to be able to re-open to the public and typically faced restrictions in visitor numbers due to social distancing measures. The abrupt and often prolonged halting of activities in this sector caused serve loss in revenues (IDEA Consult/Goethe-Institut, 2021[41]). While this was a clear driver of job losses in the sector, the high proportion of small- and medium-sized enterprises (SMEs) and micro enterprises in CCS and the sector's reliance on freelance workers with short term or temporary contracts also contributed to its vulnerability. Smaller firms typically have low cash buffers, making them more susceptible to external shocks, and also typically have lesser flexibility to adapt to lockdown-proof business models than larger firms (OECD, 2021[42]). Moreover, non-standard forms of work are common place in cultural and creative employment and this type of employment was particularly vulnerable to job loss (OECD, 2020[43]).

Figure 3.7. Cultural and creative employment demand in some countries has still not recovered to pre-COVID-19 levels



Note: Cultural and creative job vacancies were identified based on the Eurostat definition of cultural and creative employment (i.e. the trident approach). Due to a lack of detailed sector data for EU countries, two-digit NACE rev. 2 codes were used.
Source: OECD calculations on Burning Glass Technologies data.

Artists and writers were particularly at risk, due to high levels of self-employment. Evidence from the European Commission shows that 44% of artists (including creative and performing artists such as visual artists, musicians, dancers, actors, film directors etc) and writers (including authors, journalists and linguists) across the EU27 were self-employed in 2018 (EC, 2020[44]). This figure was over 50% in some countries such as the Czech Republic, Germany, Italy and the Netherlands. Artists and writers typically work on a project basis, meaning they are often not covered by long-term contracts. Consequently, these types of workers were more at risk due to uncertain income streams.

However, within culture and creative sub-sectors, the impacts of COVID-19 have been extremely diverse. For museum and heritage sites, COVID-19 resulted in unprecedented closures and revenue losses. An estimated 95% of museums globally were forced to close at some point during the crisis. In a spring 2021 survey of museums and museum professionals, over one-quarter of respondents said the longer-term impacts of COVID-19 will result in downsizing staff (27%) and suspending freelance/temporary contracts (44%) (ICOM, 2020[45]). Likewise, festivals around the world were cancelled, with ripple effects

throughout their large supply chains (e.g. related to infrastructure requirements such as stages, tents, catering, etc.) Moreover, COVID-19 cast longer-term uncertainty on future festival programming, which has to be defined long in advance. Within the film industry, the global box office market decreased by 72% in 2020 compared to 2019 (Motion Pictures Association, 2020[46]).

Other sub-sectors such as video games, television, radio and home entertainment actually benefitted from increased demand for home entertainment as a result of social distancing measures. For example, video game sales in North America in March 2020 were up 34% from those in March 2019, and video game hardware up by 63% (Bloomberg, 2020[47]). It is still uncertain how this trend will persist, but the crisis has clearly further boosted a sector that even before the crisis was on a long-term growth trajectory. Similarly, the global home/mobile entertainment market (i.e. content released digitally and on disc) grew by 23% in 2020 compared to 2019 (Motion Pictures Association, 2020[46]).

The long shadow of COVID-19: destruction not just of cultural and creative jobs, but cultural and creative careers?

COVID-19 could have longer-lasting impacts on cultural and creative employment in the hardest hit sub-sectors.[3] The cancellation of festivals, trade fairs and other similar events where artists, writers, filmmakers, software designers etc. sell their work and conclude deals for future production means that the effect of this loss of investment will be felt over the medium, rather than short-term. An investment shock will also affect creative professionals and businesses that trade with legal rights (copyright industries, e.g. music, cinema). Artists that were unable to sell their production due to the cancellation of events will not receive any copyright revenue in the year to come and thus will have reduced funds to invest in new production (OECD, 2020[6]).

Artists tend to transition to work outside the sector during recessionary periods and may even stay outside the sector post-recession (Woronkowicz, 2015[48]). Avenues, such as multiple jobholding and self-employment opportunities do exist for helping buffer these negative effects. However, even those avenues can put undue strain on workers and likely incentivise many to find alternative careers. This leaves only those who can “afford” to sustain careers in cultural and creative work (Brook, O’Brien and Taylor, 2020[49]). Indeed, in a September 2020 survey, over one-quarter of freelance museum professionals reported that they were considering changing their career entirely (ICOM, 2020[50]).

Hard economic times can also impact the pipeline of college-educated artists going forward. Traditional arts majors graduating during or after the Great Recession were more likely to complete a double major, be self-employed, be unemployed, work longer hours, and earn less income than those graduating prior to the recession. It also negatively impacted the share of graduates in traditional arts fields, but positively impacted the share of graduates in related creative fields (Paulsen, 2021[51]).

All told, the resulting skills losses and shortages could slow the sector’s recovery, with longer-term implications. Women will likely face a disproportionate burden of these employment and career losses, particularly those who are caregivers of young children. This is due to the combination of their high representation in the sector and the disproportionate share of child and family care responsibilities they shouldered during the pandemic.

COVID-19 relief measures were not always well-suited for cultural and creative professionals and strengthening the sector over the longer-term

Emergency relief measures, such as furlough schemes and income support for the self-employed, were put in place in many countries to support workers throughout the economy. Along with the government, philanthropic and private sector organisations also implemented programmes for addressing the contraction of CCS employment as a result of the COVID-19 pandemic (OECD, 2020[52]). This includes direct grant schemes, indirect financial instruments (such as postponement of tax payment or rent

exemptions), compensation or other financial support for cancelled events or projects, and other forms of non-financial support such as information services for cultural and creative workers (EC, 2020[44]).

In Europe, the European Commission put in place a range of funding mechanisms to support cultural and creative work across member states. This included a number of broad support packages to help Member States protect jobs, employees and the self-employed and to support SMEs during the crisis, alongside a number of CCS specific support measures (EC, 2022[53]). In response to the pressing need to gather in one place pertinent initiatives and information related to the CCS in the EU in response to the COVID crisis, the Creative FLIP Pilot project, co-funded by the European Union, launched the Creative Unite platform to help share challenges and solutions at the EU level in relation to the COVID-19 impact on the cultural and creative sectors (Creative FLIP, 2022[54]).

While COVID-19 support schemes tended to cover a broader range of workers than standard social protection schemes, cultural and creative professionals still fell through the cracks in some cases (OECD, 2020[6]). For example, self-employment support schemes were not always well adapted to the types of portfolio working and hybrid working that are more common for cultural and creative professions. Minimum income requirements for eligibility in some relief packages for instance, may exclude hybrid workers that derive only part of their income from freelance cultural and creative work. Relief schemes were also not always well-suited to provide income support to the sole proprietors of incorporated companies, which is the case for many creative professionals. In some cases, these professionals also do not earn incomes via salaries, but rather via dividends.

Many of the other types of support programmes have been stop-gap, where the goal has been to support workers in the CCS for the short term. Stop-gap measures have typically included grants and subsidies for CCS workers, in addition to loans. While stop-gap measures have been critical to the survival of so many individual CCS workers who have been adversely impacted by the pandemic, they are less effective at growing the sector since there is often no way to assure that workers who receive emergency aid continue working in cultural and creative jobs (UNESCO, 2020[55]), or that firms receiving aid used them to support employees rather than overhead costs.

Box 3.4. Examples of COVID-19 support for CCS freelancers in Scotland, United Kingdom

Hardship Fund for Creative Freelancers (Creative Scotland) & The Screen Freelancers Hardship Fund (Screen Scotland)

The Scottish Government's GBP 17 million commitment to creative freelancers is channelled through Creative Scotland and Screen Scotland Hardship Funds. The Hardship Funds were established for freelancers who have lost income from work and/or practice in the creative sector due to the pandemic, the Screen Fund specifically administering funds for those working in screen or photography. The Funds provided bursaries to those most impacted by hardship due to cancellation of work and prioritises those who have been unable to access other forms of direct support.

The fund administered £8m in grants from October 2020 and a further £9m administered in March 2021 when a new application round began. Applicants could apply for bursaries of up to GBP 2 000 and those who have previously received funding were eligible to reapply.

Newly Self-Employed Hardship Fund (Scottish Government)

The Newly Self-Employed Hardship Fund is a grant scheme set by the Scottish Government for those newly self-employed who are ineligible for the UK government Self-Employment Income Support Scheme (SEISS). It offers one-off payments of GBP 4 000 to those who do not meet the criteria required to claim SEISS for not having been self-employed for long enough or derived enough of their income

through self-employment. Those who applied in the first round in 2020 also still eligible to apply in the round closing in March 2021.

Bridging Bursary Fund (Creative Scotland & Screen Scotland)

The Bridging Bursary Fund consisted of a GBP 2 million Creative Scotland Bridging Bursary Fund to help sustain freelance creative and arts professionals and a GBP 1.5 million Screen Scotland Bridging Bursary Fund for freelance or self-employed screen practitioners who had lost earnings due to the cancellation of work as a result of COVID-19.

The scheme ran in March-May 2020 with a total of 2 293 awards given to a total value of over GBP 4 million. The largest professional groups being awarded by the creative and arts fund were music and visual arts, while for screen, TV and TV development or production. Awards were given in every local authority, with the largest number of awards going to applicants in Glasgow (689, totalling over GBP 1.2 million) and Edinburgh (358, totalling over GBP 640 000).

Sustaining Creative Practice Fund (Creative Scotland)

The GBP 5 million Sustaining Creative Practice Fund was launched to support artists to continue developing new creative work that would make a significant contribution to Scotland's recovery from COVID-19. In addition to GBP 3.5 million added to Creative Scotland's existing open fund, the Culture Collective was launched with a total of GBP 1.5 million to support organisations employing freelance artists to work in and with communities across Scotland.

Other sector-specific funds

The Events Industry Support Fund comprised of a GBP 6 million fund providing one-off grants of GBP 10 000 to support businesses in the events industry and the self-employed (through limited company or as a sole trader) whose primary income source was the events sector in Scotland.

It should also be noted that other smaller sector-specific funds have been distributed by different organisations within the sector, including BECTU, Federation of Scottish Theatre, Equity Hardship Fund, Help Musicians UK, Musicians Union, PRS Foundation, and the Society of Authors, etc.

Source: Creative Scotland (2021[56]) *Hardship Fund for Creative Freelancers*, Creative Scotland, https://www.creativescotland.com/funding/archive/hardship-fund-for-creative-freelancers; Creative Scotland (2020[57]), "Business support needs of cultural organisations", Unpublished, Creative Scotland; Find Business Support (2021[58]), *Newly Self-Employed Hardship Fund*, https://findbusinesssupport.gov.scot/service/funding/newly-self-employed-hardship-fund; Screen Scotland (2021[59]), *Screen Hardship Fund*, https://www.screen.scot/funding-and-support/funding/screen-hardship-fund; Scottish Government (2021[60]), *Coronavirus (COVID-19): Culture and Creative Sector Support*, https://www.gov.scot/publications/coronavirus-covid-19-culture-and-creative-sector-support/pages/self-employed-support/; Visit Scotland (2020[61]), "Events industry support fund announced", Visit Scotland, https://www.visitscotland.org/news/2020/events-industry-support-fund-announced.

What makes cultural and creative jobs unique?

A number of features distinguish cultural and creative employment from more general employment patterns. For one, it is characterised by a relatively high share of non-standard jobs, e.g. those that are not characterised by full-time, permanent contracts (although with important nuances for specific occupations and sub-sectors). Cultural and creative employment is also marked by a skills paradox -- although cultural and creative employees are more highly educated than average, there are also significant skills gaps that hold the sector back, such as those related to entrepreneurship skills. Due to the highly-skilled and non-repetitive nature of these types of jobs, they are also unlikely to be automated but will be transformed by digitalisation in other ways. Finally, cultural and creative employment has a unique role in

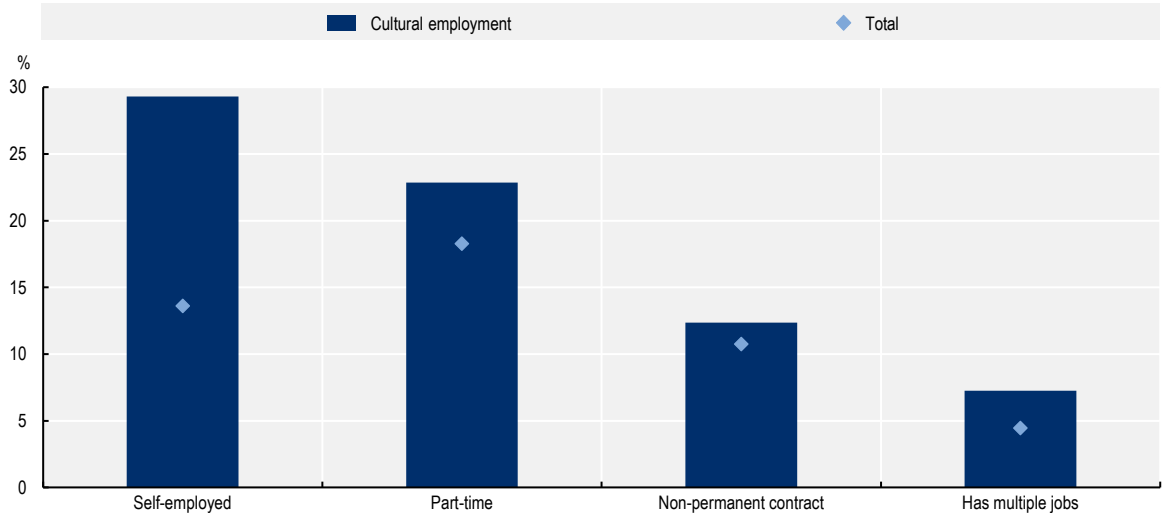
driving innovation across the economy. Not only have cultural and creative sectors historically been digital pioneers, but also because of the role of embedded creatives and creative skills driving innovation across economic sectors.

The "starving artist" and precariousness in cultural and creative employment

In general, cultural and creative workers are more likely to hold non-standard jobs – i.e. be self-employed, work part-time, or have temporary contracts – as well as to hold multiple jobs than other types of workers (Figure 3.8). These jobs are typically more precarious when considering issues such as contract stability, level and fluctuations of income, and access to social protection. Additionally, while informal employment in the sector is more widely spread in developing countries, even in more developed countries, informality in certain creative jobs (such as handicrafts) also exists (UNESCO, 2013[62]).

Figure 3.8. Cultural and creative employees are more likely to be in non-standard forms of employment and hold multiple jobs

Share of workers who are self-employed, work part-time, have non-permanent contracts, or have multiple jobs, OECD average, 2020



Note: OECD average includes Austria, Belgium, Canada, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. Data for Canada, the United Kingdom, and the United States are from 2019.
Source: OECD calculations on Eurostat (2021[3]), *Cultural Employment Statistics*, https://ec.europa.eu/eurostat/web/culture/data/database, American Community Survey, 2019, and Canadian Labour Force Survey, March 2019.

Non-standard work in the creative sector is distinctive from this type of work in other sectors. Many cultural and creative workers are highly-skilled with differentiated skills and abilities, whereas across the labour market, workers with lower levels of education tend to be overrepresented in non-standard work (OECD, 2015[63]). Creative professionals may actually be drawn to these types of working arrangements by design, as they provide more variety and novelty, as opposed to more routine, stable employment arrangements (Menger, 1999[64]). CCS workers often enter self-employment for reasons related to precarious work conditions and lack of stable jobs, compared to other types of workers who often choose to do so because of the flexibility and autonomy afforded (Feder and Woronkowicz, 2021[65]).

However, precariousness is not universal in the sector, with important divides within and across sectors and occupations, as well as across non-profit, public and for-profit models. In Germany, for example, 53% of employees in cultural and creative sectors were subject to social security contributions, but it ranges from 11% of the workforce in the art market compared to 79% in the software/games industry (Birkel et al., 2020[66]). CCS are also prone to rewarding "superstars" by concentrating income among very few individuals (Rosen, 1981[67]).

Project-based nature of work contributes to high shares of non-standard work

Much activity in CCS is project-based, leading to temporary forms of organisation and work. Both public cultural institutions and large private firms rely on an interconnected network of freelancers and micro-firms which provide cultural and creative content, goods and services. For example, directors work on individual films, often with separate production companies; theatres generally contract actors on a per-production basis, musicians perform one-off gigs, and festivals will employ people for a few months due to the seasonality of their production. Often, cultural and creative professionals (artists, writers, journalists, musicians, etc.) will have several project contracts as self-employed or a freelancer to make a living throughout the year.

Indeed, across OECD countries with available data, 29% of cultural and creative employees are self-employed, just over twice the average rate for all workers (see Figure 3.8). In some countries, the self-employed account for almost half of all cultural and creative employment (e.g. 47% in the Netherlands and 46% in Italy-see Annex 3.A). In New York City, 36% of creative workers were self-employed in 2017, compared to just 10% of the City's overall workforce (Office of the New York City Comptroller, 2019[8]).

Project-based work is sometimes combined with a part-time salaried job, or a main salaried job (often in a non-CCS sector) combined with a "second" creative job. This practice is often referred to as "moonlighting" (Throsby and Zednik, 2011[68]; Alper and Wassall, 2006[69]). Alongside boosting earnings, having a second job can provide a degree of security for cultural and creative workers, through access to holiday and sick pay (in the case of salaried employment) and more stable income streams, compared to project-based work. However, having a second job puts time constraints on many cultural and creative workers in pursuing cultural and creative careers (EENCA, 2020[70]). Indeed, cultural and creative employees are more likely to work part-time in their main cultural and creative job – across OECD countries with data available, 23% of cultural and creative employees work part-time in their main job, compared to 18% overall (see Figure 3.8). Indeed, only established artists are able to afford to live entirely from their income as an artist (Snijders et al., 2021[71]).

Non-traditional career pathways

Many cultural and creative employees also have less traditional career pathways. Overall, creative and cultural careers are often rather fragmented with multiple entry and exit points throughout an individual's lifetime. Longitudinal studies have also found that many people participate in the artistic labour market at some point in their working life, but few succeed to the point of being able to develop a career in the arts. Many actually transition to professional and managerial occupations, in part due to their relatively high education levels (Alper and Wassall, 2006[69]). Occupational persistence for artists is highly variable, especially when accounting for gender, age, and experience (Stohs, 1992[72]), and they are more likely to move in and out of self-employment compared to other types of workers (Woronkowicz and Noonan, 2017[14]). However, there are important nuances. In one survey of arts alumni, majoring in architecture or design increased the odds of persisting in an arts-based career over the longer term, compared to art history and several other arts-related majors (Frenette and Dowd, 2018[38]).

Even initial entry and exit from the labour market are often structured differently for creative professionals than other types of workers. For example, at the early stages of professional careers, many artists and performers produce serious work before their formal training is complete. On the other

end, for some creative professionals, such as classical dancers, severe physical limitations at a relatively early age impact the longevity of their careers (Menger, 1999[64]). Likewise, artists and professionals often transition to different roles within sub-sectors, for example, from a dancer to a choreographer or a musician to a music teacher (EENCA, 2020[70]).

Cross-border mobility is especially important for cultural and creative workers in developing their careers. The ability to travel across national borders for educational, capacity-building, networking, or working purposes, forms an important component of career development for many cultural and creative workers (EENCA, 2020[70]). This is especially the case in the live performance sector, where international touring is commonplace, and for many writers and visual artists where having an international presence forms an important part of promoting a professional identity. However, this can create additional challenges for cultural and creative workers in regards to legal issues, such as visas and taxation, as well as the additional cost of travel or permanent or semi-permanent relocation, which can further entrench existing inequalities. For example, gender inequality in regards to caring responsibilities means that many female cultural and creative workers are less able to engage in mobility opportunities than their male counterparts.

Box 3.5. i-Portunus: Supporting cross-border mobility of artists and CCS professionals

In 2019, the European Commission funded the i-Portunus project as part of the Creative Europe program, to support the short-term mobility of artists and culture professionals. The i-Portunus project funds short-term mobilities for individuals to go abroad or for hosts to attract international talent. It aims to increase the opportunities for international collaborations, professional development and production-oriented residencies for artists and creative professionals, giving them access to different markets, helping them attract new audiences or followers, and start new or strengthen existing international collaborations. The scheme is open to artists, creators, cultural and creative professionals and hosts organisations (e.g. non-governmental organisations, museums, cultural institutions) working in any cultural sector (other than audio-visual) who reside in one of over 40 countries participating in the Creative Europe programme.

i-Portunus is still in a pilot phase with projects testing how to best organise the mobility scheme.

The first pilot project was launched in 2019, attracting over 3 000 applications and funding 337 individuals. The scheme was especially popular with women, young and emerging artists and people with lower incomes. The most important result was the impact that the participants attributed to their mobility experience: 97% acquired new skills/knowledge, 94% developed new audiences/outlets, 94% developed new co-productions/creations, and 49% received a job offer.

The second pilot ran from 2020 to 2021 and attracted over 1 880 applications. This second pilot granted funding to 320 individual grantees involved in 191 projects. Distributed through sector-specific calls, the i-Portunus 2020-2021 supported 96 projects from the Music sector, 50 from Cultural Heritage, 25 from Architecture and 20 from Literary Translation. Of the selected applicants, 48% had an annual income of less than EUR 10 000 and 8% of the selected applicants were unemployed.

Source: i-portunus (2021[73]), *About the Programme*, https://www.i-portunus.eu/. (accessed on 22 March 2022).

Reduced access to social protection

Access to social protection is also a challenge for many cultural and creative workers. This largely reflects the fact that across sectors, non-standard workers tend to have reduced access to social protection. In countries such as the Czech Republic, Estonia, Latvia, Portugal and the Slovak Republic, workers engaged in independent work, or short-duration or part-time employment are 40-50% less likely than standard employees to receive any form of income support during an out-of-work spell, with gaps particularly large for the self-employed. Even for those non-standard workers that do receive support, the level of benefits that are often markedly lower (OECD, 2019[74]). Specific features of CCS, e.g. irregular and varied types of remuneration, such as royalties, "hidden working time" that may be considered as inactivity from a traditional labour market perspective, may further exacerbate these gaps (Galian, Licata and Stern-Plaza, 2021[75]).

Some countries do have targeted social protection schemes for specific types of cultural and creative workers. Examples include the *intermittent du spectacle* in France or the German Artists' Social Security Fund (OECD, 2018[76]). Likewise, Lithuania passed a social security programme for artists in 2011 (UNESCO, 2012[77]), and starting in 2020, Korea introduced an employment benefits programme through its Ministry of Culture, Sports and Tourism that expands access to unemployment benefits and allowances for the birth of a child for freelance artists (UNESCO, 2020[55]). While a more general scheme for the overall population, in the United States, the implementation of the Affordable Care Act disproportionately benefited CCS workers, especially those below the poverty line and young workers (Woronkowicz et al., 2019[78]).

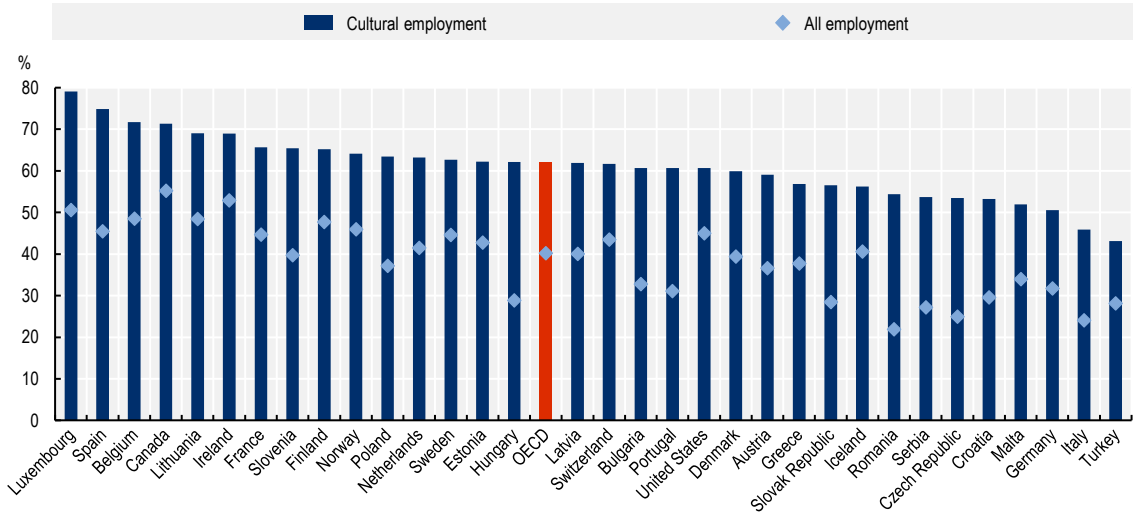
Likewise, specific statutes or historical development have led to bespoke collective bargaining arrangements for the creative sector. For example, in the United States, following the historical example of screenwriters, other craftspeople in the film industry and related sectors have formed "guilds" that engage in multi-employer bargaining more similar to corporatist European countries than standard US practices. Other examples include Denmark, where, since 2002, unions can bargain on behalf of journalists, scenographers, and graphic designers classified as "freelance wage earners." In 1995, Canada passed the Status of Artist Act, which allows self-employed artists to be recognised and certified by the Canadian Industrial Relations Board (CIRB) as an artists' association with the exclusive right to negotiate collective agreements with producers, following the UNESCO Recommendation Concerning the Status of Artists (OECD, 2019[74]).

Highly educated but persistent skills gaps

Cultural and creative workers tend to be highly educated and skilled compared to the overall workforce. On average across OECD countries, 62% of cultural and creative employees hold a tertiary degree, compared to 40% of the workforce more generally (Figure 3.9). Those working in cultural and creative sectors also have higher literacy and numeracy skills than the overall average based on the results of the OECD's Survey of Adult Skills (PIAAC) (Figure 3.10).

Despite this general, high level of skills, there are persistent skills gaps and shortages in the sector (although evidence suggests that these are not significantly greater than for the economy overall). These impact both employers who struggle to find workers with the skills they need and creative workers themselves, particularly those in self-employment or who work freelance. Broader shifts in the sector, such as changes in business models or the uptake of digitalisation (discussed further in the next section) are also shifting the skills landscape, which may lead to increasing skills gaps and shortages. For example, a shortage of translators has been identified as a result of the expansion and internationalisation of online streaming content (although there is an ongoing debate about job quality in the sector that could contribute to a labour shortage) (Deck, 2021[79]).

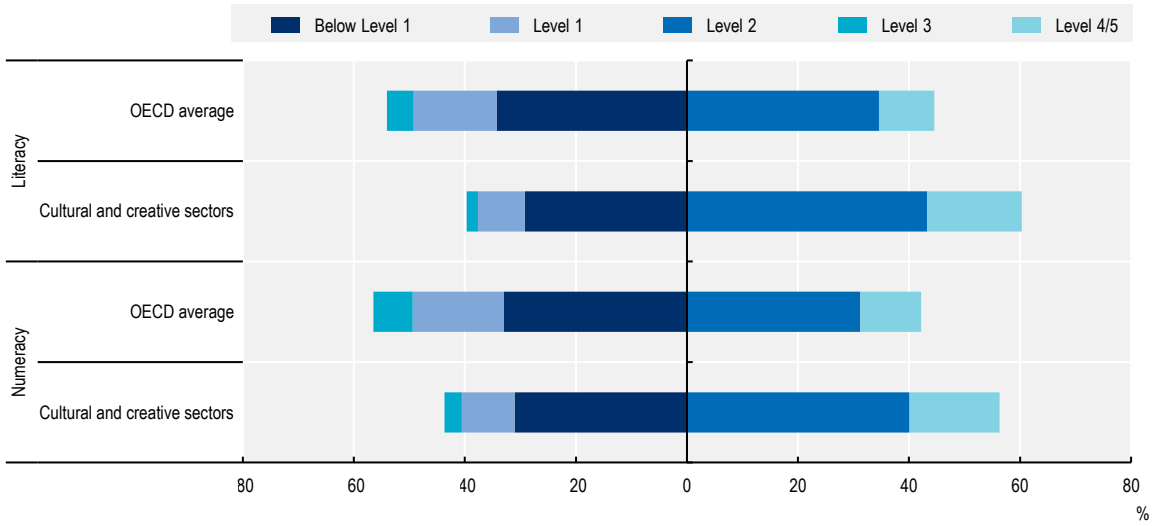
Figure 3.9. Share of cultural and creative employees with tertiary education, 2020



Note: Education level is based on ISCED 2011. Please refer to the European Union Labour Force Survey user guide for details. Data for the United States and Canada are from 2019. OECD average is based on the OECD countries that appear in the graph
Source: Eurostat (2021[3]) *Cultural Employment by Educational Attainment*, https://ec.europa.eu/eurostat/web/culture/data/database; Eurostat (n.d.[80]), *Employment by Educational Attainment Level – Annual Data (15-64 year--olds)*, https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsi_educ_a&lang=en; American Community Survey, 2019; Canadian Labour Force Survey, March 2019.

Figure 3.10. Employees in cultural and creative sectors have relatively high levels of literacy and numeracy

Percentage of adults aged 16-65 scoring at each proficiency level



Note: Cultural and creative sectors in this figure are based on ISIC Rev. 2, 2-digit codes. Available cultural and creative sectors include: Printing and reproduction of recorded media (18); Publishing activities (58); Motion picture, video and television programme production, sound recording and music publishing activities (59); Programming and broadcasting activities (60); Creative, arts and entertainment activities (90); and Libraries, archives, museums and other cultural activities (91). Data bars may not sum exactly to 100% due to missing responses (OECD, 2019[81]). Countries included: Australia, Austria, Canada, Chile, the Czech Republic, Denmark, England (United Kingdom), Estonia, Finland, Flanders (Belgium), France, Germany, Greece, Hungary, Ireland, Israel, Italy, Japan, Korea, Lithuania, Mexico, the Netherlands, New Zealand, Northern Ireland (United Kingdom), Norway, Poland, the Slovak Republic, Slovenia, Spain, Sweden and the United States.
Source: OECD calculations on OECD (2012[82]; 2015[83]; 2018[84]) *Survey of Adult Skills (PIAAC)*, https://www.oecd.org/skills/piaac/.

Soft skills, technical skills and managerial/entrepreneurial skills are all required for cultural and creative work, but technical and managerial skills gaps are particularly prevalent in CCS. In regards to specific skills needs, a recent study of CCS in Europe found technical and managerial skills gaps were pervasive across CCS, alongside some gaps in soft skills (VVA, 2021[85]). Much cultural and creative work requires very specific technical skills, for example, a Goldsmith or jewellery maker requires both metal craftsmanship skills and the ability to use and operate different digital tools (such as CAD/CAM, 3D modelling, 3D printing etc). Skills gaps were often found in these more technical domains, which require very specific training. Moreover, the report identified significant skills gaps in managerial/entrepreneurial skills such as marketing, project management and negotiation.

However, there are important distinctions by sub-sector. For example, in the UK, employers report the hardest time recruiting people with relevant skills for those in crafts; IT, software and computer services; and architecture, while skills gaps (i.e. mismatch between skills of the current workforce and the skills needed) are largest for museums, galleries and libraries; and businesses in IT, and advertising and marketing (Giles, Spilsbury and Carey, 2020[86]). There are also concerns about emerging challenges in "master crafts" as the existing workforce ages and eventually retires (Bowes et al., 2018[87]).

There is also evidence to suggest that skills gaps and shortages are larger for generic, transferrable skills (e.g. time or people management, or customer service), than specialist, creative skills (Bowes et al., 2018[87]). In one study, one-third of employers reported skills gaps, with business marketing and communications skills (53.1%), problem-solving skills (47.1%), vocational; skills relating to business support occupations (45.0%), fundraising skills (43.8%), and social media skills (40.0%) as the largest challenges (VVA, 2021[85]). These shortcomings tend to be greater for high-skilled roles (Giles, Spilsbury and Carey, 2020[86]), and finding senior leaders who have both a creative background and leadership skills has been identified as a particular challenge (Bowes et al., 2018[87]).

Gaps in entrepreneurial skills are particularly problematic given the high rates of self-employment in the sector. As discussed in Chapter 4, entrepreneurship and business skills are particularly important for CCS, given the high number of self-employed and freelance workers in these sectors. Moreover, these skills gaps are also prevalent across CCS businesses and not-for-profit organisations.

Again, there are important nuances. Workers in subsectors such as design, architecture, even theatre, often have the entrepreneurial training (or experience) they need to build careers. In comparison, in other subsectors, like traditional crafts, there is less professionalisation and many need further training and support to understand how to successfully commodify their work. Other work on entrepreneurship more generally points to the need to close gaps in entrepreneurship skills for specific populations, such as indigenous populations, ethnic minorities and women (OECD/EC, 2021[88]; OECD, 2019[89]).

Not likely to be automated, but will be transformed by digitalisation

Overall, cultural and creative jobs have a lower risk of automation than jobs overall. Analysis of PIAAC data shows that 10% of cultural and creative jobs across the OECD are at high risk of automation, compared to 14% of jobs overall (based on the estimate and methodology in Nedelkoska and Quintini (2018[90])). This aligns with other analysis that shows that creative jobs are more "future-proof" to automation, and that the further digitalisation of the economy may actually lead to further demand for creative skills (Bakhshi, Frey and Osborne, 2015[91]). However, digitalisation will transform these jobs in other ways.

Cultural and creative sectors have long been at the vanguard of experimenting with innovative models of digital production and distribution. For example, with the release of the transistor radio in the 1950s, Sony helped revolutionise how people listened to music (Transistorized, 1999[92]), and in 1975, Steve Sasson, an engineer at Kodak invented the first digital camera (Estrin, 2015[93]). The transistor radio helped fuel the rock and roll movement in the 1950s and 1960s by enabling easy access to popular music

for audiences, while the invention of the digital camera made photography accessible to the masses, blurring the line between amateurs and professionals.

Digitalisation continues to rapidly transform how creative firms and workers produce and disseminate goods and services, as well as how end users consume them. Digitalisation has contributed to a democratisation of cultural participation and production, which has made creating, sharing and collaborating on artistic endeavours more affordable and accessible (Swerdlow, 2008[94]; Kulesz, 2020[95]). Anyone with Internet access can now try their hand at producing creative work as a result lowering the entry barriers to careers in the CCS. Creating art through digital means and sharing it through social media platforms is nearly ubiquitous among young people (Swerdlow, 2008[94]). Digitalisation in CCS has also made it easier to experiment, since the costs of producing creative products through digital means are generally much lower than using non-digital means and allows users to edit for perfection. Collaboration among CCS workers is also much easier using digital technologies (Kulesz, 2020[95]). Artists and creative workers can broaden their portfolios by expanding their skillsets in different creative technologies, which in turn has made it far easier to become a multi-disciplinary creative worker (Martel, Page and Schmuki, 2018[96]).

The COVID-19 pandemic has accelerated digitalisation even further, as workers, organisations, and audiences have had to adapt to new ways of engaging with culture and creativity due to lockdowns and social distancing guidelines. For example, there was a stark increase in the demand for online content, which has benefited streaming platforms for music, cinema and television. Many cultural institutions such as museums and theatres also rapidly expanded efforts to digitise and provide online access, albeit not necessarily as a revenue-generating mechanism. This will likely bring about permanent changes in audience engagement and content provision models, creating new opportunities for innovation and growth going forward. However, digital access does not replace a live cultural experience or all the jobs that go with it, and questions remain about how revenues from streaming platforms are shared.

Accordingly, digitalisation is both an opportunity and a challenge for workers in the sector. Digital skills, tools and infrastructure are unequally distributed among firms and workers, as well as consumers of CCS products, creating and perpetuating structural inequities among producers and consumers. Promoting policies that provide widespread broadband internet access to the general public is the first step in levelling the digital CCS playing field. A second step is to make accessible to CCS workers and firms tools for digital creative production, many of which are cost-prohibitive especially for small and mid-sized firms and early-career workers. Partnerships between the public sector and technology companies could help facilitate digital access in the CCS, such as they do in other sectors (Kokalitcheva and Fried, 2020[97]). Upgrading the digital skills of workers and firms in the sector is also crucial. There are also serious complications with broadening digital access in the production of cultural and creative works, mainly concerning the ownership of cultural and creative products and remuneration for digital content.

Cultural and creative jobs and creative skills drive innovation across the economy

CCS drive innovation across the economy. Cultural and creative sectors produce a multitude of new products and services, and they are also important suppliers of ideas and new approaches for other activities (see Chapter 4 for further discussion). Arts and culture are increasingly recognised as part of a wider innovation system though cross-innovation in other sectors, including through “embedded creatives” and spillovers of innovations developed in CCS to other sectors (Crossick and Kaszynska, 2016[98]). An example of such innovation is the capacity to engage audiences (consumers) in the co-production/co-creation of content, for example when users (creative enterprises, other businesses and consumers) engage with the innovation process, especially in video games, music and design.

Creative skills more generally are also crucial for innovation, beyond the direct contributions of CCS and cultural and creative professionals. Creativity and critical thinking have been identified as the most important skills distinguishing “innovators” from “non-innovators” (Vincent-Lancrin et al., 2019[99]).

Indeed, creative practices are being integrated into non-creative learning environments for the purpose of training individuals to use creativity in other realms. For example, the STEM (Science, Technology, Engineering and Mathematics) to STEAM (Science, Technology, Engineering, Arts and Mathematics) movement has gained steam in education circles and focuses on integrating divergent thinking skills among skillsets typically taught in STEM curricula, such as critical thinking and problem-solving (Sousa and Pilecki, 2013[100]). The advent of design thinking outside of design fields, including in public policy, is another example.

Policy perspectives

Maximising the contributions of cultural and creative employment to drive growth, innovation and inclusion requires actions on a number of fronts. Policymakers at all levels – from local to national – as well as the philanthropic and private sector all have a role to play. Key priorities include addressing high rates of precariousness in the sector; closing skills gaps; enhancing diversity; creating the enabling conditions for the sector to seize the potential of digitalisation and cross-overs with other sectors; and improving data collection and analysis to underpin all of this work.

Addressing high rates of precariousness and gaps in social protection coverage

Particularly in light of the increased visibility of "gig workers", job quality more generally is an increasingly important topic in public discourse and policy debates. As evidenced by the European Council adopting the Recommendation "Access to social protection for all" in 2019, the question of social protection for non-standard workers is an area of policy action. COVID-19 brought even further attention to these questions and catalysed the extension of social protection through temporary emergency measures to previously non-covered groups in many countries, providing models for what more general schemes could entail (OECD/EC, 2021[88]).

These questions are particularly relevant for cultural and creative sectors, given the high rates of non-standard work and the stark divides within the sector. Beyond cultural and creative professionals themselves, considering job quality for support workers in culture and creative sectors is an important related issue, from security guards in museums to food service workers in theatres.

As part of general considerations around strengthening and expanding social protection schemes, the specificities of cultural and creative workers should be taken into account. This includes, for example, how social protection coverage interacts with the tendency to "moonlight" and the portability of benefits linked to frequent transitions in and out of the sector. Depending on national contexts, these issues could be addressed through more general social protection schemes, or through specialised schemes targeted specifically to the sector. While regional and local governments in many countries stepped in to provide emergency financial support to cultural and creative workers as part of COVID-19 emergency schemes, in most countries, filling these gaps over the long-term requires action at the national level, where core competencies for social protection schemes are typically held.

There are also other levers policymakers can use to improve job quality in the sector. Depending on relevant legal and regulatory frameworks, financial support, for example through grants, or procurement contracts can stipulate a certain level of working conditions or employment contract modalities, or require a commitment to providing high-quality training or apprenticeships. Other aspects of grant funding and procurement can also impact job quality. For example, longer-term more stable funding arrangements can encourage hiring of employees on longer-term contracts, rather than short-term or project-based work.

Skills strategies (see following section) can take a sectoral approach that considers skills demand, such as work organisation and skills utilisation, not just skills supply questions. Career pathways approaches within such strategies can also help to ensure quality progression opportunities over time.

Related, while volunteers are a vital resource for the sector and an important dimension of cultural participation, developing shared standards for voluntary work can also help to ensure that they are not merely a lower cost alternative to paid employment or an implied "rite of passage" for new cultural and creative professionals entering the sector.

Closing skills gaps

Although cultural and creative employees have higher education and skills levels on average, important skills gaps remain. Specifically, digital and entrepreneurial skills, which are particularly important due to the rates of self-employment and micro-enterprises in the sector as well as more technical skills gaps in specific sub-sectors, such as traditional crafts.

Several strategies can be used to boost entrepreneurial skills of creative workers, including enhanced training, coaching and mentoring (see also Chapter 4). This includes better integrating entrepreneurship-related curriculum as part of initial arts and culture education and training programmes, for example in universities and vocational institutions, as well as expanding access to entrepreneurship training programmes as part of lifelong learning and business development support programmes. In some cases, these may need to be specifically tailored to address the unique business models and economic considerations in the sector. Mentoring and coaching, which support the development of entrepreneurial skills through more personal relationships, are another strategy that has proven to be effective. Business consultancy services are another model for transferring expert knowledge from a consultant to an entrepreneur in a bespoke way. Often, these latter types of support are offered through integrated support packages for business development, including financing. This type of "packaging" can be more effective than relying on a single, narrowly defined support instrument (OECD, 2014[101]).

To address skills gaps in specific sub-sectors or places, more comprehensive sector-based skills strategies may be needed. Such strategies should be built on robust analysis of current and future skills needs and gaps, developed in close cooperation with sector representatives. This may look different than typical employer engagement strategies for other sectors, given the high shares of freelancers and self-employed in CCS.

Attention is also needed for the appropriate scale of these strategies. Regional or local skills strategies, that bring together local authorities, education and training organisations, employment services, and employers are particularly important when these sub-sectors are strongly embedded in local communities and are unlikely to delocalise. In other cases, the national level may be the more appropriate scale when the sub-sector encompasses a high share of jobs performed remotely or with significant labour mobility (for example, related to the interpreter talent pool).

Regardless of the scale of these strategies, a few overarching considerations are relevant. These include expanding work-based learning opportunities, such as apprenticeships; considering how to strengthen various components of education and training systems, from universities to vocational training to higher technical institutions; as well as how to promote lifelong learning opportunities for those wishing to strengthen their skills and make a mid-career transition to a cultural and creative field. Career pathways approaches, which consider not just the skills needed for initial entry into CCS, but also how to support progression over the longer term, are also important.

Enhancing diversity and inclusion at all levels of cultural and creative career ladders

Enhancing diversity and inclusion in the sector are also important given the significant disparities in terms of gender, social and ethnic background. Depending on national cultural and legal contexts, a number of strategies can be used (Menzel, 2021[102]). For example, in some countries, public or private funding can include specific targets for promoting socio-economic diversity or to develop leadership diversity programmes. Other, more general strategies can also promote a more diverse sector, such as

expanding broad-based arts education or general efforts to improve job quality and pay to ensure that people from less advantaged backgrounds are able to "afford" to work in the sector at the beginning of their careers (Carey, O'Brien and Gable, 2021[37]). Public awareness campaigns about other barriers some groups face in the sector, such as sexual harassment or discrimination, can also contribute (Menzel, 2021[102]). Diversifying the geographic footprint of art and culture institutions and projects, for example by funding projects and institutions in underrepresented communities, can also contribute to increasing diversity in the sector.

The scale of investments envisioned as part of some COVID-19 relief packages is an opportunity to promote inclusion. There is a historical precedent for this, notably the Works Progress Administration's Federal Art Project (FAP), implemented in the United States in the 1930s as part of the New Deal. It took a populist approach, establishing community art centres across the country and commissioning a range of public art projects and murals (Russo, 2018[103]). These community art centres were established in rural and desert areas, poor urban communities, and housing developments, serving both to democratise access to art and as a way to engage disenfranchised communities in the arts (Gibson, 2002[104]).

Keeping up with digitalisation

Policymakers can take actions on a number of fronts to ensure that CCS are able to seize the full potential of digitalisation and address existing digital divides. Being proactive is especially critical given CCS longstanding history operating at the frontier of digitalisation, and innovating with new models of digital production and dissemination before they are more widely adopted across sectors. Accordingly, the speed and success of the adoption of digital technologies in this sector will have knock-on effects throughout the economy.

However, the sector still faces important challenges related to digital divides. Digital tools, infrastructure and skills are unequally distributed among the sector's firms and workers, as well as consumers. Promoting policies that provide widespread broadband internet access beyond metropolitan areas, and make tools for digital creative production more accessible, many of which are cost-prohibitive especially for small and mid-sized firms and early-career workers, are important. Partnerships between the public sector and technology companies could help facilitate digital access in CCS, such as they do in other sectors (Kokalitcheva and Fried, 2020[97]). Upgrading the digital skills of workers in the sector is also crucial.

Seizing the potential of crossovers with other sectors

CCS have many potential synergies with other sectors, such as education. For example, COVID-19 lockdowns have boosted the development of new, digitally-based educational platforms and an acceleration of Ed-Tech innovation. Expansion of digital "edutainment" (for instance in the field of serious educational games) as well as platform concepts and formats that integrate various elements of (possibly gamified) interactive learning, group exchange and co-creation of content, advanced digital curation of educational and cultural content, and so on are likely to continue.

The relationship between arts and culture with health is also opening up new perspectives in the emerging "cultural welfare" sector, as recognised by a recent WHO scoping review (Fancourt and Finn, 2019[105]). There are opportunities to design innovative policies in public health fields such as active ageing, (as outlined in the EU New European Agenda for Culture), combatting social isolation, health prevention through healthy habits, as well as ongoing experimentations in a number of clinical fields.

More can be done on both sides to better seize on these synergies. These expanded cross-overs and new fields imply a need for new professional training that combine cultural skills with those of education, nursing, medical or social service. Artist-in-residence programs are another model for creating synergies between artists and other public domains, including in local governments; however, still little is known

about how these partnerships best function for the benefit of both parties and how to seize their full potential to boost public sector innovation (Woronkowicz and Schert, 2020[27]).

Improving data collection and analysis

Finally, improved data collection and analysis related to cultural and creative employment and related skills issues should underpin all of these actions. Currently, a lack of comparable data in the sector impedes in-depth analysis of the culture and creative sectors at the regional and local level, to unpack the specificities of its sub-sectors, and contributes to an undervaluing of its economic and social impact. More robust data and evidence can raise awareness of the value of cultural and creative sectors among policymakers, citizens, education and training providers, other firms in the value chain, and public and private investors, and lead to more efficient and effective policies to support it.

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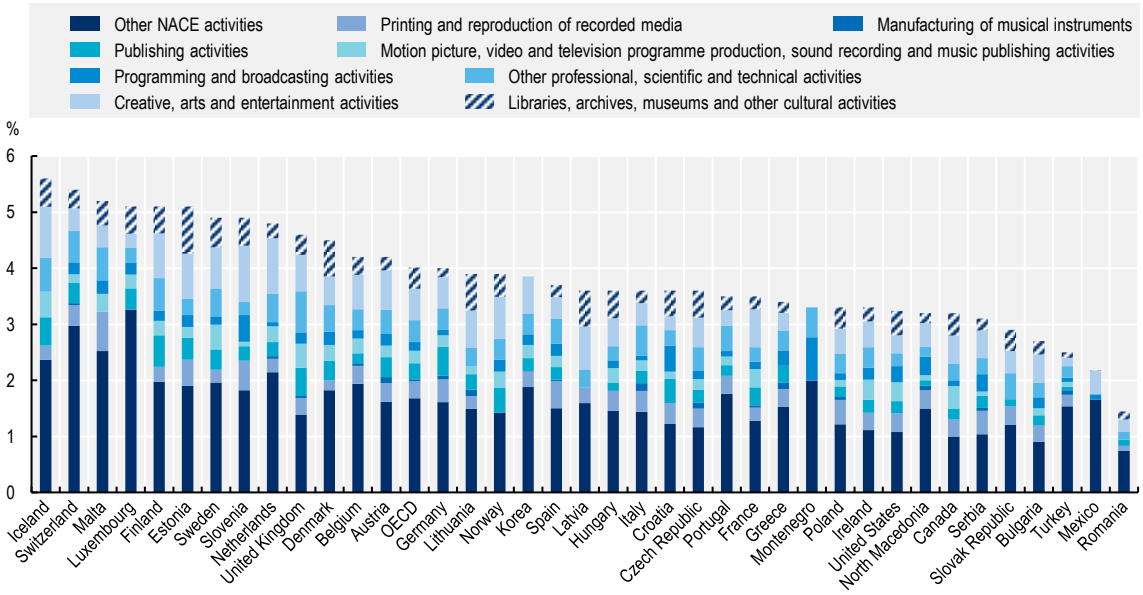
Annex 3.A. Additional data

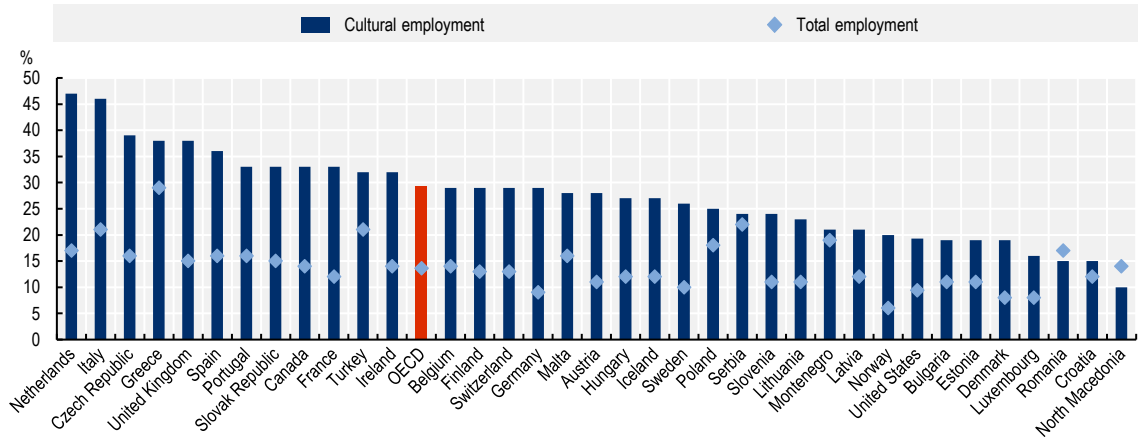
Annex Figure 3.A.1. Cultural and creative employment by sub-sector, 2020 or latest available data



Note: Data for Canada, Mexico, the United Kingdom, and the United States are from 2019. Other professional, scientific and technical activities include specialised design activities, photographic activities and translation and interpretation activities.
Source: Eurostat, (2021[3]) *Cultural Employment by NACE Rev. 2 activity*, https://ec.europa.eu/eurostat/web/culture/data/database; OECD calculations on American Community Survey, 2019, Canadian Labour Force Survey, March 2019, and Mexican National Survey of Occupation and Employment, 2019 Q4.

Annex Figure 3.A.2. Self-employment rates, by country, 2020 or latest available data

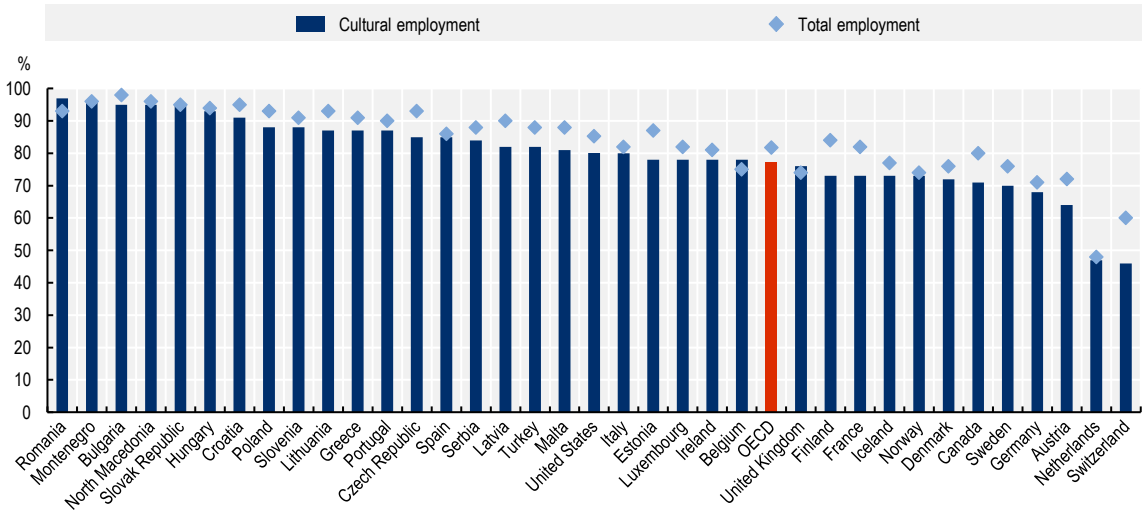
Share of self-employed workers in cultural and creative employment and total employment



Note: Data for the Canada, the United Kingdom, and the United States are from 2019.
Source: Eurostat, (2021[3]), *Cultural Employment by Sex and Selected Labour Market Characteristics*, https://ec.europa.eu/eurostat/web/culture/data/database; OECD calculations on American Community Survey, 2019; Canadian Labour Force Survey, March 2019.

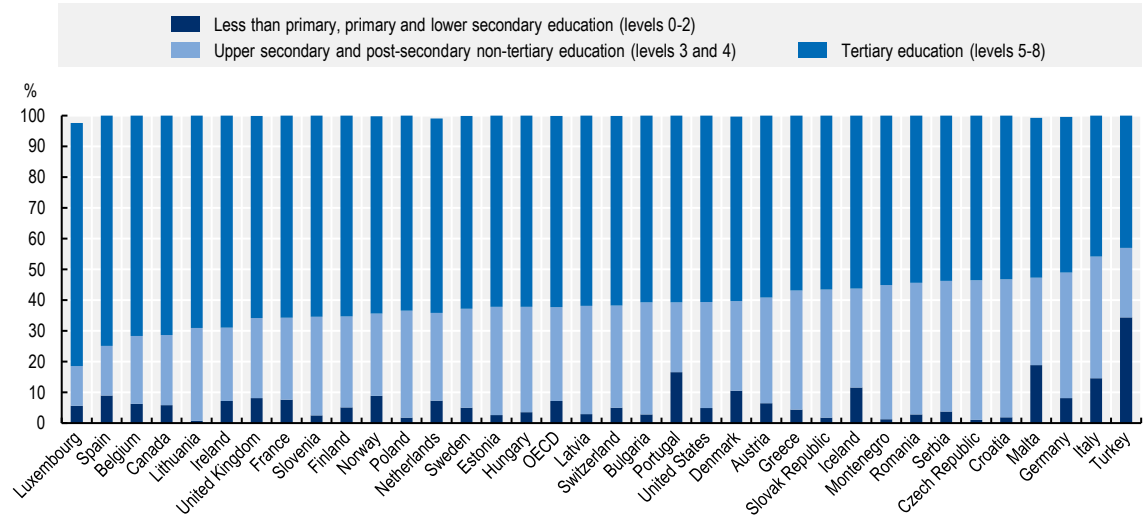
Annex Figure 3.A.3. Full-time employment rates, by country, 2020

Share of full-time workers in cultural and creative employment and total employment



Note: Data for Canada, the United Kingdom, and the United States are from 2019.
Source: Eurostat, (2021[3]), *Cultural Employment by Sex and Selected Labour Market Characteristics*, https://ec.europa.eu/eurostat/web/culture/data/database; OECD calculations on American Community Survey, 2019, and Canadian Labour Force Survey, March 2019.

Annex Figure 3.A.4. Share of employees in cultural and creative sectors by educational attainment, 2020 or latest data available



Note: Data for Canada, the United Kingdom, and the United States are from 2019. Bars may not sum exactly to 100% due to missing data. Education level is based on ISCED 2011. Please refer to the European Union Labour Force Survey user guide for details.
Source: Eurostat (2021[3]), *Cultural Employment by Educational Attainment*, https://ec.europa.eu/eurostat/web/culture/data/database; OECD calculations on American Community Survey, 2019, and Canadian Labour Force Survey, March 2019.

Notes

[1] These figures are not directly comparable to the figures based on OECD analysis, as they are drawn from different sources using different methodologies.

[2] The "creative class" is defined as jobs in knowledge-intensive industries that involve the production of new ideas and products, or that engage in creative problem solving. It includes a number of categories, including design, entertainment, and media; computer and mathematical sciences; management; law; architecture and engineering; medicine; finance; life, physical, and social sciences; education; as well as "super-creative" occupations like university professors, thought leaders, actors, musicians, dancers, novelists, and poets (Florida, 2014[12]).

[3] As described by one union official in New York in relation to COVID-19, "[the] fear is we're not just losing jobs, we're losing careers" (Cohen, 2020[106]).

Sectoral perspectives: Music and museums

Music

The music ecosystem

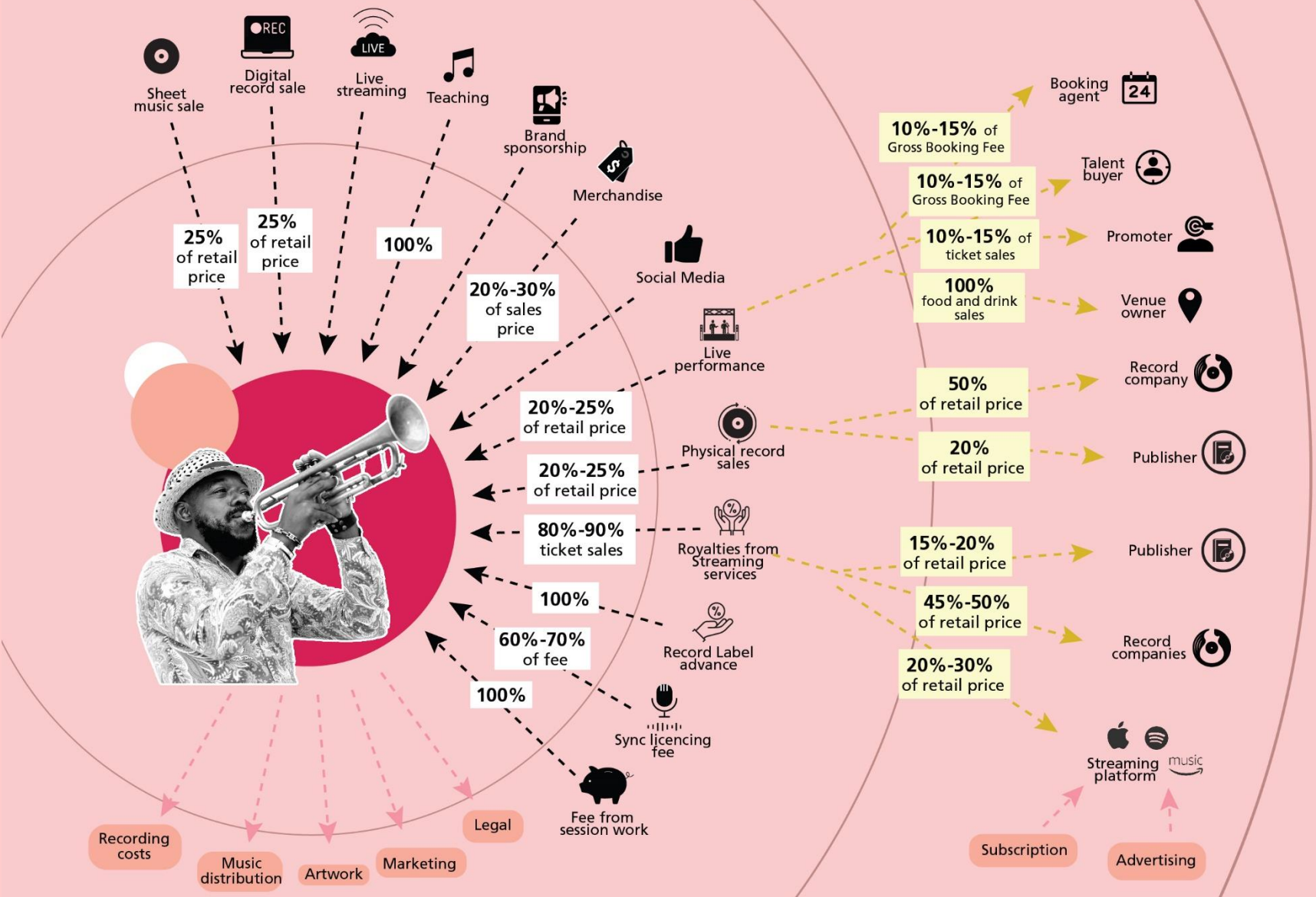
The music ecosystem is very broad, encompassing the creators (musicians, composers, conductors, songwriters etc.), managers, record companies, music publishers and collecting societies. It also encompasses all those related to the dissemination of music (e.g. radio stations, music stores, online platforms, the live events sector) as well as those involved in the manufacture of music instruments, music technology and merchandise. The music ecosystem also supports other forms of cultural and creative content production, for example through licencing rights to film, advertising and video games, and by employing photographers, designers and marketing experts. Its economic footprint, including at city level, is significant. It generates economic value and job creation throughout value and supply chains, as well as encouraging tourism and contributing to the cultural vibrancy of places.

The infographics presented in this section provide a snapshot of the music ecosystem; job profiles, revenue streams and production chains, highlighting how music creates jobs and revenues both in the music industry itself and in other sectors. Every single deal in the music industry is different and every album will involve a different set of people. The data in these infographics offer a simplified picture of just some of the activities, actors, jobs and revenue streams present in the music ecosystem. The music economy boasts over 40 different revenue streams for rights holders and with those, supports a long tail supply chain which includes services to support the production of live music, through to film and television synchronisation and ancillary rights utilisation, such as gaming or non-fungible tokens (NFTs).

The impact of COVID-19 on the value chain, jobs and revenue streams for musicians

While parts of the sector were significantly impacted by the COVID-19 pandemic, the recorded music industry continues to grow. The cancellation of music events such as festivals, tours, and concerts implies a loss of revenue from ticket and merchandise sales, as well as a decrease in sponsorships. The shutdown does not only affect music artists, but also ancillary workers that build, manage, and operate live music venues. Such jobs range from those in charge of lighting, sound engineering, maintenance, and security to promoters, managers, and agents co-ordinating concerts, tours, and ticket sales. Consequently, in the early stages of the pandemic, a large number of individuals lost their jobs, with many shifting into work in other industries. However, revenues from recorded music increased during the pandemic period, growing by 7.5% between 2019-2020 and by 18.5% between 2020-2021 (IFPI, 2022[1]). The pandemic also accelerated trends towards music streaming and prompted experimentation with live streaming. The streaming music sector grew significantly during the pandemic, rising from 11.4% of the global recorded music market in 2019 to 16.9% in 2021 (IFPI, 2022[1]). Moreover, industry leaders began experimenting with live streaming events to make up for the loss in live ticket sales. This is still in its early stages and likely to shift into a hybrid model of live performance ticketing and live streaming ticketing, opening up the potential for extended revenues from a single event.

MUSIC REVENUES STREAMS



Note: There is no standard rate in the music industry for any of these activities. The data in this infographic presents an approximation of one potential scenario. A typical musician would only benefit from few of presented revenue streams. The proportional revenue allocations can vary significantly depending on the genre of music, the country the deal is done in, who is involved and other external factors

VALUE CHAIN AND JOB ROLES

CREATION

Song writing
Artists
Song writers

Song development/ rehearsals
Artists
Song writers
Musicians

PRODUCTION

Song recording
Artists
Recording engineers
Session musicians
Record label
Manager

Song mixing & mastering producers

Cover art creation
Graphic designers
Photographers

Publisher
Legal team
Artists & repertoire
Copyright administration
Mechanicals team
Royalties team
Licensing/sync team

DESSIMINATION

Online Streaming
Streaming service providers (e.g. Spotify, YouTube etc)
Legal team
Accounting team

Curated play lists (e.g. radio and onlne playlists)
Streaming service providers (e.g. Spotify, YouTube etc)
DJs

Online live performance
Live streaming platforms (e.g. Twitch, Instagram, YouTube)
Sponsors

Live performance
Artists
Musicians
Sound and lighting technicians
Dancers
Set designers
Booking agents
Promoters
Venue owners

Use in TV, film, advertising
Film and TV production companies
Advertising executives
Legal team

Physical records
Record shops
CD/vinyl manufacturing and pressing companies

Note: These are just some of the processes and job roles involved in producing a new album. There are many more not mentioned here and the exact process and actors involved vary significantly

Museums

The museums ecosystem

In addition to their core function – heritage preservation – museums bring significant economic and social impacts, being at the heart of urban and rural regeneration efforts, acting as cornerstones of visitor economy as well as community anchor institutions (see more on the local development impacts of museums in the OECD-ICOM Guide for Local Governments, Communities and Museums (OECD/ICOM, 2019[2]).

Museums are very diverse ranging from public museums of national and international importance to small privately owned museums. Their funding models vary depending on their status and national policy frameworks and traditions (e.g., US museums largely rely on private funding through donations, European museums are substantially government-funded). Museums support a wide variety of jobs both through direct employment (for example, curators, security and maintenance staff) and through the hiring of contractors and freelance workers for specific exhibitions (for example, artists, technicians and transportation specialists). In addition, the economic impact of museums is also typically measured by the number of visitors, the amount of their local expenditures, revenue generated through ticket sales, purchases from a wider supply chain and the impact of employees spending their wages locally.

These infographics highlight the diversity of jobs in the museum ecosystem and ballpark funding and expense structures of publically funded museums. They show just one potential model of how museums can create jobs throughout the value chain and the potential revue structures underpinning such work. With some approximation, these infographics show the funding and expenses structure of a medium-size publically funded museum in Europe.

The impact of COVID-19 on the value chain, jobs and revenue streams for museums

Public funding typically covers most of, but often not all, staff and maintenance costs. Earned income is important to cover new activities and remaining staff and maintenance costs. The drop of ticketing and other revenues during the lock-down periods resulted in reduced wages and lay-offs of temporary staff, external freelancers and service providers through the production chain. Many of these have moved to other sectors and many museums had to face skills shortages at the restart of activities. Museums also had to suspend or reduce their volunteer programmes and face a scarcity of volunteer labour in the recovery. The drop in revenues has also translated into many renovation projects being put on hold, no investment into new production (e.g. exhibitions) and suspension of engagement in many local development project. At the same time, many museums have increased their digital offer, expanding their local and international audiences which might translate into new revenues in the recovery.

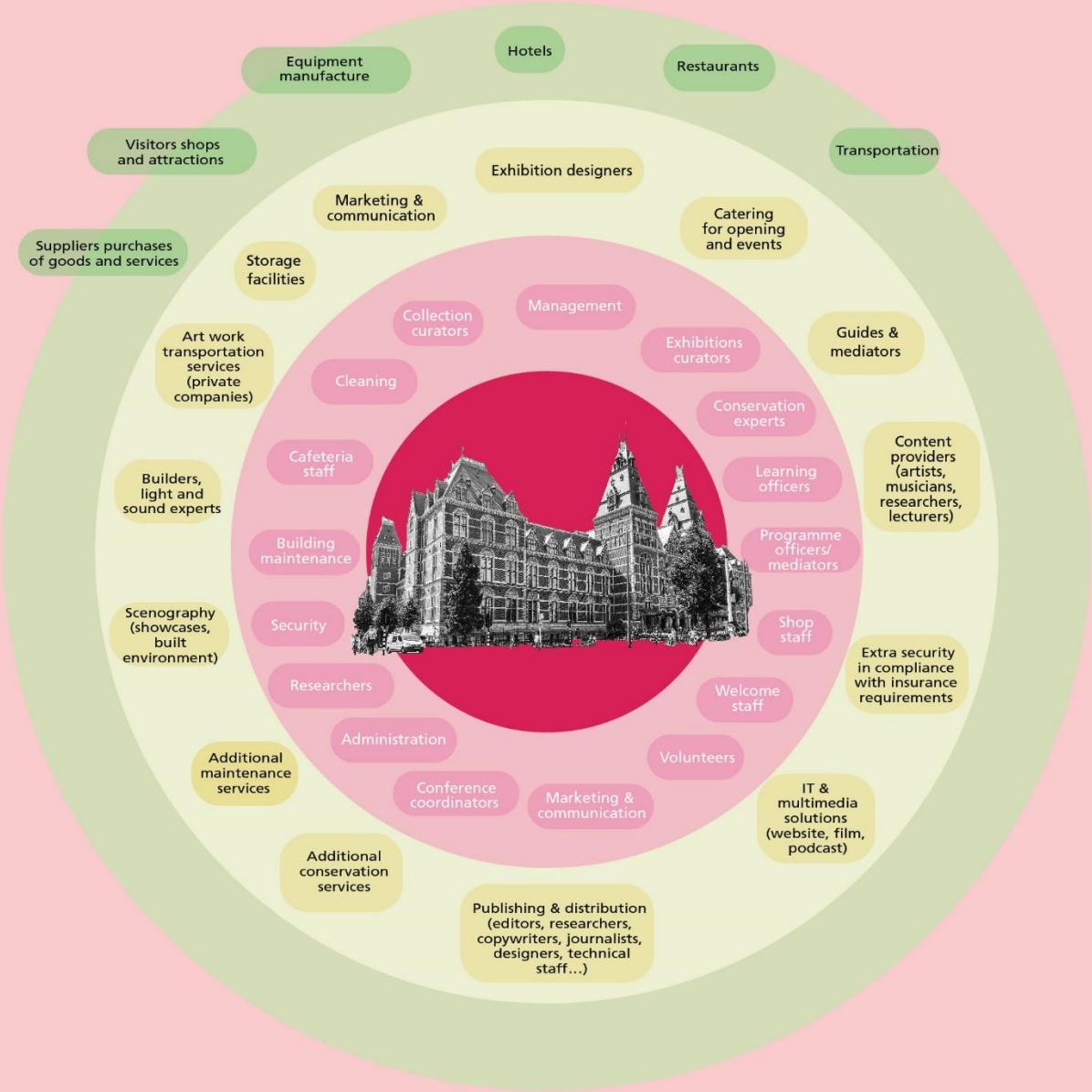
The crisis has exacerbated the pre-existing challenges as many museums have been operating on the margin of financial sustainability due to gradual reductions of public funding in some countries, increasing maintenance costs etc. To address this, prior to the crisis many museums have been diversifying their funding sources by attracting private sponsors, donations, and participation in publically funded projects. While this has helped to keep and expand some of the activities, it remained difficult to attract additional funding for core but less visible activities such as active collection care. To build the sector's resilience in the future, depending on countries contexts, issues need to be addressed in countries' policy frameworks related to donations, sponsorships, as well as longer term planning and stability of public funding.

MUSEUM FUNDING AND COSTS

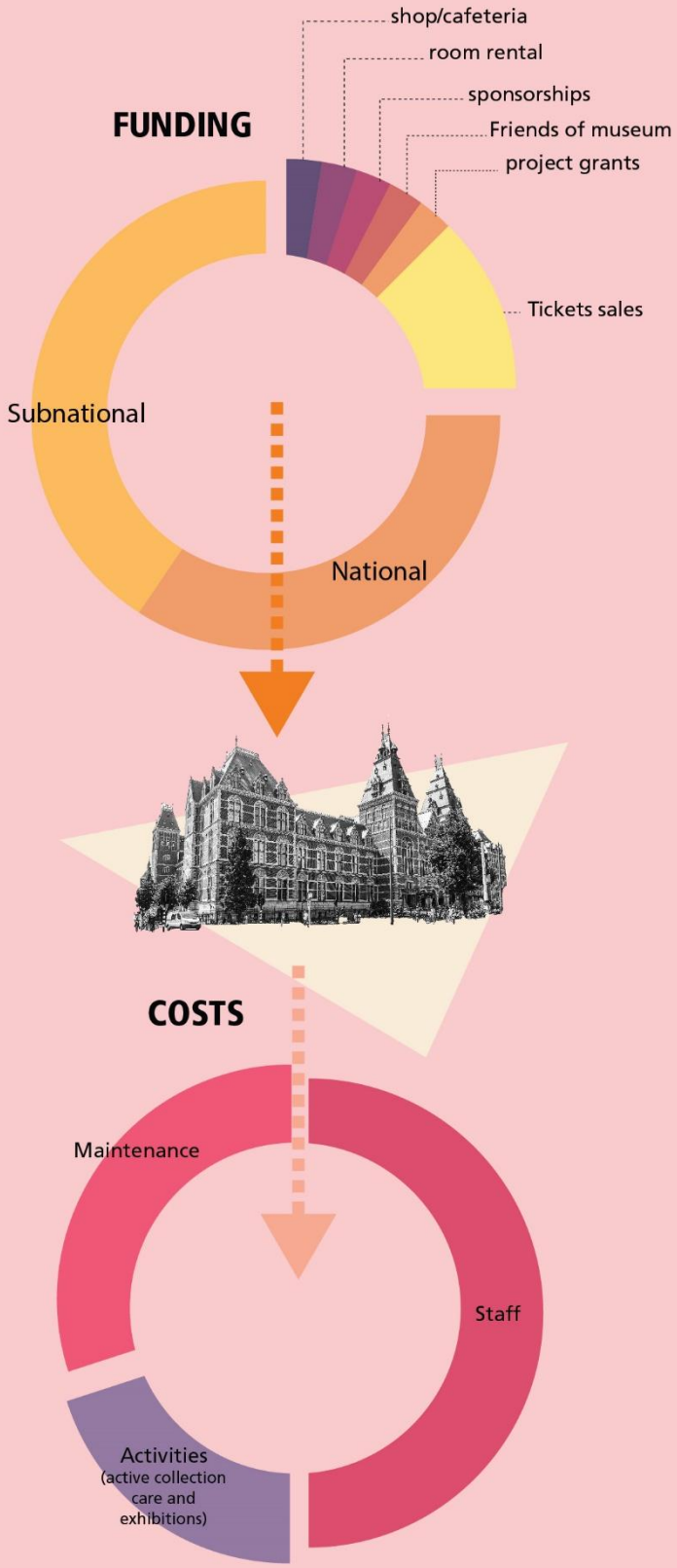
Jobs in the museum

Jobs procured by an exhibition

Jobs supported in the wider economy



MUSEUM FUNDING AND COSTS



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IFPI (2022), *Global music report 2022 - state of the industry*, https://www.ifpi.org/resources/. [1]

OECD/ICOM (2019), "Culture and local development: maximising the impact: A guide for local governments, communities and museums", *OECD Local Economic and Employment Development (LEED) Papers*, No. 2019/07, OECD Publishing, Paris, https://dx.doi.org/10.1787/9a855be5-en. [2]

4 Entrepreneurship and business development in cultural and creative sectors

Cultural and creative sectors are important contributors to the economic landscape at both national and regional levels. They contribute to a notable share of economic output, promote firm and job creation and foster innovation and productivity. They are important drivers of regional and local development across OECD countries. Entrepreneurship in cultural and creative sectors (CCS) differs from other sectors due to their complex industry structures and diversity of business models thus necessitating tailored policy supports. This chapter reviews significant trends in CCS entrepreneurship across OECD countries, impacts of the current crisis and ways to strengthen the resilience of the sector in the recovery.

In Brief

Cultural and creative sectors generate economic value and contribute to broader business and innovation ecosystems

- **CCS generate important amounts of wealth.** In 2018 businesses from CCS sectors directly contributed an average of 2.2% of total business economy gross value added (GVA) in OECD countries, representing approximately USD 666 billion of value generation. The contribution to national GVA by CCS is even larger in some countries, for example, CCS contributed 3.8% of total business economy GVA in the United Kingdom, 3.6% in the United States and 3.1% in France.
- **CCS are a large part of the business landscape and are growing fast.** In 2018, an average of 7% of all enterprises in OECD countries were from CCS. Moreover, between 2011 and 2018, the number of enterprises in CCS has grown by 18% across OECD countries. This rate is higher than total economy enterprise growth at only 12%.
- **CCS are highly innovative and contribute to innovation in other sectors of the economy, but their contribution to innovation is currently under-represented in official data.** CCS are highly innovative, producing new products, services and content; developing new business models and ways of working; and developing and integrating 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 different characteristics of innovation in CCS.
- **CCS businesses have been some of the worst-hit by the COVID-19 pandemic, but the impact has been uneven across sectors.** Venue and site-based activities (e.g. theatre, cinema, festivals, museums, etc.) were heavily affected by successive lockdowns and travel restrictions. However, those businesses with a strong digital content have often done very well, such as the gaming and music streaming services.
- **CCS have certain characteristics which make entrepreneurship and business support policy particularly important for this sector**. The vast majority (96%) of CCS businesses are micro enterprises (employing fewer than 10 employees) and rely heavily on freelance workers. Organisations in CCS are also typically project-based, meaning that CCS businesses often work collaboratively with freelancers and other businesses in temporary arrangements. Moreover, CCS create value which is largely intangible and can therefore be viewed as high risk by investors.
- **Increased digitalisation has had a profound impact on CCS.** Digitalisation has shifted the industry structures in CCS and 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.

Why CCS businesses and entrepreneurs matter

CCS businesses and entrepreneurs promote firm and job creation, innovation, productivity and ultimately stimulate economic growth

CCS businesses are important contributors to the economic landscape at both national and regional levels. CCS businesses generated approximately USD 666 billion of value for OECD countries in 2018, with GVA contributions averaging 2.2% of total business economy GVA in OECD (see the Reader's Guide for further information on the classification of CCS sectors used in this chapter). They also generate wealth in other sectors of the economy by providing products and services to other businesses, through supply chain links, and by increasing sales in related sectors (for example through their impact on tourism and merchandise sales). Moreover, the number of enterprises in CCS has grown faster than the total business economy for OECD countries between 2011 and 2018 (18% growth in the number of CCS enterprises compared to 12% growth in the number of enterprises in the total business economy), with CCS enterprises now accounting for 7% of the total business economy.

CCS are also major players in national and regional innovation ecosystems. CCS businesses are highly innovative, creating new products, services, processes and business models. They also directly contribute to innovation in other sectors of the economy through collaboration, interdisciplinary research projects, and so-called "soft innovation" contributions (i.e. innovations which are primarily aesthetic in nature) across supply chains. Alongside these direct contributions to innovation, creativity and culture have important unforeseen external effects (spillover effects) on economic activities, companies, organisations and communities, as ideas, skills and knowledge developed in CCS are taken up by other sectors.

Consequently, CCS are seen as a key driver of economic development. CCS drive local development through encouraging inward investment, attracting high skilled labour and contributing to local innovation ecosystems, as well as by creating jobs and revenues. It is these economic benefits of CCS, alongside the social and cultural benefits that CCS provide, which can stimulate growth at regional levels. Consequently, CCS have been put at the heart of many regions' smart specialisation strategies, seeking to capitalise on the important benefits these sectors can offer.

The specific dynamics of CCS means that entrepreneurship is of fundamental importance to how businesses in these sectors operate. Although there is significant diversity between CCS subsectors, in general CCS exhibit certain characteristics which make entrepreneurial skills and approaches particularly relevant for these sectors. First, CCS have a high concentration of micro businesses and small- and medium-sized enterprises (SME), with 99.9% of CCS businesses in OECD countries falling into this category. This is a higher rate than for the economy more generally. Second, CCS activities are often project-based, meaning that innovation and new ideas are central to many firms' business models. Third, as discussed in Chapter 3, CCS rely heavily on freelance workers and many creative "businesses" are solo entrepreneurs.

Increasing digitalisation, accelerated by the COVID-19 pandemic, has opened further opportunities for CCS entrepreneurship, but also creates challenges. Widespread digitalisation has increased access to markets and audiences (e.g. through online shopping, online exhibitions and online performances) and opened up new forms of cultural and creative content and content delivery (e.g. virtual and augmented reality, podcasts, e-books and digital marketing). In some ways, this has lowered barriers to entry for the creation and dissemination of creative work, as digital tools (such as cameras, and editing software) are widely available at low cost and online platforms (such as YouTube and Spotify) enable direct access to audiences. This "democratisation" of technology access has enabled the emergence and viability of sole traders in CCS and opened opportunity for cultural organisations (such as museums) to experiment with new forms of technology and new business models. However, these shifts have led to significant changes in the structure of industry sectors, often displacing traditional intermediaries (such as publishing houses, film studios, and record labels) with new types of actors (such as streaming service providers and

digital platforms) and creating new inequalities in access to skills, capabilities and infrastructure. Moreover, adapting to digitisation often requires a substantial shift in business model, which can be challenging to enact without sufficient business skills and financial resources (OECD, 2021[1]).

CCS make significant contributions to the business landscape across OECD countries

CCS contribute a notable share of economic output

CCS generate important amounts of wealth for OECD countries. In 2018 businesses from CCS sectors contributed on average 2.2% of total business economy gross value added (GVA) in OECD countries, representing approximately USD 666 billion of value generation. At a national level, many countries see an even higher contribution from CCS businesses, with CCS GVA representing 3.8% of total business economy GVA in the United Kingdom, 3.6% in the United States and 3.1% in France (see Figure 4.1). It is important to point out that however, due to data limitations, these figures exclude creative arts and entertainment activities as well as library and archive activities, so the GVA statistics presented in this report only capture value added for some parts of CCS (Box 4.1).

Box 4.1. Gross value added (GVA): what's included

Gross value-added statistics have been compiled from Structural Business Statistics (SBS) data taken mainly from the Eurostat database. This dataset only includes information on part the economy – termed the business economy. Consequently, the CCS GVA figures presented in this report only refer to some CCS sectors and the proportion of GVA only relates to the business economy, not GVA for the economy as a whole.

For GVA figures CCS does not include the following sectors:

- R90 - Creative, arts and entertainment activities
  - R90.0 - Creative, arts and entertainment activities
  - R90.0.1 - Performing arts
  - R90.0.2 - Support activities to performing arts
  - R90.0.3 - Artistic creation
  - R90.0.4 - Operation of arts facilities
- R91 - Libraries, archives, museums and other cultural activities
  - R91.0 - Libraries, archives, museums and other cultural activities
  - R91.0.1 - Library and archives activities
  - R91.0.2 - Museums activities
  - R91.0.3 - Operation of historical sites and buildings and similar visitor attractions
  - R91.0.4 - Botanical and zoological gardens and nature reserves activities

The business economy does not include the following sectors:

- A - Agriculture, forestry and fishing
- K - Financial and insurance activities
- O - Public administration and defence; compulsory social security
- P – Education

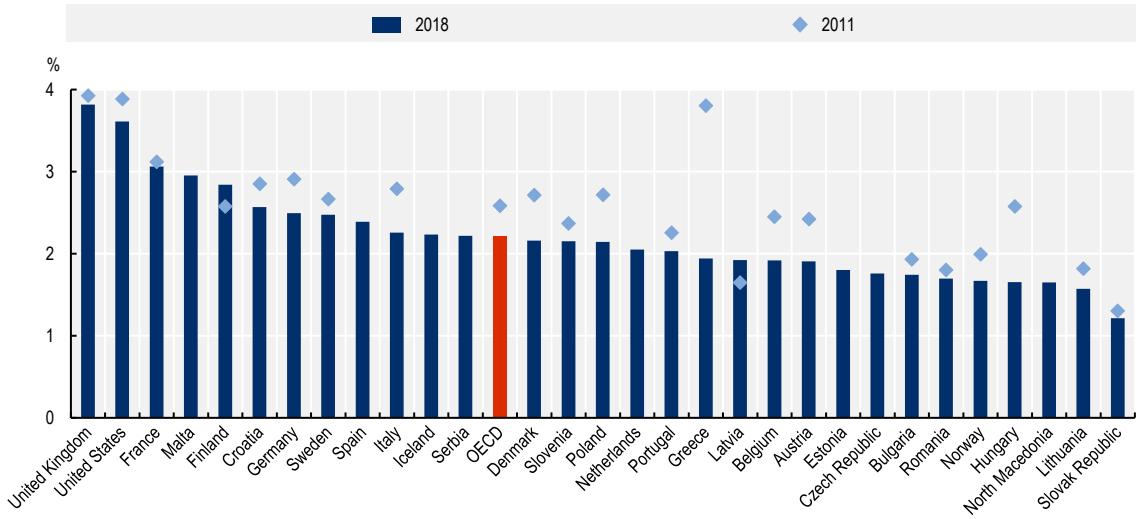
- Q - Human health and social work activities
- R - Arts, entertainment and recreation
- S - Other services activities (except for S95 - Repair of computers and personal and household goods, which is included)
- T - Activities of households as employers; undifferentiated goods - and services - producing activities of households for own use
- U - Activities of extraterritorial organisations and bodies

It should also be noted that gross value added from SBS data may not always align with those from national accounts due to the fact that, in some countries, gross value added includes intermediate consumption of services.

The GVA contribution of CCS is comparable to other major sectors of the economy. Recent analysis of CCS in Europe using a slightly different definition of CCS shows CCS contributed 5.5% of the European Union's (EU) total economy GVA in 2017. This was higher than the total contribution of the accommodation and food services sector at 3.7% and only slightly less than the contribution of the Information and Communications Technology (ICT) sector at 6.3% (EIF/Deloitte/KEA European Affairs, 2021[2]).

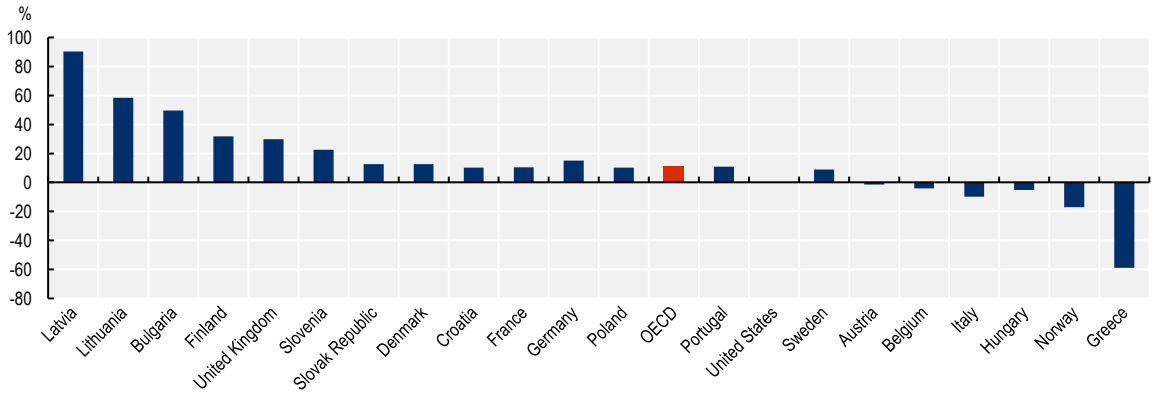
The GVA of CCS has been rising since 2011, however, it now makes up a smaller proportion of total business economy GVA. In assessing GVA growth rates, two time periods have been selected: 2011, shortly after the global financial crisis and 2018, right before COVID-19 hit the global economy. Between 2011 and 2018, GVA rose by 11.4% across the OECD economies for which there is available data, demonstrating clear growth of the sector. However, the share of GVA attributed to CCS dropped slightly, from 2.6% in 2011 to 2.2% in 2018 (see Figure 4.1). This means that CCS are generating more GVA than they did in 2011 (after adjusting for inflation), but are making up a slightly smaller proportion of the total business economy GVA.

Figure 4.1. Cultural and creative sectors' value added at factor cost as a share of the total business economy, 2011 and 2018



Note: Business economy here includes NACE Rev. 2 sectors B to J, L to N, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, and N7722.
Source: OECD calculations on Eurostat (2021[3]), *Value added and turnover of enterprises in the cultural sectors by NACE Rev. 2 activity*, https://ec.europa.eu/eurostat/web/culture/data/database; United States Bureau of Economic Analysis, *Industry Economic Accounts*.

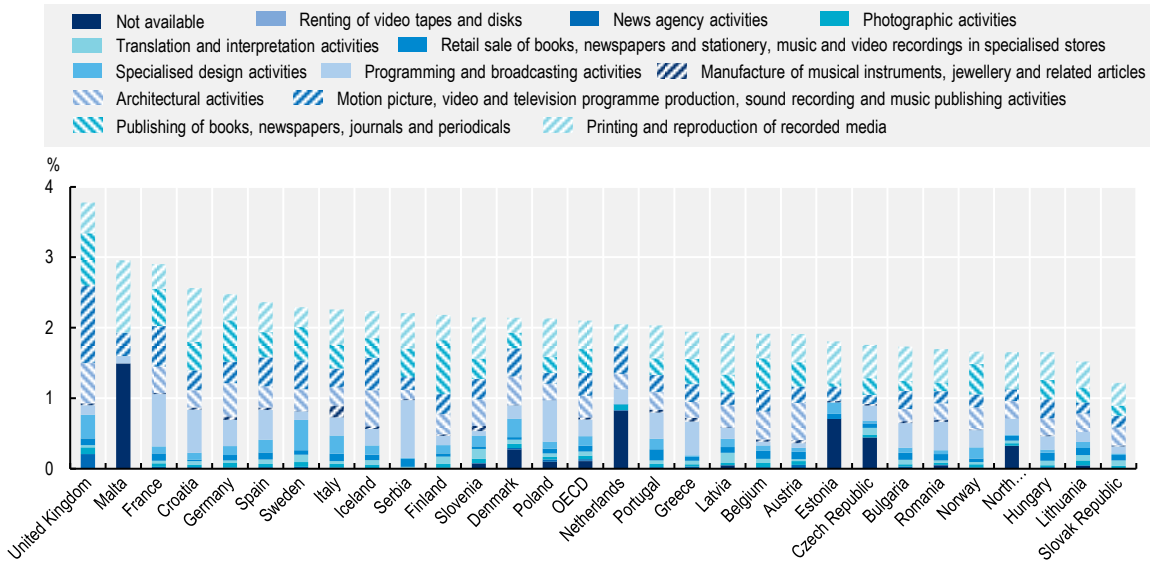
Figure 4.2. Growth rate of real value added by cultural and creative sectors, 2011 to 2018



Note: Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, and N7722.
Source: OECD calculations on Eurostat (2021[3]), *Value added and turnover of enterprises in the cultural sectors by NACE Rev. 2 activity*, https://ec.europa.eu/eurostat/web/culture/data/database; United States Bureau of Economic Analysis, *Industry Economic Accounts*.

Economic value generation is uneven across the subsectors that comprise CCS (Figure 4.3). Using the most recent data, in 2018, the share of cultural and creative sectors to the total business economy was highly diverse in EU27 countries. Broadly speaking, four sectors are shown to be major contributors to GVA in all countries: i) Printing and reproduction of recorded media, ii) Programming and broadcasting activities, iii) Motion picture, video and television programme production, sound recording and 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 television value chain to national economies. However, it is also important to point out that many countries lack data at a subsector level, making direct comparison between countries problematic.

Figure 4.3. Share of value added by cultural and creative sectors to the business economy, 2018

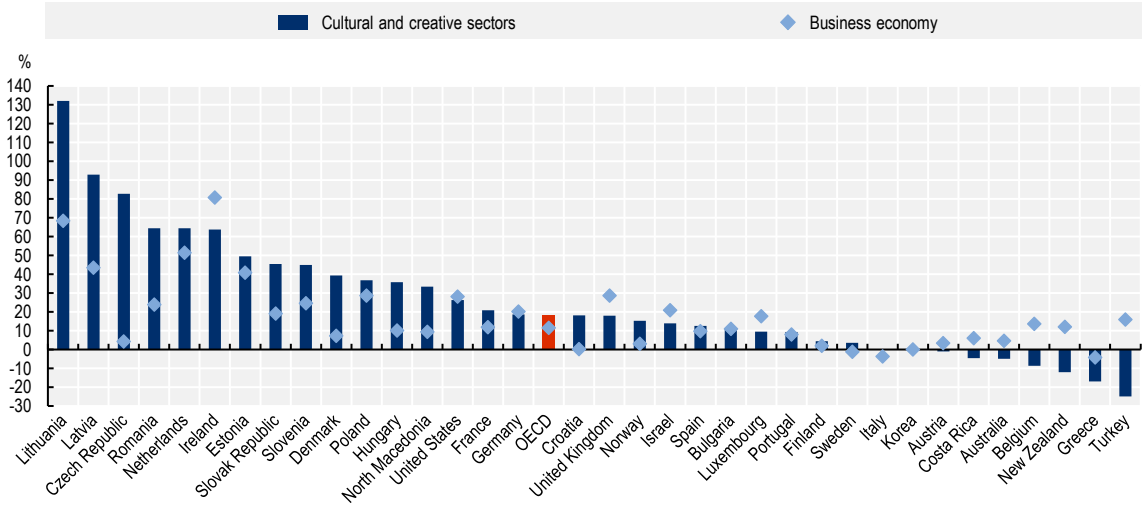


Note: Business economy here includes NACE Rev. 2 sectors B to J, L to N, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, and N7722.
Source: OECD calculations on Eurostat (2021[3]), *Value added and turnover of enterprises in the cultural sectors by NACE Rev. 2 activity*, https://ec.europa.eu/eurostat/web/culture/data/database

The number of CCS enterprises has grown over the past decade, outstripping enterprise growth in the total business economy. Between 2011 and 2018, the number of enterprises in CCS has grown by 18% across OECD countries, outpacing the total business economy, which grew at about 12% (see Figure 4.4). This pattern is evident amongst the majority of OECD countries, with only 12 countries experiencing lower growth in CCS than in the rest of the business economy. Many counties have witnessed an even more dramatic rise in the number of CCS businesses, with CCS enterprises growing over twice as much as that of the overall business economy in the Czech Republic, Denmark, Finland, Hungary, Latvia, Malta, North Macedonia, Norway, Romania and the Slovak Republic.

Prior to the pandemic the number of CCS enterprises had been growing faster than the rest of the economy

Figure 4.4. Growth rate of the number of enterprises, 2011 to 2018



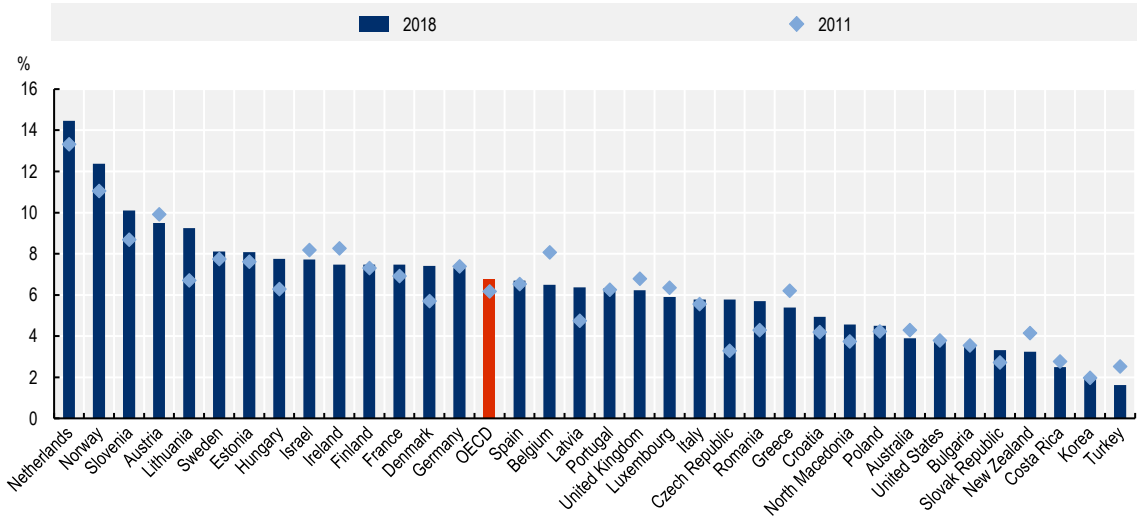
Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, N7722, R90, and R91. Latest data for Australia and Costa Rica are from 2017.
Source: OECD calculations on OECD (2021[4]), *OECD Regional Statistics (database)*, https://doi.org/10.1787/6ef7b296-en (ad-hoc data collection); Eurostat (2021[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

Not only have the number of CCS enterprises increased over the last decade, but they are making up an increasing proportion of the total number of enterprises in the business economy. In 2011, 6.2% of enterprises in OECD countries were in CCS (see Figure 4.5). In 2018, this figure has increased to 6.8%. The majority of OECD countries have seen a growth in the share of CCS enterprises over this period. However, we do see variation in the share of CCS, with CCS businesses making up 14.5% of the total business economy in the Netherlands, and only 1.6% in Turkey.

Productivity of CCS businesses varies considerably between countries, but on average appears to have declined between 2011 and 2018 for CCS businesses. There are multiple ways to measure productivity. One common method is to look at the value generated by the labour force in a given industry, calculating labour productivity as the amount of GVA generated in an industry divided by the number of hours worked by all employees in that industry (OECD, 2001[6])**.** Data on hours worked is not available for CCS businesses however. Consequently, a slightly less robust measure of productivity can be made by assessing GVA per worker. Here we find that GVA per worker in CCS has decreased by 2.8% across the OECD countries for which data was available between 2011 and 2018. Whereas, GVA per worker across the business economy has increased by 15.5% during this period. However, there was wide variation across countries. For example, GVA per worker in CCS had increased by 52% in Romania and decreased

by 51.7% in Greece. Moreover, the Czech Republic, Finland, Romania, Latvia, Spain, Sweden and the United Kingdom all saw higher productivity growth in CCS than in the total business economy. For example, Spain saw a 38% increase in GVA per worker in CCS, compared to a 4% increase in the business economy.

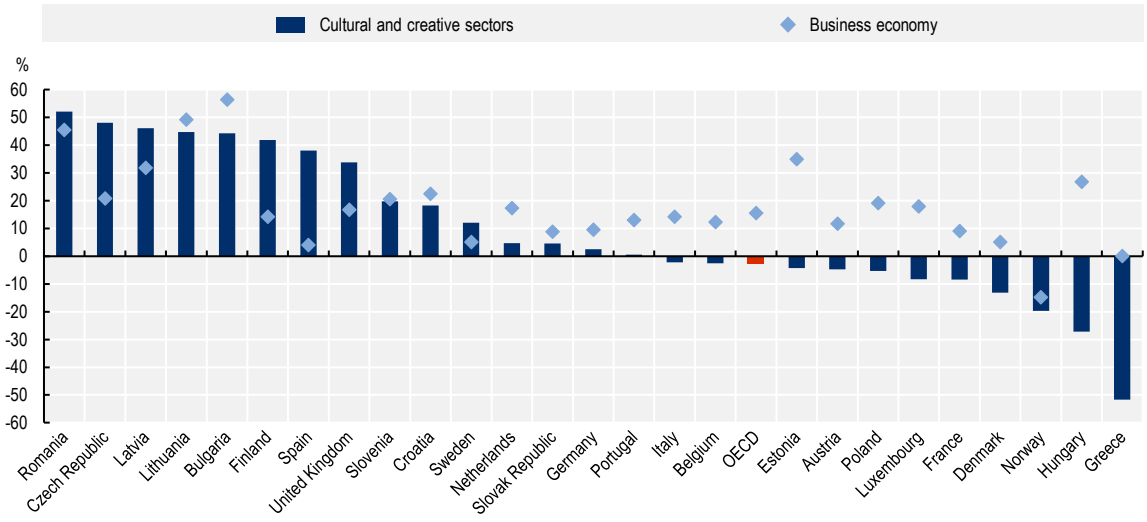
Figure 4.5. Cultural enterprises as a share of all enterprises in the business economy, 2011 and 2018



Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, N7722, R90, and R91. Latest data for Australia and Costa Rica are from 2017.
Source: OECD calculations on OECD (2021[4]), *OECD Regional Statistics (database)*, https://doi.org/10.1787/6ef7b296-en (ad-hoc data collection); Eurostat (2021[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

Figure 4.6. On average, CCS productivity has declined between 2011 and 2018

Growth rate of gross value-added per worker in CCS and the total business economy

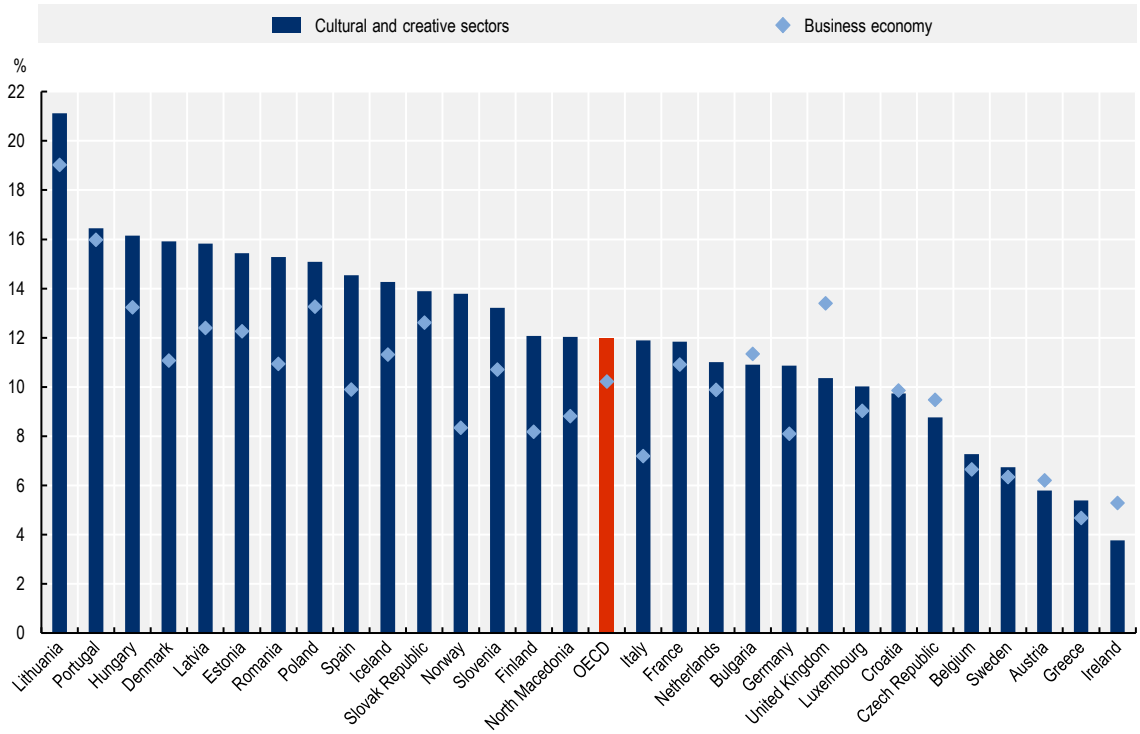


Note: Business economy here incudes NACE Rev. 2 sectors B to J, L to N, and S95. Due to data limitations, cultural sectors are limited to C18, C322, J58, J59, J60, M7111, M741, M742, M743, and N7722 with some countries limited to a subset of these sectors.
Source: OECD calculations on OECD (2021[4]), *OECD Regional Statistics (database)*, https://doi.org/10.1787/6ef7b296-en (ad-hoc data collection); Eurostat (2021[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

There was a higher proportion of new enterprises in CCS than in the rest of the business economy in 2018. In 2018, the number of new CCS enterprises as a proportion of all active CCS enterprises (i.e. the birth rate) averaged 12% across OECD countries. This was higher than the birth rate for the business economy, which averaged 10.2%. In the majority of OECD countries however, CCS birth rates were even higher. For example, in Denmark, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania and Serbia the CCS birth rates were over 15%. This could partially reflect the low barriers to entry for many types of CCS activity, especially as digitisation has lowered costs for the production and dissemination of much cultural and creative work. Given the productivity issues discussed above, policy makers have an opportunity to support these new entrants in becoming profitable businesses.

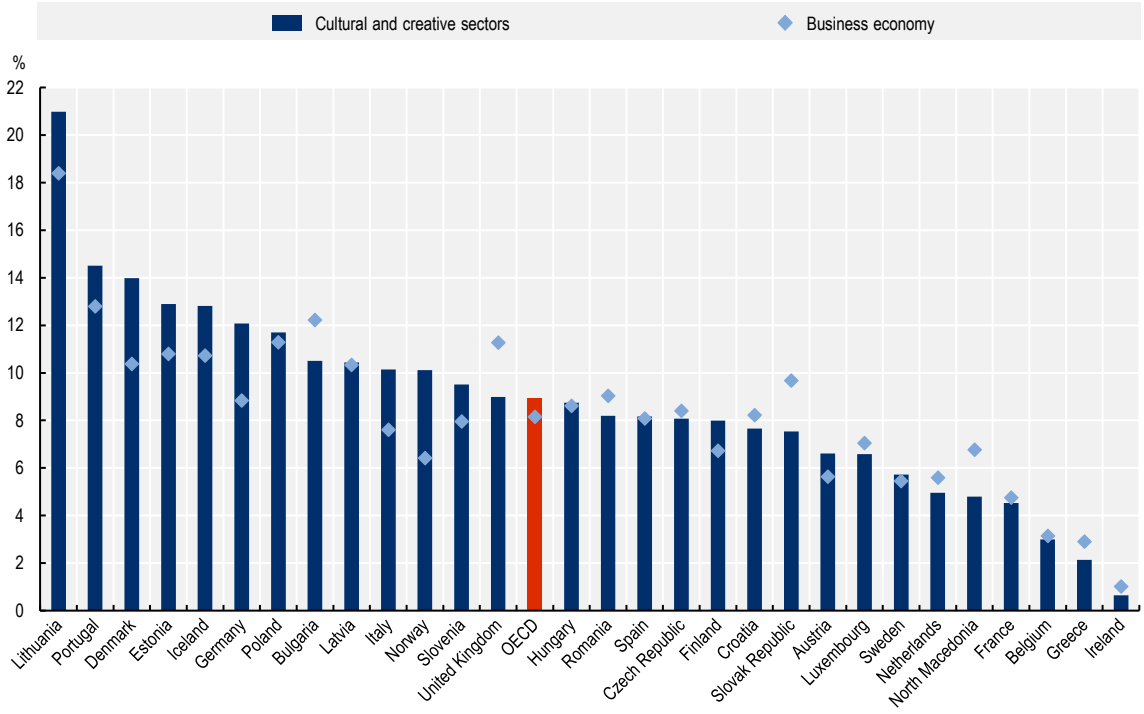
Death rates of CCS enterprises are lower than death rates in the total business economy for several OECD countries. In 2018, the average death rate for CCS (e.g. the proportion of businesses which closed or ceased being active) was slightly higher than the average death rate for the total business economy for the OECD (8.9% compared to 8.1%, respectively). However, this was not uniform amongst countries. For example, the United Kingdom saw CCS enterprise death rates at 2.3 percentage points lower than the total business economy, Slovak Republic 2.1 percentage points and North Macedonia 2 percentage points lower. We also see some correlation between high birth rates and high death rates amongst OECD countries, indicating greater churn of business activity in CCS for countries such as Lithuania, Bulgaria and Portugal and lesser churn for countries such as Belgium, Greece, Austria and Ireland. However, there are a number of exceptions to this; for example, Malta has an exceptionally high birth rate of CCS enterprises, but a CCS enterprise death rate very close to the OECD average.

Figure 4.7. Birth rates of enterprises in the business economy, 2018



Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors are limited to J59, J60, M7111, M741, M742, M743, N7722, R90, and R91.
Source: OECD calculations on Eurostat (2021[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

Figure 4.8. Death rates of enterprises in the business economy, 2018



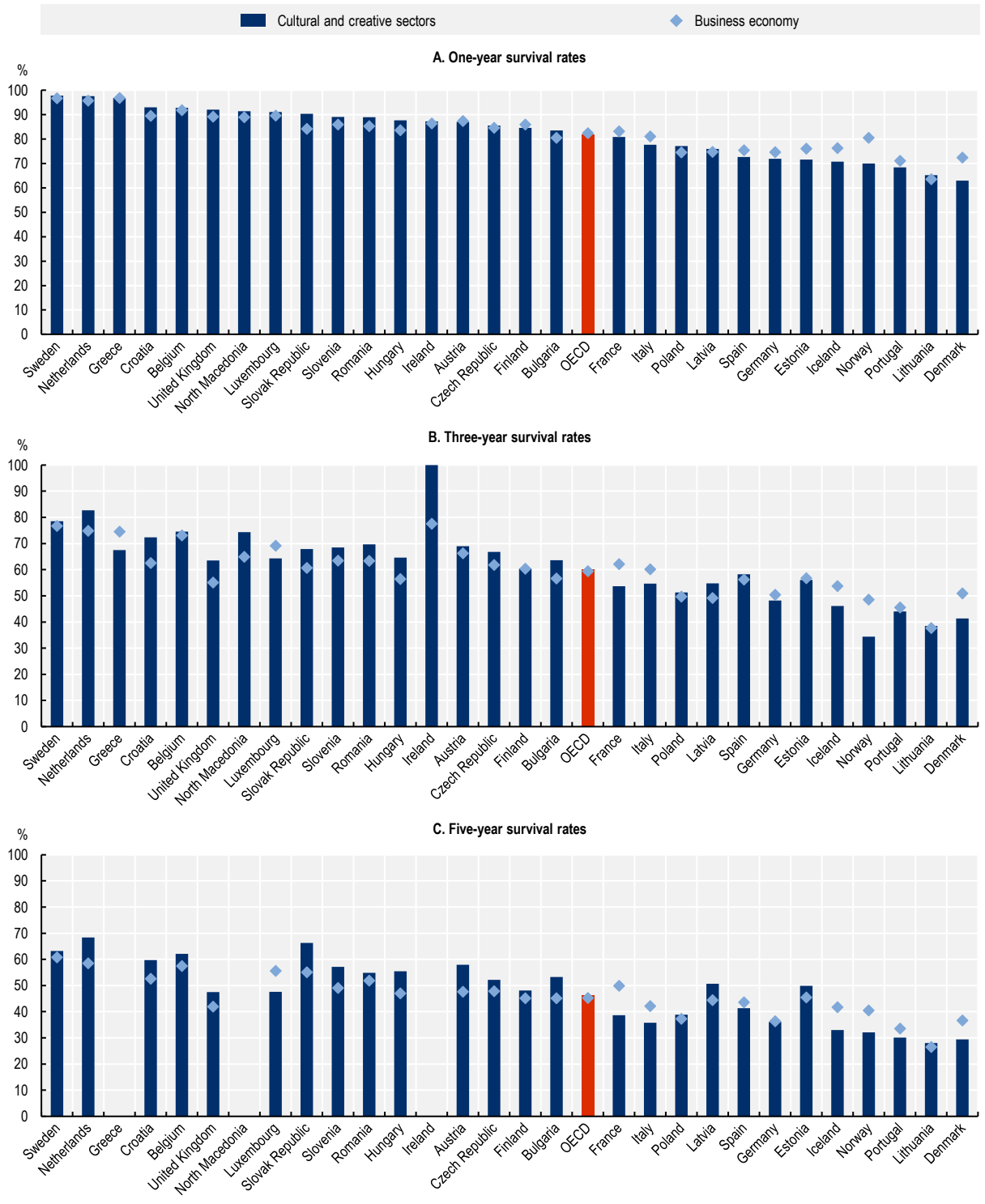
Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors are limited to J59, J60, M7111, M741, M742, M743, N7722, R90, and R91.
Source: OECD calculations on Eurostat (2021[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

The vast majority of CCS enterprises survive their first year, and show similar patterns of survival to the rest of the business economy. Across all OECD countries, 82% of CCS enterprises survive their first year. This survival rate of CCS is only slightly lower than that of the total business economy at 82.4% (see Figure 4.9). The majority of CCS enterprises (60.2%) also survive 3 years, though (again similarly to the total business economy) only 46.3% survive 5 years.

While these figures indicate that CCS enterprises show similar survival rates to other sectors of the economy, there is wide variation across OECD countries and this variation increases over time periods. For example, in Sweden survival rates for CCS are 1 percentage point higher than for the total business economy after one year, around 2 percentage points higher than the business economy after three years and about 3 percentage points higher than the business economy after five years. Conversely, Spain shows lower survival rates for CCS enterprises (73%) than for the total business economy (76%) after one year, but a similar five-year survival rate for CCS enterprises (46.6%) than for the total business economy (46.7%).

This demonstrates the importance of context-specific CCS entrepreneurship and business development policies. The variation in birth, death and survival rates amongst OECD countries indicates the importance of different types of approaches. This includes understanding the challenges faced by CCS businesses at different points in their life cycle and targeting intervention towards areas of weakness.

Figure 4.9. Survival rates for enterprises in the business economy, 2018



Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Due to data limitations, cultural and creative sectors are limited to J59, J60, M7111, M741, M742, M743, N7722, R90, and R91. Greece, North Macedonia, and Ireland are missing data for 5-year survival rates.
Source: OECD calculations on Eurostat (2021[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*.

Cultural and creative goods are a significant driver of trade

CCS are generating an increasing amount of wealth for national economies through international exports. Between 2005 and 2019, the exports of cultural and creative goods worldwide doubled in value, amounting to over USD 271 billion in 2019 (UNESCO, 2022[7]). Around two thirds of these exports were in visual arts and crafts goods. Trade in cultural and creative services is more difficult to measure, as countries do not generally provide data on service trade at a detailed enough level to distinguish trade in cultural and creative services specifically (UNCTAD, 2018[7]). Estimates from available countries show that exports of cultural and creative services have similarly grown, doubling in value between 2006 and 2019 and amounting to over USD 117 billion in 2019, however this is likely to be an underrepresentation as data on cultural and creative services trade is unavailable for many major economies (UNESCO, 2022[7]).

International trade in CCS goods is uneven globally. In 2015, The ASEAN +3 countries[1] accounted for almost 40% of global exports of cultural and creative goods, while Europe, including the United Kingdom, accounted for a further third (UNCTAD, 2018[7]). China, the United States, and France were the top three exporters of cultural and creative goods globally. In 2019, around 70% of the total value of cultural and creative goods came from developed countries plus China and India (UNESCO, 2022[7]).

Increasing globalisation and digitisation have expanded the international market for CCS goods and services. Video on demand services (such as Netflix and more recently Disney+) have enabled greater international licencing of television content; e-commerce has enabled craft workers and artisans to expand to global markets; and platform-based market places for app and video games (such as Google Play, Steam, etc.) have enabled small gaming start-ups to reach international audiences. However, while CCS are increasingly accessing global market chains for the dissemination of their work, the inputs to CCS (such as talent, ideas, materials etc.) remain largely localised (EC, 2017[11]).

International trade in cultural and creative goods and services can boost a country's competitive standing. International trade, alongside the broader economic value that CCS generate contributes to a country's competitive advantage. However, there are broader reputational spillovers associated with cultural and creative goods and services. Many types of cultural and creative goods are deeply associated with certain places (for example Paris and the fashion industry) and these reputational associations further enhance exporting potential. Policy initiatives have been shown to help promote the competitiveness of CCS on the global scene. This is particularly the case in the film industry for example, where governments offer tax incentives for international companies to film and complete post-production work in their country.

COVID-19 has had a severely negative impact on the CCS business landscape, but some sub-sectors have fared better than others

CCS businesses have been some of the worst-hit by the COVID-19 pandemic. Research from UNESCO (2021[12]) finds that the GVA of CCS fell by between 30% and 40% in 20 major economies in 2020. They estimate that the global fall in CCS GVA amounted to approximately USD 750 billion, representing a 21% decline in CCS contribution to global GVA from 2019. Separate analysis of revenue loss in Europe, estimates a 31% decline in turnover for EU28 CCS between 2019 and 2020, representing a loss of approximately EUR 199 billion (EY, 2021[13]).

However, these figures represent only the direct loss of CCS GVA and are likely to underestimate the full economic impact stemming from the fall in CCS activity. CCS feed into the activities of other parts of the economy through supply chains and stimulating sales of auxiliary goods and services (e.g. merchandise, travel to live events etc.). Thus, a fall in CCS activity has an indirect impact on other sectors of the economy. Moreover, decreases in CCS activity also impact wages and revenues, which in turn reduces the amount of money spent by workers from CCS sectors (i.e. induced impact). Considering the indirect and induced impact of CCS, the overall loss in global GVA arising from CCS constriction over the pandemic period is likely to be significant. For example, the global fall in production of the screen industry

in the first six months of 2020 led to an estimated fall in output of around USD 62 billion, but this fall in production output was estimated to have led to a further USD 83 billion loss in indirect and induced economic impacts – e.g. through supply chain linkages and the spending power of those employed in screen sectors (Olsberg SPI, 2020[14]).

The impact of COVID-19 has been uneven across CCS subsectors. As expected, those CCS with venue and site-based activities (theatre, cinema, festivals, museums, etc.) were the most negatively affected by successive lockdowns and travel restrictions, while sectors which rely more on printed and digital media were less heavily impacted. For example, over 70% of museums worldwide reported a loss of over half their annual visitors in 2020, with 44% reporting revenue losses exceeding 50% of annual revenues (ICOM, 2021[15]). Similarly, there was a 10.1% decline in global revenues from live music rights in 2020, but a 19.9% growth in revenues from music streaming services, bringing total revenue growth of the music industry as a whole to 7.4% (IFPI, 2021[16]). Interestingly, delays in film production due to the pandemic (Olsberg SPI, 2020[14]) caused significant decrease in licencing of music, with a fall of 9.4% in global revenues from synchronisation (the use of music in advertising, film, games and TV) in 2020 (IFPI, 2021[16]). The video games sector, however, saw continued growth, with estimates from Europe showing 2% turnover growth for this sector across the EU28 in 2020 (EY, 2021[13]).

The capacity of CCS businesses to transition to digital work has been a significant factor in the uneven impact of the global pandemic across CCS subsectors. The importance of in-person audience activities, the ability to adapt to physical distancing measures and the feasibility of remote/home working have been identified as the main characteristics influencing the level of disruption caused by COVID-19 to CCS businesses (UNESCO, 2021[12]). For example, with the majority of work in design, media and publishing being conducted through digital means, these subsectors have faced relatively little disruption to every day working patterns as people transitioned to remote working. Conversely, performance and heritage sectors faced double challenges of loss of audiences and relative lack of ability to work remotely.

In addition, the variability of business models and funding sources across CCS sectors has had a bearing on the sectors' resilience during the crisis and its ability to recover. For example, Creative Scotland found that those CCS organisations which had curbed their reliance on government funding and successfully developed new income streams prior to COVID-19, appeared to have suffered more throughout the pandemic (Creative Scotland, 2020[17]). While Creative Scotland and many other public funders have maintained their financial support, organisations for which this accounts for only a small proportion of their total income have seen other sources of income (for example catering and retail) disappear with lack of audiences. While organisations which relied more heavily on government support prior to the pandemic may have suffered less from lack of sales revenues than those with a more market-driven business model, the impact on these sectors is likely to be felt more heavily in the medium and long term, as government budgets are reassessed in the wake of COVID.

Box 4.2. Resilience strategies to cope with COVID-19 pandemic have been different across sub-sectors

Digitisation and adaption across CCS in response to COVID-19 pandemic

A recent literature review examining how businesses in different sub-sectors of CCS responded to the first year of COVID-19, identified four potential strategic responses. These responses were largely determined by the sectors level of digitisation and its ability to quickly adapt existing business models. Those with high digital capabilities and high ability to adapt were able to utilise their position and *adapt to growth.* Those with high digital capabilities and low ability to adapt, were able to maintain their activities through development of their digital offerings, in an *adaptation to survive* strategy. Those with low digital capabilities and high ability to adapt, were able to maintain some amount of *strategic stability*

by drawing on government support and continuing to provide services where legally allowed to do so. Finally, those with low digital capabilities and low ability to adapt had to adopt *consistency* strategies by maintaining their offerings as much as they were able. This group suffered extensive revenue and job losses as a result.

Figure 4.10. Strategic responses of CCS

Source: Khlystova, O., Y. Kalyuzhnova and M. Belitski (2022[18]), "The impact of the COVID-19 pandemic on the creative industries: A literature review and future research agenda", http://dx.doi.org/10.1016/j.jbusres.2021.09.062.

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 and remain financially viable (Khlystova, Kalyuzhnova and Belitski, 2022[18]). However, it remains to be seen the extent to which these changing business models will be maintained (UNESCO, 2021[12]).

Though many CCS businesses have faced extreme difficulties during the pandemic, this period has also prompted considerable innovation. Survey evidence from the UK finds that just under 40% of CCS firms launched new products or services during the pandemic, just over 40% marketed their products or services to new types of customers or clients and around a third adopted new digital ways of selling products and services (Siepel et al., 2021[19]).

COVID-19 has also accelerated linkages between CCS and other major sectors of the economy, such as education and health. With much education swiftly moving to digital delivery, the pandemic has prompted increased development of digital educational platforms and accelerated "Ed-Tech" innovation (OECD, 2020[20]). With growing demand for "edutainment" (for instance in the field of serious educational games) CCS are well placed to partner with education providers in developing interactive learning tools and creative educational content.

CCS contribute to innovation throughout the economy

Innovation in CCS is different to innovation in other sectors of the economy

Innovation takes many forms. Businesses can innovate by developing new products or services, by adopting new processes or ways of producing or delivering their products or services, by developing new business models, or by developing new strategies for marketing (OECD/Eurostat, 2018[21]). These activities help businesses respond to market changes, enter new markets and remain competitive. Moreover, the innovation efforts of one business produce significant spillovers benefits for other business and for society at large, as the knowledge, capabilities, skills and ideas generated through innovation promote further innovation and opportunities for learning.

Different industry sectors typically have different structures, strategies and approaches to innovation (Pavitt, 1984[22]). In taking a broad view of industry sectors, much of this difference can be explained by considering the "knowledge base" or main area of knowledge creation that dominates a given industry (Boschma, 2018[23]; Asheim, 2007[24]; Manniche, Moodysson and Testa, 2016[25]). CCS operate within a "symbolic" knowledge base (Asheim, 2007[24]), relying on the creation of goods and services which have symbolic or cultural value. Consequently, innovation practices in CCS generally rely more heavily on tacit and context-specific cultural knowledge than in other sectors and require greater acceptance of risk, experimentation and flexible innovation strategies (Caves, 2000[26]; Bakhshi, Freeman and Desai, 2010[27]; Lampel, Lant and Shamsie, 2000[28]; Choi, 2010[29]). However, the diversity of CCS and their supporting business models directly influence the way creativity and innovation is approached. For example, while some artists might primarily rely on personal "inspiration" for new ideas, creatives working in digital businesses such as video games might take a more collective approach to idea generation and development (Drake, 2003[30]).

Much innovation in CCS occurs through informal mechanisms. While large firms in some sub-sectors (such as video games developers) may have more formalised modes of innovation, SMEs typically have fewer resources to invest in formal R&D programmes (OECD, 2019[31]) and as such innovation in CCS generally takes less standardised forms. For example, evidence suggests that a majority of CCS businesses conduct R&D without a specific budget (Tether, 2021[32]). The difficulty here is in the demarcation of innovation-related processes from core creative production activities. Innovation is more often integrated into the business of cultural and creative enterprises, and can be an ongoing feature of projects (e.g. the revision of tools throughout the development of a game or repackaging broadcast content for online or mobile platforms).

Moreover, much radical innovation in CCS is driven by ideas and concepts developed in sub-sectors such as visual and performing arts, where innovation practices are individuated and non-routinised. In this way, subsidised and non-profit cultural activities can act as an R&D lab for commercial businesses, with public funding enabling them to take risks with creative content and ideas (Crossick and Kaszynska, 2016[33]) which can then be taken up by for-profit businesses at reduced risk. One example of this is the role of cutting-edge visual arts and experimental cinema in generating innovations quickly adopted in advertising, mainstream cinema and entertainment. Yet, in many instances cultural institutions and not-for-profit arts organisations are excluded from innovation strategies and policy frameworks, limiting the ability of such actors to fully embrace their innovation potential (OMC, 2018[34]).

The highly networked and project-based structure of CCS makes collaboration in innovation activities commonplace. An advantage of the strong social and professional networks evident across CCS, is that businesses can pool resources in their innovation activities through collaborative working and open innovation strategies. Here we see many project-based collaborative innovation endeavours, with businesses collaborating with suppliers, customers and competitors, both within CCS and with other sectors of the economy.

Innovation in CCS is also highly interdisciplinary. One of the main ways in which CCS businesses are innovating is through the development and adoption of new technologies (Green, Miles and Rutter, 2007[35]). Research has suggested that the most innovative businesses in CCS are those who combine, or "fuse", creative art and design skills with technology expertise (Sapsed et al., 2013[36]). Moreover, CCS businesses are increasingly working with businesses in other sectors, such as health and education on interdisciplinary research projects (EC/KEA European Affairs, 2018[37]). For example, video games developers working on projects to develop "serious games" for the training of airline pilots and surgeons, and visual artists working with health professionals to develop therapeutic strategies such as provision of cognitive stimuli to Alzheimer patients. Moreover, ideas, methodologies and approaches used in creative sectors can be utilised by other industries to develop their innovation competencies. For example, non-technological, social and service innovation in traditional industries can be enhanced by introducing design thinking methodologies and culture-based creativity approaches (EC, 2020[38]). Promoting such, cross-sectoral innovation requires breaking down funding, education and policy silos and embracing interdisciplinary, inter-industry and collaborative approaches towards innovation (EC, 2020[38]).

Innovation in CCS is underrepresented in official data

Much innovation in CCS remains "hidden" as innovation is typically associated with engineering and technology-based sectors. As discussed above, innovation in CCS is different to innovation in other sectors. However, many national innovation surveys were originally designed to capture innovation in traditional industrial sectors (OECD/Eurostat, 2018[21]) and thus are not always well placed to identify innovation in CCS. Moreover, much R&D activity of CCS businesses is not captured through traditional innovation measures (such as R&D expenditure) as these metrics often focus exclusively on advances in science and technology (Bakhshi, 2020[39]). Similarly, the use of patent data (a common method of identifying innovation) fails to adequately capture innovation outputs of CCS businesses, as CCS activity generally relies on copyrights rather than patents to protect intellectual property.

While CCS are now incorporated in international definitions of innovation and R&D, this is relatively new and data collection is yet to catch up. Since the mid-1970s, the potential for innovation in the arts, humanities and social sciences has been recognised by the OECD in its proposed standards for surveys of research and experimental development, the Frascati Manual (OECD, 1976[40]). Yet, the conventions of measurement, originally designed for use in engineering and natural sciences, continue to discount much innovation activity in CCS (Godin, 2002[41]). For example, the requirement for experimental development to be directed towards "producing new products or processes, or to improving existing products or processes" (OECD, 2015[42]), can be problematic for CCS businesses whose outputs are often based on audience experience, which may not neatly fit into either category (Lomas, 2017[43]). Moreover, the widespread misconception that R&D is the purview of science and technology sectors, has led many CCS businesses to not recognise their own R&D activity as legitimate, and therefore likely under report their R&D activity in innovation surveys (Bakhshi and Lomas, 2021[44]). Similarly, while creative work, design activities and marketing activities are explicitly incorporated into definitions of innovation by the OECD, capturing data on investment in the broad range of intangible assets that can facilitate innovation in CCS is problematic (OECD/Eurostat, 2018[21]).

This makes the contribution of CCS to innovation difficult to measure at an international level. Only a few countries report R&D expenditure at the level of granularity required to compile statistics for CCS. For example, the UK has produced statistics showing an overall expenditure on R&D by CCS businesses (including the IT subsector, which would not be considered part of CCS in many definitions) of GBP 2 874 million in 2018, which was approximately 11.5% of total business expenditure on R&D across the whole economy (UK Office for National Statistics, 2020[45]). Moreover it shows that R&D expenditure has been growing steadily since 2009 in almost all CCS subsectors (the film, television, radio and photography sector, along with the advertising sector, have been particularly high growth). However, given differences in the definition of CCS across nations, comparing national level reporting such as this is problematic.

As part of Horizon Europe, the European Commission will be targeting funding to research in CCS innovation. This work will look to deepening knowledge of CCS and their role as a driver for innovation, including the interactions and spill-over effects of CCS to other sectors (EC, 2021[46]). However, there remains a significant need for better quality reporting of innovation indicators at a national level, to aid cross-country comparisons.

Despite the difficulties in measuring innovation in CCS, studies at a country level indicate that CCS are highly innovative and contribute to innovation across the economy

CCS can contribute significantly to a region's or nation's innovation capabilities. CCS themselves are highly innovative, producing new products, services and content; developing new business models and ways of working; and developing and integrating technologies in novel ways (Green, Miles and Rutter, 2007[35]). They also contribute to innovation in other sectors of the economy through the services they provide (such as design and advertising) (Stoneman, 2010[47]), and as a source of new ideas. In particular, some of this innovation potential is associated with sectors that are less exposed to market pressures and that for this reason can engage in more radical forms of experimentation, such as visual and performing arts. As such, we can think of CCS businesses as providing outputs which are themselves innovative and also providing outputs which become inputs into the innovation activities of other businesses (Potts, 2009[48]).

Evidence from the UK indicates that CCS businesses are themselves highly innovative. Evidence from the United Kingdom suggests that CCS[2] businesses are engaging in innovation and R&D activities to a similar extent, and in some cases even more, than traditional sectors of the economy (Bird et al., 2020[49]; Tether, 2021[32]; Gkypali and Roper, 2018[50]; Lee and Rodríguez-Pose, 2014[51]). For example, Gkypali and Roper's (2018[50]) analysis of the UK Community Innovation Survey finds a significantly higher proportion of businesses in CCS engaging in innovation than businesses across the rest of the economy (Table 4.1). Similarly, evidence from Austria indicates over 70% of CCS businesses engage in innovation, having introduced some form of product or process innovation between 2005 and 2007 (Müller, Rammer and Trüby, 2009[52]).

Table 4.1. Selected innovation indicators, UK

	Creative industries (%)	Rest of the economy (%)
Product innovation	33	22
New to the market innovation	14	8
Process innovation	21	16
Organisation innovation	52	44
Ongoing innovation activities	32	20

Note: This report uses the DCMS definition of CCS, which includes parts of the IT sector that would not be considered part of CCS in other definitions.
Source: Gkypali, A. and S. Roper (2018[50]), "What can we learn about the innovation performance of the creative industries from the UK innovation survey?", https://media.nesta.org.uk/documents/Creative_industries_innovation_analysis.pdf.

There is also country-level evidence of the extent to which CCS businesses feed into the innovation activities of other sectors of the economy through supply chain linkages. Evidence suggests that supply chain linkages create opportunity for CCS businesses to feed into the innovation activities of firms in other sectors. They do so both by directly providing goods and services for use in innovation activity and through the exchange of knowledge and ideas. For example, by analysing official input-output accounts and survey data on businesses innovation for firms in the UK, Bakhshi et al., (2008[53]) find that strong supply-chain linkages to CCS businesses are associated with higher levels of innovation for firms across

the economy. Moreover, Kimpeler and Georgief (2009[54]) find, in an Austrian context, that businesses in other sectors of the economy who invest little in regards to their own R&D and innovation activities still profit from the innovative inputs of CCS businesses through supply chain linkages.

Evidence also suggests that CCS businesses and non-profit organisations act as incubators for talent, skills and ideas, which generates innovation spillovers in for-profit businesses. For example, by studying non-profit arts and cultural organisations in the US, Markusen et al. (2006[55]) find that the majority of artists work in both for-profit and not-for-profit sectors at some point in their career, with the skills that they develop through their non-profit work impacting their ability to feed into for-profit sectors. Moreover, evidence from UK suggests that innovation undertaken by the public sector broadcasting organisation, the BBC, has generated significant knowledge spillovers through other businesses using and developing technologies originally developed by the organisation (KPMG, 2021[56]). Here researchers estimate that "every GBP 1 of BBC spend on R&D yielded between GBP 5 and 9 of monetised societal benefits, including benefits to the BBC".

The innovative potential of CCS is increasingly recognised by policy makers. In 2018, the EC published an overview of policies and research on innovation in CCS in Europe (EC, 2018[55]). The report documents over 50 polices and research studies at both national and EU level, covering CCS as a whole and sub-sectoral polices and research. The breadth of material found in this report demonstrates a growing interest in harnessing CCS for innovation and integrating innovation into CCS policy making.

Box 4.3. Promoting innovation in CCS: the case of Conexiones Improbables, Spain

Conexiones Improbables is a creative and cross-sector innovation consultancy which aims to strengthen the CCS ecosystem by facilitating and promoting cross-sector collaboration and utilising creativity as a driver of innovation. As a partner of the European Commission's New European Bauhaus project, the organisation works with both local and international actors to support and promote innovation in CCS. The organisation has four main pillars of work:

1. Helping cultural and creative sector organisations to improve their management and innovation processes;
2. Working towards making organisations in other economic and social sectors more creative and innovative;
3. Offering training and educational work in areas of action and knowledge relating to innovation, territorial development policies and cultural management;
4. Supporting public and private entities in strategically designing to build more creative cities and territories;
5. Conexiones improbables applies open collaboration innovation methodologies, encouraging cross-fertilisation processes and tackling complexity from a transdisciplinary, systematic perspective. It uses tools of applied creativity by introducing logic, methodologies, experiences, patterns of thought or professionals from the fields of arts, culture and creativity. The organisation has worked with local governments, not-for-profit organisations and private companies around the world

Source: Conexiones improbables (2022[58]), *Hybridise to Innovate: The Art of Connecting People and Organisations*, https://conexionesimprobables.es/. (accessed 15 March 2022)

Entrepreneurship and business development in CCS differs from other sectors

CCS have complex industry structures

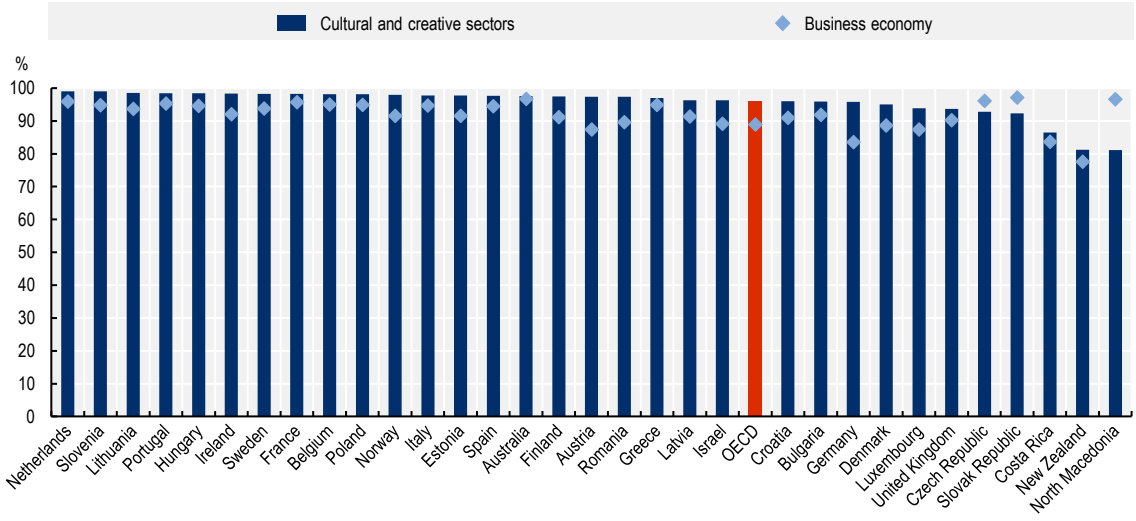
In general, CCS are characterised by complex labour market dynamics, relying on small initiatives and non-conventional forms of employment (HKU, 2010[59]; Ross, 2009[60]; Comunian, Faggian and Li, 2010[61]; Naudin, 2017[62]). As discussed in Chapter 3, part-time work, temporary contracts, self-employment, and informal employment, are common in CCS, with the sector encompassing highly networked and fluid labour dynamics.

Within this context, new types of workers are emerging in CCS: the "entrepreneurial individual" or "entrepreneurial cultural worker" (Naudin, 2017[62]). Those working under this category no longer fit into previously accepted patterns of full-time professions. For example, the cultural or creative entrepreneur often holds multiple jobs, and not necessarily all of them in the CCS, as their skills may be too specialised to work for one company full-time (Easton and Cauldwell-French, 2017[63]).

Alongside the presence of entrepreneurial individuals, CCS also exhibit a high concentration of micro (fewer than 10 employees) and SME business (see Figure 4.11). In 2018, 99.9% of CCS enterprises in OECD countries were micro enterprises or SMEs, including in that figure 96.1% having fewer than 10 employees (micro enterprises). This is a higher proportion than most other sectors of the economy, with micro enterprises comprising 88.9% of the total business economy. Moreover, while large businesses

(250 employees or more) make up 0.2% of the total business economy across OECD countries, large businesses make up only 0.1% of CCS business.

Figure 4.11. Proportion of all enterprises that have fewer than 10 employees, 2018



Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, N7722, R90, and R91.

Source: OECD calculations on OECD (2021[4]), *OECD Regional Statistics (database)*, https://doi.org/10.1787/6ef7b296-en (ad-hoc data collection); Eurostat (2021[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

The strong presence of micro enterprises in CCS presents both opportunities and challenges for business dynamics in the sector. Micro enterprises and SMEs are the driving force behind much innovation in CCS, as they are more agile, able to adapt quickly to changes in the market, and can exploit technological or commercial opportunities that have been overlooked by larger companies (OECD, 2019[31]). Moreover, SMEs can provide more niche services than larger firms, playing a key role in enhancing the innovation capabilities of other businesses and creating knowledge spillovers. However, micro enterprises and SMEs also typically have more constrained resources (in regards to capital, cash flow, and capabilities) than larger firms. Moreover, as discussed in Chapter 3, many of these enterprises consist of freelance workers or solo entrepreneurs who operate in often precarious conditions.

Entrepreneurial individuals and micro/SME businesses typically converge around particular projects. Businesses in CCS commonly revolve around project-based work, for example the development of a new film, book or exhibition. This type of work requires different skills at different times, meaning that CCS businesses often work collaboratively with freelancers and other businesses in temporary arrangements. These fluid labour dynamics and project-based working promote the creation of strong networks of creative entrepreneurship, where personal and profession relationships are of great importance (Grabher, 2002[64]; Grabher, 2001[65]; Watson, 2012[66]). In this way, CCS can be a sort of "entrepreneurial bricolage" whereby resource constraints (e.g. lack of skills, capabilities infrastructure etc.) are overcome through collaborative working arrangements and knowledge sharing (de Klerk, 2015[67]), which promotes innovation through the combination and recombination of ideas (Kogut and Zander, 1992[68]).

These particular characteristics of CCS make entrepreneurship policy especially vital for the sector. SMEs in general are particularly susceptible to market failures, policy inefficiencies and inconsistencies (OECD, 2019[31]). However, in CCS these issues are compounded by the fact that these

sectors produce largely intangible assets whose value may be subjective, which increases the risk for businesses operating in this sector. Moreover, considering the large role played by freelancers in CCS, policies relating to self-employed work have a large impact on the sector.

CCS are part of complex and interconnected value chains (EC, 2017[11]). As such, policymakers are increasingly approaching the design of CCS policy using ecosystem approaches. For example, the European Commission has identified CCS as one of 14 key ecosystems in its industrial strategy (EC, 2021[46]). The adoption of the ecosystem approach in its industrial strategy encompasses consideration of all players operating in the CCS value chain: from SMEs and start-ups to large companies and non-for-profit organisations, from academia to research, and service providers to suppliers (EC, 2020[69]).

Intellectual property is significant for CCS value generation

CCS businesses create value through the generation and exploitation of intellectual property (IP) (DCMS, 2016[70]). As part of the "knowledge economy", CCS typically produce "products" (such as films, books, magazines and pieces of music) which hold value because of their creative content, rather than any physical property. In order to create economic value, cultural and creative products must be produced and distributed "in a manner which can make their continued production and distribution economically sustainable and hence provide income for their creator" (WIPO, 2015[71]). In this context, IP protection enables businesses to capture value from these products, either through sales (without risk of imitation) or through licencing their IP to other actors. While some CCS businesses will involve the direct creation of IP (e.g. a magazine), others will contribute to the generation of IP through the services they offer (e.g. a design company).

Intellectual property is integral to how CCS generate growth. The generation of IP in one CCS subsector, contributes to growth in other subsectors through the allocation of IP rights. For example, a book generates IP that can be licenced out for a film or television programme, which in turn can drive sales of merchandise or games which also licence the IP alongside sales of newly created IP (such as a film soundtrack). This produces circular growth, as sales in one medium drive sales in other mediums, and provide additional revenue generation through advertising and the sale of complimentary products (e.g. television, video games consoles etc.) (Deloitte, 2021[72]).

Copyrights are the most important form of IP protection for CCS. Broadly speaking, there are four types of IP protection: patents, trademarks, industrial design rights, and copyrights. While some CCS businesses may invent new forms of technology for example, typically patents are less applicable to CCS as they require the invention of something which has "practical" or functional use. Trademarks are of some relevance to CCS, as they protect a brand or trading name, however, these rights are not, in general, of much greater importance to CCS than to other sectors of the economy. Industrial design rights protect the aesthetic qualities of a product, or how a product looks and feels (for example, a particular pattern, or the shape of a product). These rights are an important form of IP protection which is generated by CCS services (for example design agencies), but the returns of this form of IP are generally taken up by businesses in other sectors. Copyrights protect "the creative expression of ideas in many different forms – text, still or moving pictures, sound works, three-dimensional shapes such as sculptures and architecture, reference works and collections of data" (WIPO, 2020[73]). Consequently, these rights are the most important form of protection for the majority of CCS businesses as they protect the creation of cultural and creative content.

Protecting copyrights however is a big challenge for CCS. Negotiating royalty and licencing deals, collecting revenues and taking legal action against copyright infringement require substantial skill and resources. Consequently, many CCS businesses use intermediary organisations, referred to as collective management organisations (CMOs) to manage copyrights on their behalf. These CMOs represent rights owners from all cultural and creative fields, such as musicians, composers, photographers, visual artists, performers, writers, and publishers and as such form an integral part of the CCS business ecosystem. While CMOs greatly aid in recovering revenues from copyrighted work, piracy represents a significant issue for CCS businesses. For example, digital piracy of video content in America has been estimated to cause a loss in revenues of between USD 29.2 billion and USD 71.0 billion annually, representing a revenue reduction between 11% and 24% (Blackburn, Eisenach and Harrison Jr., 2019[74]).

CCS have a strong diversity of sectors and business models

Despite some general tendencies of CCS, each sub-sector has unique characteristics in regards to industry structure and entrepreneurial activity. For example, the film and television sector has an "hourglass" structure, with a few large businesses (such as film studios and streaming services) dominating the funding and dissemination of creative content and many small businesses (such as production companies) and freelancers (such as actors and directors) taking on much of the work of creative production. Despite the dominance of a few major players, analysis of the American film and television industry found that 87% of businesses in this sector employ fewer than 10 people (MPA, 2020[75]). Alternatively, architecture has a more even mix of SME and large firms, where most of the creative work is conducted in-house.

Across CCS sectors there is a range of different business models. At the most basic level, we can consider that CCS businesses vary in their production of either goods or services (or both) and in their orientation towards business to business (B2B) or business to consumer (B2C) models. Beyond this, there are business models in relation to the product or service offering. For example, Searle (2017[76]) distinguishes business models in CCS in relation to four categories: i) *product models* which involve the sale or licencing of standardised goods and services (e.g. the sale of books or recorded music); ii) *solutions models* which involve offering tailored solutions to client needs (e.g. design companies or advertising agencies); iii) *matchmaking models* which involve connecting producers and consumers and facilitating sales (e.g. art auction houses or online market places such as Etsy for crafts), and iv) *multi-sided models* which involve the business offering products or services to different customers who derive value from each other (e.g. newspapers whose customers are both readers and advertisers).

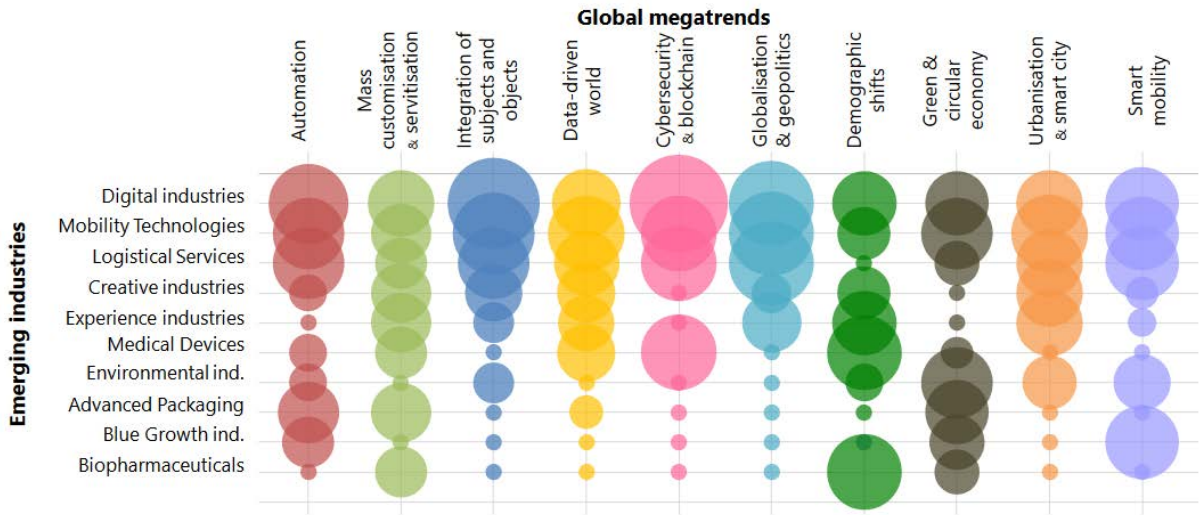
A further way of conceptualising business models in CCS is through their exploitation of IP and the replicability of the goods or services they produce. For example, Nesta (2006[77]) differentiated between four different types of CCS business: i) *Creative service providers* – similar to "solutions models" mentioned above, these models involve providing services to clients which result in client-owned IP (e.g. advertising agencies, architecture practices, design consultancies, and new media agencies); ii) *Creative content producers* – where the business produces its own IP (usually copyrights), which is then distributed to customers or audiences generating revenues through sales, subscriptions and/or advertising (e.g. film and television production companies, video game development studios, music labels, book and magazine publishers, and fashion designers); iii) *Creative experience providers* – where companies offer consumers the opportunity to experience creative work at a specific time or place (e.g. theatre, opera and dance production companies, live music organisers and promoters and heritage sites); and iv) *Creative originals producers* – which involves the creation of one-off or limited production runs of physical artefacts which derive value from their "perceived creative or cultural value, exclusivity and authenticity" (e.g. visual artists and craft makers).

In practice, businesses, sole traders, and organisations working in CCS typically have mixed business models, encompassing the sale of different types of goods and services to different types of consumers in different ways (Li, 2020[78]). For example, a musician may release an album for purchase (B2C product sale model), make this album available through a streaming service (B2C subscription model) perform their music live (B2C creative experience model), licence their music for use in an advert (B2B licencing model), and produce music specifically commissioned for a film (B2B tailored service model).

Increased digitalisation is dramatically changing the structure of industries and businesses, particularly in CCS

CCS are some of the most impacted by global technological, socio-political and environmental trends. Evidence from the European Observatory for Clusters and Industrial Change suggests that digital and technological megatrends are having a particularly significant effect on CCS (Figure 4.12), causing shifts in business models, markets, employment, productivity, skills and value chains (EOCIC, 2019[79]).

Figure 4.12. Impact of ten global megatrends on ten emerging industries



Source: EOCIC (2019[79]), *European Cluster and Industrial Transformation Trends Report*, European Observatory for Clusters and Industrial Change.

The increased proliferation and advancement of digital technologies have deeply transformed the way in which cultural and creative content is produced, disseminated and consumed. Digital tools have enabled the production of creative and cultural content to a higher standard at a lower cost, lowering barriers to entry for creative content production and "democratising" some elements of the creative process (IDEA Consult/Goethe-Institut, 2021[80]). This mass production of creative content has been complimented by advances in digital dissemination and instant diffusion through open platforms (e.g. Wikipedia), new media distributors (e.g. Netflix), social networks and content communities (e.g. YouTube) (OECD, 2020[20]). In this way, digitalisation has provided entrepreneurs and SMEs, more direct access to customers and audiences as well as opening new channels for the marketing and promotion of goods and services.

Advances in technology have also opened up new forms of creative and cultural content as well as new forms of capturing value from creative work. For example, virtual and augmented reality (VR/AR) represent completely new ways for audiences to interact with games, performances, and cultural experiences. Similarly, advances in machine learning and artificial intelligence are increasingly becoming

incorporated in cultural and creative work, for example in design, marketing and even visual art. Technology has also opened up new forms of capturing value from creative and cultural activity, for example through non-fungible tokens (NFTs) which enable trade in digital artworks.

These new technologies have introduced novel opportunities for cultural and creative content to be incorporated into a wider range of business and leisure activities, prompting greater integration of CCS and other sectors of the economy. For example, virtual and augmented reality is being increasingly used in sectors as diverse as construction, engineering, manufacturing, healthcare, transport and education (Immerse UK/Digital Catapult, 2019[81]). Similarly, new technologies are creating new opportunities for collaboration across sectors, such as car manufacturers sponsoring videogames development to showcase their products. As 5G technology becomes more widespread, these interconnections are likely to increases. As high-capacity processing with lower latency becomes more achievable, the opportunity to create high-quality cultural tools for a wide variety of applications increases.

Today, digital cultural goods such as e-books, music, videogames are, by far, the biggest revenue source for the digital economy (EY, 2015[82]). Other specialist fields such as augmented reality, virtual reality, programmatic branding, creative robotics, immersive technologies and the application of interactivity to performance and experiential markets are likely to grow (Giles, 2021[83]).

Investment patterns in these emerging sectors demonstrate opportunity for digital CCS businesses. Analysis of venture capital investment in sectors which operate at the boundaries between CCS and high technology (such as VR/AR, gaming, advertising and marketing technology and machine learning) (Creative Industries Council, 2021[84]) reveals steady growth in investment in these sectors across Europe from 2017-2020, but uneven growth in other major economies. For example, both India and Israel saw large increases in investment in digital CCS businesses, whereas investment in China and Korea peaked during 2018 and then saw a sharp decline in 2019 and 2020. While the US, China, UK, France and Israel remain the largest investors in digital CCS, these trends suggest that there is great scope for emerging economies in these markets.

These advances have shifted power dynamics and structures in many CCS subsectors, though this is not uniform. For example, advances in digital visual effects (VFX) have deeply transformed the landscape of film and television production. The average spend on special effects as a percentage of production cost is just under 25%, and with increases in online streaming serveries demand for these services is growing rapidly (Research and Markets, 2020[85]). In this context, Canada and the UK have become key players in the global film market due to expertise in VFX, displacing Hollywood as the centre of big budget filmmaking (McDonald, 2016[86]). Another example is the effect of widespread internet use on business models in traditionally non-digital sectors. As internet-based advertising has boomed, this has impacted the revenue streams of TV and newspapers, which traditionally received a large proportion of advertisers' budgets (EC, 2021[46]). Similarly, as newspapers race to embrace online news, this new mode of dissemination impacts on working practices, as online content requires more immediate and ongoing creation. In sectors such as performing arts, we also see new revenue sharing models in relation to new forms of dissemination. For example, with cinema streaming of live theatre, performers may only receive around 10% of streaming ticket sales revenue (with higher proportions going to the cinema), compared to around 35% of live performance ticket sales revenue (EC, 2017[11]). However, other sectors such as crafts that are less technologically mediated, or sectors such as museums, which are more geographically embedded, have seen less challenge to traditional industry structures.

Platform technologies have been particularly important in the digital transformation of CCS businesses. Digital platforms are wide-ranging in their purpose, scope and functionality, but can be broadly summarised as "a digital service that facilitates interactions between two or more distinct but interdependent sets of users (whether firms or individuals) who interact through the service via the internet" (OECD, 2019[87])**.** In CCS, content delivery is increasingly shifting towards online platforms as a way to reach larger audiences. For example, as Video-On-Demand online platforms (such as Netflix, Hulu,

YouTube, HBO, Amazon Prime Video, Disney+) have grown in popularity, TV and film producers are relying more heavily on these forms of dissemination. Similarly, in video games, users are increasingly using purchasing platforms (e.g. games for PC or Mac on Steam, Epic Games Store, Battle.net; mobile games on Apple Store or Play Store on Android) to access downloadable content (OECD, 2021[1]). However, as these platforms generate value through "network effects" (e.g. become more profitable by having more members), deals between content developers and major platforms can often hinge on exclusivity deals in regards to broadcasting rights (in the case of video-on-demand platforms) and technological compatibility issues (in the case of games).

In this context, a general trend can be identified from the production of creative goods, towards the provision of creative services (UNCTAD, 2018[7])**.** For example, newspapers were once considered a creative good, as they were a physical product that was sold individually. The rise of online news platforms is more akin to a services model, where consumers pay a subscription to access the service. This transition has important implications for copyrights and royalty distribution as well as increased risk of piracy and non-legal access to creative content.

These digitalisation trends have led to new business models in CCS. "Digital technologies have been a key driver of business model innovation by enabling new ways of creating and capturing value, new exchange mechanisms and transaction architectures, and new boundary-spanning organizational forms" (Li, 2020[78]). For example, dynamic pricing and "freemium" (i.e. access to limited content for free) models have proliferated in the video games industry (Searle, 2017[76]). But as digital content drastically reduces variable costs (i.e. the cost of reproducing digital content is negligible compared to reproducing physical content), these types of pricing models are increasingly being experimented with by artists and musicians (Li, 2020[78]).

Policy intervention can support CCS development and growth

Promoting entrepreneurship and business development in CCS requires an ecosystem approach

It is well documented that a strong entrepreneurial ecosystem contributes to a well-developed business environment. This is particularly the case for sectors such as CCS which have a large proportion of freelancers, SMEs and micro enterprises. Understood as the set of interdependent factors and actors that together contribute to the emergence of productive entrepreneurship in a particular territory, entrepreneurial ecosystems are largely dependent on the economic, social and institutional contexts that aim to attract talent and creativity by facilitating interactions and spillovers, growth opportunities and creative atmospheres.

Fostering strong entrepreneurial ecosystems in CCS involves the coordination of policy in different areas. Considering the wide range of issues that impact entrepreneurship, supporting a strong entrepreneurial ecosystem relies not only on traditional business measures, such as access to finance and preferable business regulation, but on fostering environments for entrepreneurship to thrive (OECD, 2017[88]). This involves coordinated policy in a range of different areas, for example skills and education policy which promotes business and entrepreneurial skills and infrastructure policy to improve digital access and physical transportation links.

An ecosystem approach to entrepreneurship and business development in CCS requires both direct and indirect support. In considering the main issues in which entrepreneurs in CCS face challenges, there are six primary areas in which policy can directly support CCS businesses:

- Access to finance
- Information, advice, coaching and mentoring

- Education and training
- Internationalisation
- Networking and collaboration
- Incubator and accelerator programmes

Box 4.4. Public interventions for cultural entrepreneurship: the case of INCREDIBOL!, Bologna, Italy

INCREDIBOL! is a programme that provides support to creative start-ups, small businesses, and citizen-led organisations through funding, consulting and training activities, networking initiatives, and the rent-free use of public buildings and spaces by means of public tenders. INCREDIBOL! was launched in 2010 and is coordinated by the Municipality of Bologna and co-funded by the Emilia-Romagna region. Over the years, it has also mobilised private-public partnerships among regional actors in CCS such as private foundations, trade associations, cultural associations, and research bodies.

INCREDIBOL! has also helped renovate over 40 previously vacant city-owned spaces in the Bologna area, turning them into sites where young entrepreneurs and freelancers can kick-start new businesses in the CCS. Namely, recipients have turned a vacant historical building into a self-sustaining bike rental business and community hub (i.e., "Dynamo Velostazione"), a vacant food market into a concert hall and cultural space for young local artists (i.e., "Mercato Sonato"), and vacant greenhouses into a social incubator and co-working space (i.e., "Kilowatt – Serre dei Giardini Margherita").

INCREDIBOL! provides recipients with different benefits depending on their specific needs. First, it provides them with spaces to be refurbished and repurposed as storefronts, offices, and/or spaces open to the local community. Second, it provides them with one-time grants of EUR 10 000 (grants have been increased to up to EUR 2 000 for 2020 to help recipients better cope with COVID-19 related measures). Third, consulting and training activities are offered to help recipients scale up and reach sustainability. INCREDIBOL! also offers recipients the opportunity to connect with its network of public and private partners (e.g., associations, research bodies, foundations). In turn, these partners offer workshops, one-to-one meetings, acceleration programmes, tailored consultancy, or customised outreach activities depending on the needs of recipients.

Source: OECD (forthcoming), Cultural and Creative Sectors and Local Development: the case of Emilia-Romagna.

Access to finance

As discussed extensively in Chapter 5, access to finance is one of the biggest barriers CCS entrepreneurs and SMEs face in starting and growing their business. Access to finance is a major barrier for SMEs and micro enterprises in general (OECD, 2021[90]). SMEs are typically charged higher interest rates for loans than larger enterprises, and whilst loan rejection rates for SMEs saw a slight decline in 2018, these types of business are still more likely to be rejected for finance than larger firms in many OECD countries (OECD, 2020[91]). However, CCS businesses face additional challenges in accessing finance as the products and services they offer hold largely intangible value, meaning that they typically have little tangible capital to leverage against debt financing (Brassell and Boschmans, 2019[92]) and are often viewed as high risk by investors. While financiers are gradually beginning to accept some forms of intellectual property as collateral for financing, this is still uncommon and the finance community in general typically favours tangible collateral for lending (OMC, 2016[93]).

The barriers around access to finance are compounded by a general lack of information about the funding landscape for CCS and a lack of skills in applying for finance. In accessing start-up or early-stage financing for example, the European Commission identified four key challenges for CCS entrepreneurs: lack of information about relevant sources of finance; limited understanding of funding sources; lack of knowledge of how to present a business plan in a convincing way; learning how to think in ways to grow the company (OMC, 2016[93]).

However, as the first section of this chapter has shown, CCS businesses can generate substantial amounts of revenues, have broadly similar survival rates to firms in other sectors and are highly innovative. In opening access to finance for CCS businesses, support measures have been aimed at encouraging investment through "de-risking" strategies (e.g. through government-backed loan guarantees), targeted CCS SME finance support (e.g. grants) and government-backed venture capital programmes (see Chapter 5).

Box 4.5. Cultuurloket: combining financial support with business and legal advice for CCS business

In 2018, the Flemish Government, Belgium, launched a public-private collaboration with Hefboom, a cooperative serving as an intermediary between investors and professional initiatives from the social and sustainable economy. This collaboration was to start a "cultural credits" financing initiative called "Cultuurkrediet."

Cultuurkrediet aims to provide greater support for professionals in the cultural sector, including facilitating access to finance and providing support through counselling and training opportunities. Through the Cultuurkrediet partnership, creatives can apply for a loan with Hefboom for a maximum amount of EUR 100k with interest rates varying from 0-3%. These loans are given without the need for the applicant to put up collateral. During the COVID-19 pandemic, these loans became even more flexible, offering temporary interest-free loans. The Flemish Department of Culture provides two-thirds of the funding via the Guarantee Fund, with the remaining third of the funding from Hefboom.

Cultuurloket also works to provide free first line business and legal advice for individuals and enterprises in the cultural sector. Along with this guidance is included vocational training, personal coaching and advice. As of February 2021, the Cultuurloket initiative has: hosted a website and knowledge bank that welcomes 250 000 visitors a year; made available 75 training sessions a year to help support creatives, receiving 5 634 attendees in total; as well as 5 893 consultancies over the phone in 2020; 816 one-to-one consultancies organised in Brussels as well as 10 cities in Flanders; and 124 process counselling sessions, which include guidance on how to structure and finance a professional project or the career of a cultural and creative worker and/or organisation.

Source: OECD (2021[94]), "Back in business: SME support ecosystems for cultural and creative sectors", Maarten Quaghebeur, Cultuurloket, Belgium and Piet Callens, Flanders, Heftboom, Belgium; Cultuurloket (2021[95]), *Homepage*, Flemish Government Department of Culture, https://www.cultuurloket.be/ (accessed on 1 November 2021).

Information, advice, coaching and mentoring

Starting and growing a business requires a considerable amount of knowledge in regards to the business, financial, and legal environment as well as internal management and strategy. The SMEs and micro enterprises which dominate CCS are unlikely to have all these areas of expertise in-house, and frequently require outside expertise to help them develop and grow. However, it can be difficult for businesses to assess the competence of external business advice and to assess the additional value that

such advice can provide. As such, businesses may be reluctant to pay for external advice, leading to underutilisation of business support and reliance on the informal acquisition of advice and information (OECD, 2020[96]). This situation can be seen as a form of market failure, which governments can address through targeted policy intervention.

Lack of managerial and business skills has been identified as a key weakness in CCS. Amongst the range of skills required to grow a successful business, broad managerial issues such as leadership skills, strategy development, financial management and people management (Armstrong and Page, 2015[97]), as well as specific skills and knowledge for marketing, social media, business plan development and securing finance (Henry et al., 2017[98]) have been identified as areas in which CCS businesses feel they lack sufficient skills.

Governments can address this lack of knowledge through information, advice, coaching and mentoring schemes. This type of support can be delivered directly through public agencies, through private or not-for-profit organisations, or through a combination of public and private sector actors. It can involve the development of information resources, one-to-one coaching, mentoring, businesses consultancy services or subject-specific advice centres (OECD, 2014[99]). For example, The Creative Enterprise Toolkit developed by Nesta, provides informational resources for those interested in launching their own creative business (Nesta, 2020[100]). It includes detailed information, worksheets and case study examples on topics including business model development, financial planning, marketing, and customer relationship management. National advice programmes can also be complimented by local centres, which are able to provide greater information and resources about the local business environment, including region-specific policies and regulations.

However, effective business advice and mentoring need to be tailored specifically towards CCS and advice is required for firms in different stages of development. Given the differences between CCS and other sectors of the economy, and the differences amongst different sub-sectors of CCS, generic business advice is only of limited usefulness. Research suggests that the most effective form of advice for CCS is that which is tailored specifically towards particular subsectors of CCS (Henry et al., 2017[98]). This means that advisors or mentors require industry-specific knowledge and "a strong track record of expertise and experience in the particular sub-sector arena of the client" (Henry et al., 2017[98]). Moreover, as businesses face different types of challenges at different stages of their development, they will require different forms of coaching and advice. While, businesses who are seeking to grow may be more active in engaging with external advisory services, targeting advice and mentoring schemes only towards these types of business can miss significant opportunities to improve the productivity of businesses that may not be actively pursuing a growth agenda (OECD, 2018[101]).

Box 4.6. Developing business mentoring capabilities and putting them in action

Erasmus Mundus + "Bridging the Gap" programme for training CCS business mentors

Bridging the Gap was a two-year project, emerging out of a series of initiatives focused on the role of mentoring in vocational education and training Europe. The purpose of the project was to help bridge gaps between mentoring services and actual practice in CCS, by developing new mentoring methods to support young people in developing creative businesses and careers. The project brought together organisations that specialise in CCS entrepreneurship from the UK, Spain, Italy, the Slovak Republic, Poland, and Greece to develop a programme of entrepreneurial training and development for professional mentors and advisors.

The result of this collaborative initiative was the production of clearly defined occupational profile and competency matrix for creative enterprise mentors and the development of a curriculum for training creative enterprise mentors. This curriculum includes 12 learning outcomes:

- The mentor should demonstrate experience in CCS in at least one specific subsector.
- The mentor should be able to use the appropriate diagnostic methods and tools to assess the mentee and business journey and to create clarity and focus around short- and long-term goals and ambitions.
- The mentor should be able to help build networks inside CCS, at the local, national and international levels.
- The mentor should be able to justify the talent and skills needs of a CCS business or project.
- The mentor should be able to match funding opportunities for CCS.
- The mentor should be able to develop social potential, self-awareness and self-confidence.
- The mentor should be able to foster financial acumen.
- The mentor should be able to engage and involve the mentee in a business approach.
- The mentor should be able to support the creation of a business case for start-ups, analysing clients, competitors, markets.
- The mentor should be able to present and pitch his/her product.
- The mentor should be able to design and manage a project.
- The mentor should be able to broker and facilitate business relationships.

Malta's Business Mentorship Scheme for Creative Start-ups

Launched in 2021, the Business Mentorship Scheme for Creative Start-ups is an initiative run by Malta Business Bureau in collaboration with the Valletta Design Cluster. The scheme supports start-ups in the creative sector wishing to increase awareness and knowledge about fundamental business practice to support their core operations. The aims to:

- Support start-ups in the creative industries in getting a basic understanding of core business practice concepts as applied in Malta's and European business environment
- Provide mentorship on a practice-based approach to start-ups, with a view to assisting scheme participants in their development and growth
- Provide an environment where knowledge-sharing and trust-building can provide a safe and enriching peer-learning experience

Source: Bridging The Gap (2022[102]), *New Mentoring Methods for Young Creative Entrepreneurs*, https://www.bridgingthegapeurope.com/ (accessed on 2 March 2022); Malta Business Bureau/Valletta Design Cluster (2021[103]), *Business Mentorship Scheme for Creative Startups*, https://vcavdcmembership.eu/wp-content/uploads/2021/06/Business-Mentorship-Scheme-for-Creative-Startups-2021-Guidelines-for-Applicants-1.pdf.

Education and training

Building entrepreneurship and business skills can also occur through education and training programmes. Entrepreneurship skills and basic business literacy can be developed throughout education, from primary education right through to higher education and in lifetime learning programmes. Such skills can be offered as a standalone subject, or integrated more broadly throughout educational programmes (Volkmann et al., 2009[104]). For example, in primary education entrepreneurship skills can be introduced to students through talks given by local business owners or day trips to visit local businesses; in secondary education entrepreneurship skills can be taught through lessons on basic business planning and financing

or through simulation exercises; at higher education level lessons and business simulations can be complimented with placement opportunities; and outside of formal education systems, more specific courses on different elements of entrepreneurship (e.g. developing business plans, applying for finance, or dealing with legal and regulatory issues) can be targeted towards those wishing to start or grow a business (OECD, 2014[99])

These skills are particularly necessary for those working in CCS, given the entrepreneurial nature of work in these sectors. Evidence suggests that creative arts and design graduates are more likely than other graduate groups to be self-employed or start their own business (Bloom, 2020[105]), yet there are questions as to the extent to which creative education incorporates enough business skills to support graduates as they enter the work place. Moreover, with much work in CCS comprising of project-based work and temporary organisations, it can be problematic for individuals to gain the necessary skills through on-the-job training (Armstrong and Page, 2015[97]).

Survey evidence suggests that CCS professionals lack support in developing entrepreneurial skills. One study of over 50 000 arts alumni in the United States found arts graduates had high levels of dissatisfaction with the level of entrepreneurial, business and financial training they received as part of their education, such as how to network and promote themselves; handle debt and budgets and other business concerns, and how to be entrepreneurial (Frenette and Dowd, 2018[106]). A survey of CCS professionals in Latin America and the Caribbean found that while over 90% of creative entrepreneurs in the region were college graduates, 52% of creative entrepreneurs learned how to run their business either on-the-go, through trial and error, or to have self-taught their entrepreneurial and business skills (IDB, 2018[107]). Yet, business and entrepreneurship skills are some of the most in-demand competencies for CCS. For example, survey evidence from the UK shows that over half of firms who report skills gaps identify business, marketing and communications skills as key skills gaps (Bowes et al., 2018[108]). Moreover, case study evidence shows entrepreneurial and businesses skills to be some of the most frequently cited skills gaps in CCS across Europe (Hausemer et al., 2021[109]).

Box 4.7. CCS entrepreneurship training in different contexts

- **CCS entrepreneurship skills in higher education.** With funding from the European Commission, the Arts & Humanities Entrepreneurship Hubs (AHEH) project aims to support arts and humanities students with an “innovative programme of entrepreneurial training”. The programme brings together 14 partners from 7 EU member states, including universities, business schools, arts schools and science and technology parks. The “hubs” that are located across the EU in different universities and associations serve as physical locations where students can network, empower and collaborate with each other. Alongside the seven modules offered through the AHEH programme, there is also a network of mentors who are creative professionals with entrepreneurial experience that can accompany students through their trainings. Students are also connected with creative enterprises where they are challenged to contribute to professional missions as part of their training.
- **CCS entrepreneurship outreach for children and young adults.** Since 2008 in the Korogocho slums in Nairobi, Kenya, the Hope Raisers Initiative has grown into a multi-programme organisation, helping youth that aspire to excel in the performing and visual arts, music, and sports, helping them hone their skills while also teaching them entrepreneurial, or “art-repreneurial” skills, and lastly offering a way to apply their creative skills to advocacy. The creative hub, which specifically focuses on entrepreneurial skills for artists as well as helping them advance their artistic projects, offers a dance studio, a music and DJ studio, an exhibition hall, and visual arts studios. Artists can take classes, rent spaces, and receive mentoring in both art and entrepreneurial skills.

- **Entrepreneurship training for creative professionals.** Springboard for the Arts in St. Paul, Minnesota, United States of America, is an organisation that has been working towards helping artists make a living out of their crafts since 1991. Through Springboard's "Work of Art: Business Skills for Artists" programme, artists can learn career planning, time management, marketing, promotions, pricing, recordkeeping, legal considerations, funding, grant writing, business plan essentials, customer engagement and selling one's work, and artists can also get help putting together their portfolio.

Source: Arts & Humanities Entrepreneurship Hubs (2018[110]), *Arts & Humanities Entrepreneurship Hub*, https://www.artshumanitieshub.eu/; Solutions for Youth Employment (2020[111]), *Orange Economy: As a Driver of Jobs for Youth*, https://www.s4ye.org/sites/default/files/2020-09/Jobs%20in%20the%20Orange%20Economy.pdf; Springboard for the Arts (2021[112]), *Work of Art: Business Skills for Artists*, https://springboardforthearts.org/professional-growth/work-of-art-program/work-of-art-business-skills-for-artists/.

Alongside business and entrepreneurial skills, digital skills are increasingly important for business development in CCS. Digital tools have become increasingly embedded in the everyday working practices of CCS, and innovation in CCS is increasingly utilising advanced technologies. Analysis of CCS job advertisements in the UK in 2017 found that digital technology skills were required roles in all CCS subsectors, and are especially needed in combination with creative or artistic competencies (Sleeman and Windsor, 2017[113]).

A strong entrepreneurial ecosystem for CCS requires alignment of education and business policy. The evident need for greater entrepreneurship, business and digital skills in CCS can be addressed through alignment of education and business policy to address skills gaps through a combination of curriculum development in schools, colleges and universities as well as increased provision of public and private training programmes.

Box 4.8. Digital skills training for CCS around the world

- **In Jamaica,** the World Bank inaugurated the YEDAI project, which provided digital skills for youth in order to help them get employment in digital and animation sectors. The programme ran from July 2014 through July 2021. As of 2020, 207 students had participated in one of the animation training programmes and became employed by the animation industry; 482 trained interns were placed in apprenticeships (65% of interns were women); and as of July 2021, 1 308 students were participating or had participated in the animation certificate programme.
- **In France,** the French Audio-visual Institute (INA) offers courses in digital technologies to broaden the skill set of students from the audio-visual sector. Other universities and art schools around the world are also offering management classes and digital skills classes to their art students.
- **In South Africa**, Business and Arts South Africa helps develop both entrepreneurial and digital skills, tailoring mentoring to each creative. This initiative was born out of a need to support creative entrepreneurs in a setting where they are often overlooked. Creatives apply and can get accepted to the programme that is both and educational platform as well as a networking platform. The programme works in seven phases (0-6), including recruitment, assistance in applying for and receiving financing, upskilling in skills specific to their craft, entrepreneurial skills, and digital skills (especially relevant for online content creators).

- **In Mexico**, the Programme to Impulse the Creative and Cultural Economies in Mexico, held on 21 May 2021, held 11 workshops on digital skills for creatives, hosting about 1 400 people. Workshops focused on marketing through social media, developing attractive digital content, understand and employ metrics, monetise content, as well as workshops that targeted specific types of artists (whether it be those from the performing arts, music or publishing industries). Classes are still accessible via Facebook blueprint, which serves as the platform for the distribution of online classes.
- **In Guatemala,** The Spanish Cultural Centre in Guatemala held a three-month course on digital competencies for musicians. This was a scholarship programme that received 50 applicants through Google classroom and YouTube (6 July-11 October 2020, during the pandemic, thus online) for young adults located in Central America and the Dominican Republic.

Source: World Bank (2021[114]), *JM Youth Employment in Digital and Animation Industries*, https://projects.worldbank.org/en/projects-operations/project-detail/P148013 (accessed on 23 November 2021); Mnyaka, P. (2021[115]), "Business and Arts South Africa", OECD Summer Academy for Cultural and Creative Industries, 3rd Edition 2021; UNESCO/World Bank (2021[116]), *Cities, Culture, Creativity - Leveraging Culture and Creativity for Sustainable Urban Development and Inclusive Growth*, https://doi.org/10.1596/35621; Centro Cultural de España en Guatemala (2020[117]), "Convocatoria: Curso de especializacion en competencias digitales para músicos", https://cceguatemala.org/archivos/actividades/convocatoria-curso-de-especializacion-en-competencias-digitales-para-musicos (accessed on 23 November 2021).

Exporting and internationalisation

Expanding to international markets can rapidly expand businesses' revenue streams, improve their competitive position and offer opportunities for learning and skills development (OECD, 2020[96]; Love and Ganotakis, 2013[118]). However, entering international markets and expanding a business in overseas territories can be challenging and requires additional resources. Businesses may lack knowledge on how to market their business overseas, what regulatory barriers they may face, and the logistical requirements of exporting goods. Additionally, businesses may require substantial financial investment to enter new markets and may face increased financial constraints as their activities expand.

For businesses in CCS, there are a number of additional challenges for exporting and internationalisation. Firstly, CCS businesses typically produce goods and services which are culturally embedded meaning that investment may be required to adapt or translate content to suit different cultural contexts (IDEA Consult/Goethe-Institut, 2021[80]). Secondly, CCS rely heavily on copyrights, which can be more challenging to protect internationally than other forms of IP such as patents (Di Novo, Fazio and Maioli, 2021[119]). Finally, CCS businesses are typically project-based and require high levels of human capital, making the delivery of projects at an international level challenging.

Increased digitalisation has enhanced access to global markets for CCS (ITC, 2019[120]). The rise of digital platforms for the dissemination of creative and cultural content and e-commerce platforms for selling creative and cultural goods has made it easier for businesses in CCS to internationalise their business. International trade in CCS has increased over the last few decades (UNESCO, 2016[121]; UNCTAD, 2018[7]), and some estimates from the UK show that growth in digital exports of creative and cultural content may be even larger than official figures report (Young and Cauldwell-French, 2018[122]). However, there remains a large role for governments in supporting CCS businesses to export and internationalise their offerings, through favourable trade regulation, financial support and advisory services.

Networking and collaboration

Networking and collaboration are fundamental to innovation and growth in CCS. As discussed in the previous section, the specific characteristics of CCS businesses (e.g. typically project-based, highly knowledge and human capital intensive, interconnected supply chains, etc.) mean that networking and

collaboration is essential to how firms in these sectors grow and innovate. This includes networking and collaboration between firms in the same subsector, between firms in different subsectors of CCS and cross-industry collaboration between CCS and other sectors of the economy.

Cross-industry collaboration is particularly important for innovation in CCS. Cross-industry collaboration with CCS promotes knowledge spillovers and skills development, and creates more robust innovation systems. Research from the European Commission and KEA European Affairs (2018[37]) found that over half of CCS professionals and companies engage in cross-sector collaborations, yet only 37% of public authorities engage in activities to promote cross-sector collaboration.

Cross-industry perspectives can lead to new solutions. Ideas and perspectives from different industry sectors can open up new ways of understanding problems and cross-sectoral working can provide innovative solutions. Policy makers can encourage such collaborations through targeted programmes of work. For example, the Cross Innovation Hub in Hamburg, Germany, works with partner organisations from a wide range of industries, offering them the opportunity to work with CCS professionals to collaboratively innovate their practice (Kreativ Gesellschaft, 2022[123]). The format of these collaborations is built around each unique case, ranging from day workshops to projects which last several months, but typically involves multiple workshops where companies work together with selected creative professionals to develop new ideas, products or solutions.

Box 4.9. RCIA: the Regional Creative Industries Alliance project

As part of the EU's Regional Funds Interreg Europe initiative, the Regional Creative Industries Alliance (RCIA) project aimed to increase the number of collaborations between CCS SMEs and companies from the wider economy, leading to higher competitiveness of both CCS and non-CCS SMEs and eventually to new products and solutions developed through cross-sectorial collaboration. The project sought to positioning CCS as "the missing link" throughout sectors and disciplines regarding innovation and competitiveness.

The project involved the exchange of over 20 "good practices" from regions across Europe, which were incorporated into 8 regional plans. The project aimed to:

- Strengthen the creative SMEs' competitiveness by improving their skills (development/execution of business plans, interaction with investors, mentoring programmes) and to support their growth on global markets.
- Adapt various funding mechanisms to the particularities of CCI (including the possibility of capacity building measures for banks).
- Increase the awareness of the companies from the wider economy on the transformative power (added-value) of creative SMEs for their own competitiveness.
- Develop/adapt/improve the eco-system from classic spatial cross-collaboration into a holistic approach.

One of the actions delivered as part of the project was Design&Plug, a programme which introduces creative methodologies (design thinking, improvisation, gamification...) to help entrepreneurs to develop and launch their projects and future businesses. Inspired by similar initiatives in Wallonia, Belgium, the Barcelona Chamber of Commerce launched the Design&Plug programme with the main objective of helping entrepreneurs and SMEs to create new services and products in an ever-changing context, facilitating relevant and appropriate creativity methods. Creative methodologies help businesses to be more flexible and open their minds to collaborate with other creatives to boost competitiveness, productivity, sustainable growth and ultimately, work opportunities.

The main elements of the programme were:

- Work with a group of cross-disciplinary entrepreneurs that interact among them, learn from each other and find opportunities for collaboration across industries.
- Introduce new creative methodologies in the development of projects, such as brainstorming, improvisation, scripting, gamification, and design thinking.
- Offer the possibility to entrepreneurs to pitch their projects in front of other consolidated entrepreneurs or businesses that might be able to help them to generate commercial partnerships or new business relations.

The action required close cooperation between stakeholders, in this case, the Catalan Government – ICEC, the Barcelona City Council and the Canodrom Creative Research Park, among others.

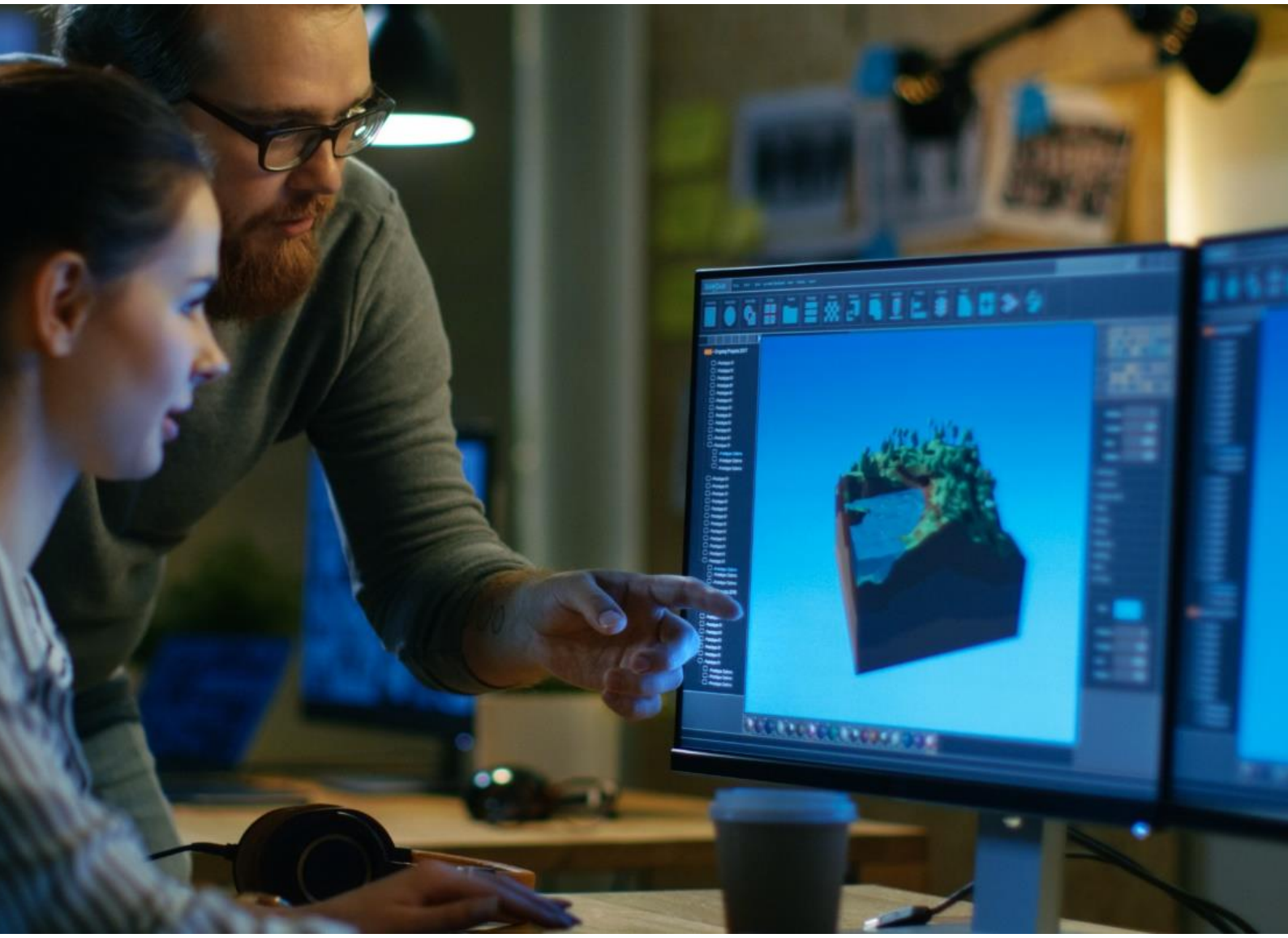
Source: RCIA (2022[124]), *Regional Creative Industries Alliance – From European Recommendations to Better Regional CCI Policies for a More Competitive Economy*, https://projects2014-2020.interregeurope.eu/rcia/; Barcelona Chamber of Commerce (2020[125]), *Catalonia Action Plan to Support the Growth and Consolidation of SMEs by Improving Their Access to Advanced Creative Services*, https://projects2014-2020.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1589441970.pdf.

Creative Hubs, co-working spaces and makerspaces offer opportunity for CCS business to directly interact with other creative and cultural professionals, promoting the cross-fertilisation of ideas which spurs innovation. Considering the high concentration of freelancers and micro enterprises in CCS, co-working spaces for cultural and creative professionals provide a valuable mechanism for social interaction and networking (Moriset, 2013[126]; Fiorentino, 2019[127]). Makerspaces are similar to co-working environments, but typically involve more direct support for collaboration and the provision of equipment for collective use. Makerspaces operate on diverse business models, including paid and unpaid memberships, voluntary or employed staffing and greater or lesser reliance on government support (Niaros, Kostakis and Drechsler, 2017[128]). Makerspaces "help individuals identify problems, build models, learn and apply skills, revise ideas, and share new knowledge with others" (Sheridan et al., 2014[129]). They also lower barriers to entry for entrepreneurs, as they gain access to tools, equipment and technology which would be costly to purchase (Van Holm, 2015[130]).

The number of Creative Hubs has grown extensively over the last decade. Research from the European Creative Hubs Network shows that 96% of hubs surveyed in 2017 were created after the year 2000, with 59% founded since 2013. This research also shows that the vast majority of hubs were cross-sectoral in nature (81%), had a physical location (98%) and offered networking and events opportunities (90%), workshops (86%), community engagement (86%), space rental (84%) and training (66%) (ECHN, 2018[131]). To support the work of creative hubs across Europe, the MAX (Makers' eXchange) project is a pilot policy project, co-funded by the European Union, and coordinated by the European Creative Hubs Network (ECHN), that works around knowledge exchange and capacity building of creative hubs policy. The project works with CCS, creative hubs, maker-spaces, fab-labs and formal and non-formal learning and skills development systems in a cross-sectoral way, aiming to define and test policies and actions to support mobility and knowledge exchange and to embed makers' mobility schemes for skills development and inclusion into mainstream CCS support programmes, policies and ecosystems across Europe (Makers' eXchange, 2020[132]).

Festivals and cultural events are another key site of networking and collaboration. Such events have been shown to promote entrepreneurial capabilities, contribute to the development of new work, and represent an important arena for marketing and promotion (Caust and Glow, 2011[133]). Moreover, such events are an important source of networking for artists and creative professionals and they stimulate knowledge exchange and idea generation (Schüßler and Sydow, 2015[134]).

Harnessing the full potential of CCS involves not only promotion of collaboration amongst industry, but also collaboration with the public and third sector. The importance of public sector organisations such as research institutes and universities in developing strong innovation ecosystems is well established (Etzkowitz and Leydesdorff, 2000[135]). Businesses in CCS can benefit from collaboration with universities through knowledge exchange and joint ventures with researchers from cultural and creative disciplines as well as from technology, engineering and business departments. Moreover, third sector CCS organisations provide a valuable source of new ideas and play an important role in developing creative and cultural ecosystems.



Box 4.10. Open laboratories for CCS in the Emilia Romagna region, Italy

The Laboratori Aperti project

The Laboratori Aperti project aims at supporting the development of laboratories for accelerating creativity and open innovation, also providing physical spaces where cultural entrepreneurs can experience social encounters, cross-fertilisation of ideas, and test pilot projects that could be eventually scaled up to economically viable ventures.

Supported by EUR 30 million funding from the European Regional Development Fund, the project formed part of the Emilia-Romagna Regional Operational Programme 2014-2020 and was aimed at supporting the development of laboratories for creativity and open innovation by means of inclusive and participatory processes. Ten Laboratori Aperti were established in different locations across the region. Each laboratory has a slightly different focus, but all seek to contribute to the enhancement of CCS.

The Laboratori Aperti aimed towards sustaining co-operation among different local stakeholders (public authorities, private actors, community associations, etc.) and supporting livelihood, growth, and social cohesion in the local community. The project also provided the opportunity to engage local communities in the regeneration of historical buildings of significant social and cultural relevance.

Table 4.2. Locations and focus of the Laboratori Aperti

Cities	Locations	Focus
Bologna	Palazzo D'Accursio and Sala Borsa	Civic collaboration and innovation
Cesena	Casa Bufalini	Cultural and creative industries
Ferrara	Ex-Teatro Verdi	Sustainable mobility
Forlì	Ex-Asilo Santarelli	Cultural heritage and active citizenship
Modena	Ex-Centrale AEM	Culture, creativity and performing arts
Parma	San Paolo Monastery	Food
Piacenza	Ex-Santa Maria del Carmine Church	Sustainable mobility and logistics
Ravenna	Ravenna Arts Museum and CLASSIS Ravenna Museum	Digitalization of culture and tourism
Reggio Emilia	San Pietro Cloister	Social innovation and welfare
Rimini	Civic Museum and Bridge of Tiberius	Tourism and well-being

Most laboratories started operating in early 2020, amidst the COVID-19 pandemic. Consequently, the Laboratori Aperti's offered a blend of offline and online activities, integrating co-design initiatives to be conducted onsite with online workshops, lectures, and training activities. As restrictions have eased, they have hosted co-working areas for self-employed creative workers and offer services (e.g. incubation and acceleration programmes) to new ventures.

Laboratorio Aperto Piacenza: the "Carmine Experience"

The Laboratorio Aperto Piacenza is one of the ten Laboratori Aperti financed by the Region Emilia-Romagna. It is an innovation hub open to citizens, students, and companies. It promotes and hosts lectures, workshops, training courses, and cultural events open to the local community. It also offers workspaces that are equipped with shared facilities and technologies. The Laboratorio Aperto Piacenza is located in the church of Santa Maria del Carmine, a historical building that dates to 1334. The

establishment of the laboratory represented the opportunity to requalify this important cultural heritage site after it had been abandoned for more than 20 years.

In 2020 the Laboratorio Aperto Piacenza launched the "Carmine Experience" project, which is an immersive storytelling installation in which visitors can relive the history of the church of Santa Maria del Carmine and its relationship with the city of Piacenza. The main goal of this project is to use digital technologies to foster cultural participation and allow the discovery of Santa Maria del Carmine and its role for the city's history.

Source: Laboratorio Aperto Emilia-Romagna (2022[136]), *Laboratori aperti*, http://www.laboratoriaperti.it/ (accessed on 4 March 2022).

Incubator and accelerator programmes

Incubator and accelerator schemes combine many of the above forms of support, by offering training, mentoring, advice, networking opportunities and access to technology and equipment. Historically, incubators have been associated with physical spaces, but there is an increasing number of "virtual incubators", and virtual only tenancy options (Nowak and Grantham, 2000[137]). Incubators typically charge membership fees or "rent" to businesses on a rolling basis in exchange for their services. Accelerators offer many of the same services as incubators, but are typically targeted more towards supporting rapid growth, through intensive business development and most commonly provide services on cohort-based, short term (e.g. three months to one year) programmes (see Box 4.11).

Box 4.11. Incubators and accelerators explained

Incubator and accelerator programmes are widely used initiatives to promote and support start-ups and businesses looking to grow. While these two types of programmes share many similarities with each other, there are some differences in how they operate. Bone, Allen, and Haley (2017[138]) define incubator and accelerator programmes as displaying the following characteristics:

Incubators:

- Open-ended duration (exit usually based on the stage of the company, rather than a specific time frame)
- Typically rent/fee-based
- Focus on physical space over services
- Admissions on an ad-hoc basis (not cohort-based)
- Provision of services including mentorship, entrepreneurial training
- Often provide technical facilities such as laboratory equipment
- Selective admission (but typically less so than accelerators)

Accelerators:

- Fixed duration programme (usually between three and twelve months)
- Typically growth-based (payment via equity rather than fees)
- Often provide seed funding
- Focus on services over physical space
- Admission in cohorts

- Provision of start-up services (e.g. mentorship, entrepreneurial training)
- Highly selective

Source: Bone, J., O. Allen and C. Haley (2017[138]), "Business incubators and accelerators: The national picture", *BEIS Research Paper*, No. 7, Department for Business, Energy & Industrial Strategy, London.

Accelerator and incubator programmes targeted specifically towards businesses in CCS have grown in popularity over the past decade. For example, the Glasgow Creative Accelerator programme, supported by Glasgow City Council's Business Growth Fund, offers a fully funded accelerator programme for CCS start-ups and businesses seeking to grow. The 12-week programme offers advice, coaching and mentorship in a mix of face-to-face and online formats, supporting CCS businesses in market research, product development, business and financial planning and pitching to investors (Elevator UK, 2021[139]). At a sub-sector level, the Hong Kong Design Centre, supported with funding from CreateHK (a Hong Kong SAR Government agency dedicated CCS) offer an incubator programme targeted specifically towards those in the design sector. The two-year programme offers financial support, training, mentorship, and networking opportunities to start-ups, alongside co-working space (Hong Kong Design Centre, 2022[140]) At an international level, the Worth Partnership Project, funded by the EU under the COSME programme provides an incubator programme for designers, SMEs, manufacturers, and tech providers in the fashion and design sectors. The project provides companies with an incubation programme to develop new businesses, including EUR 10 000 to EUR 20 000 in financial support; coaching on business strategy and technology development; legal advice on intellectual property rights and protection; participation in exhibitions; and networking and professional links (WORTH, 2022[141]).

Effective support recognises that businesses will grow in different ways

Businesses require different types of support at different times in their life cycle (OMC, 2018[34])**.** The needs of an entrepreneur just starting their own business differ from the needs of a business owner wanting to scale up their operations. For example, a new business might require greater support in promoting their product, service, or access to long-term financing and investment, whereas a more established business might require support in accessing talent to grow the business or access to short-term finance to support cash flow in periods of growth.

Similarly, businesses will have different "transformation models" underpinning how and why they grow their business. Scaling up or growing a business can be the result of inwardly targeted strategy to transform the business, for example through changes in management or engaging in new activities, or could be the result of external markets, for example through greater demand or increased market share. Scaling up could fundamentally change the structure and day-to-day operations of a business, or could leave these structures intact (OECD, 2021[90]). Consequently, understanding differences in transformation models allows for greater understanding of the different needs of businesses as they undergo periods of growth (Box 4.12).

Box 4.12. Transformation models underpinning scaling up

Recent work at the OECD has looked to capture evidence on the different transformation models underpinning businesses scaling up activities. It identifies four stylised models:

- The first model is "disruptive innovators" that invest in technological innovations, typically research and development (R&D)-based, which result in disruptive changes to their product range or the ways they produce.
- The second model is "gradual innovators" that prepare to scale by investing in human capital and upgrading their production processes with gains in new market shares arising from gradual improvements in the productivity of existing processes rather than from disruptive innovation.
- The third model is scalers that do "more of the same", i.e. expansion without changes in the composition of the workforce. For example, a manufacturing firm might add a second production facility or a local retailer might add another store.
- The fourth model is "demand-driven scalers" that face an external and temporary increase in demand that translates into a sales windfall.

While these models are stylised in the sense that most businesses will utilise a combination of the above models, or may pursue different models as their business evolves, they demonstrate that supporting business growth in CCS requires consideration of the differing needs of businesses undergoing different forms of transformative growth.

Source: OECD (2021[90]), *Understanding Firm Growth: Helping SMEs Scale Up*, https://dx.doi.org/10.1787/fc60b04c-en.

For businesses in CCS, a further consideration is the motivations of entrepreneurs acting in these sectors. Businesses in CCS exist on a spectrum, with some being more market-oriented and some being driven more by a motivation to create social good. Consequently, in starting up or scaling up a business, firms in this sector may choose to prioritise strategies that maximise dissemination of their work, rather than maximising profit. This does not mean that these businesses do not need to be financially sustainable, or that they are not interested in generating revenues, but rather that their growth strategies are influenced more by the desire to create social good.

Policy perspectives

CCS significantly contribute to economies across the OECD through job creation, value generation and innovation. The data presented in this chapter indicates that the importance of CCS to both local and national economies should not be underestimated. They contribute significant amounts of GVA, create numerous spill-over benefits in relation to skills, knowledge, wellbeing and education and are a vital part of resilient innovation ecosystems. Moreover, their importance is growing, with increased digitalisation and a trend towards greater reliance on knowledge-based industries in developed countries prompting an acceleration of CCS business over the past decade.

However, CCS have been some of the worst-hit by the COVID-19 pandemic. The overall contribution to global GVA of CCS is estimated to have fallen by 21% between 2019 and 2020 (UNESCO, 2021[12]). This negative impact of COVID-19 on CCS is estimated to be significantly greater than the impact felt by the global financial crisis of 2008 (UNESCO, 2021[12]). While many national and local governments

introduced support measures for these sectors over the initial pandemic period (OECD, 2020[20]), the extent to which CCS will recover as immediate interventions are withdrawn is unclear.

As the world recovers from the most immediate economic impact of the pandemic, supporting businesses and entrepreneurship in CCS can provide a means for countries to increase their global competitiveness and for cities and regions to regenerate. As an integral aspect of the economic, innovation and social landscape, CCS businesses are likely to be a specific consideration in countries' and regions' recovery planning. The unique characteristics of these sectors however, mean that CCS require support measures that recognise how these sectors differ to other parts of the economy.

Promote better information sharing and capability building around access to finance

As CCS are characterised by a high proportion of SMEs and micro enterprises, access to finance remains a significant barrier for these businesses. As discussed in Chapter 5, governments can play an important role in supporting access to finance for CCS businesses through initiatives aimed at encouraging private sector investment and private lending. As CCS create value which is typically intangible in nature, a key issue for access to finance policy will be how best to address intangible assets in business valuations and how to de-risk, or demystify the risk prospects of private investment and lending in CCS. This is likely to require the use of government-backed loan guarantees to help develop confidence in intangible asset based lending in the short-term and more concerted efforts to engage the private sector in developing appropriate systems and procedures for intangible asset valuation as a more sustainable long-term solution (OECD, 2019[142]).

Increasing access to finance is not only about supporting financing offers, but also supporting CCS businesses to know where to look for financing and how to apply for it. International survey evidence from the European Commission (2013[143]) indicates that a major barrier to CCS businesses accessing financing is the perceived complexity of the funding landscape and the time investment required to apply for external finance or seek investment. Moreover, many CCS businesses do not apply for external finance due to the perception that they will be rejected, despite having similar risk profiles to many non-CCS businesses (Fraser, 2011[144]). Information on sources of funding for CCS businesses (such as the European Commission's *CulturEU* online funding guides and search tool (EC, 2021[145])), alongside advisory services for compiling funding applications and investor pitches can greatly impact CCS businesses inclination to apply for external finance and improve their chances of securing such finance.

Tailor business support to the particularities of the sector

Alongside information and advice on access to finance, CCS businesses require greater support in understanding the business, legal and regulatory landscape. This includes basic business skills (such as writing a business plan, developing marketing strategies, people management skills), as well as legal advice (for example around copyright protection) and support in exporting and internationalisation strategies. While information and advisory services covering these types of issues are common for SMEs, evidence suggests that to be most effective for CCS, services must be specifically tailored for these sectors (Henry et al., 2017[98]). This means offering CCS specific information and advice which incorporates the complexity and specificities of operating a business in CCS.

Accelerator and incubator programmes are an effective way of delivering coaching and mentorship to CCS businesses, but are typically marketed towards business actively seeking growth. Accelerator and incubator programmes can be hugely beneficial for CCS businesses as they offer tailored advice and coaching, access to equipment and technologies that would be costly to purchase in house and provide opportunity for networking and collaboration. However, these programmes typically have a "growth focused" approach and may be selective in their admission procedures. While these services offer opportunity for many businesses in CCS to develop and scale up their business offering, businesses which

do not identify as growth-oriented are likely to underutilise such services. Moreover, as these programmes typically require payment (in the form of rent, subscription or equity shares), access may be prohibitive for smaller businesses or those without sufficient start-up capital. Consequently, greater promotion of the benefits of accelerator and incubator programmes for CCS, coupled with support for programmes which offer similar services (such as access to technology, mentoring and networking opportunities) at reduced or subsidised rates is likely to encourage CCS businesses with less explicit growth ambitions to seek access to such support.

Promote cross-sectoral collaboration between CCS and other sectors of the economy for growth and innovation

Cross-sectoral maker spaces and co-working facilities also offer opportunity for CCS businesses to access equipment and expertise as well as opportunities for networking and collaboration. Considering the high number of micro enterprises, freelancers and sole traders in CCS, co-working spaces can provide an invaluable way for CCS professionals to make connections and draw on external expertise in a more informal capacity. Moreover, bringing together businesses and professionals from different industry sectors, encourages innovation and radical idea generation. For example, the 1960s saw a wave of programmes designed to bring together artists and technologists (McCray, 2020[146]; La Prade, 2002[147]; Martin, 2015[148]), yet despite the success of such schemes, uptake of this approach to fostering cross-sectoral collaboration has been generally underutilised.

Cross-sectoral and interdisciplinary innovation is fuelling economic growth, but requires greater support. One of the key ways in which CCS deliver economic value is through collaboration with other sectors of the economy. Over the previous decade, we have witnessed a surge in interdisciplinary projects and business models, with CCS feeding into work in health, education and high technology sectors. However, cross-industry and interdisciplinary R&D typically requires greater resources (in regards to both time and money) than projects involving firms from the same industry sector, creating significant barriers for smaller CCS businesses to get involved in such projects (Bloom, 2021[149]). Greater support for cross-sectoral and interdisciplinary projects involving CCS businesses could significantly bolster existing innovation policy frameworks. Further, more targeted support for connecting CCS businesses with opportunities for collaboration with other sectors of the economy would greatly strengthen national and regional innovation ecosystems (Cooke and De Propris, 2011[150]).

Supporting CCS entrepreneurship also requires greater investment in business, entrepreneurship and digital skills. The lack of business and entrepreneurial skills in the CCS workforce has been identified as a major issue for firms in these sectors. Moreover, with increasing digitalisation accompanying opportunities for value generation and internationalisation, CCS businesses without the requisite competencies in digital working are likely to be severely disadvantaged. Addressing these skills gaps requires both training for current CCS professionals and better integration of entrepreneurship, business and digital skills in higher education curriculum. For example, greater provision of interdisciplinary training courses and higher education programmes which integrate creative practice with entrepreneurship and ICT training (EC, 2018[151]).

Enhance data collection and reporting of CCS business statistics, including innovation

Understanding the full potential of CCS contribution to the innovation landscape requires more robust data collection. The innovation and business surveys which feed into national accounts data on innovation and R&D typically do not involve enough CCS businesses to produce robust statistics regarding innovation in these sectors. Moreover, as many countries exclude arts and humanities R&D from R&D tax relief schemes, assessing innovation through R&D tax uptake is likely to underestimate large amounts of innovation activity in CCS businesses. This issue is then compounded at an international level, where reporting of business and innovation data typically occurs at a higher level of aggregation than is required

to identify CCS (i.e. CCS are defined using 4-digit ISIC codes and many countries report business statistics only at 3 digits). While a growing number of countries regularly produce satellite accounts for CCS, these assessments do not typically include data on innovation and R&D (CAB, 2020[152]). A concerted effort to collect more robust data on R&D and innovation in CCS is required, which takes into account the ways in which innovation in these sectors is likely to differ from science and engineering-based industries.

Additionally, more can be done to enhance data collection and reporting of CCS business statistics more broadly. As there is large variation in national definitions of CCS, the provision of satellite account data does not necessarily mean that robust international comparisons can be made. Therefore, enhanced data collection and reporting of businesses statistics at the 4-digit level would significantly aid international CCS comparison and benchmarking. This includes greater granularity of enterprise data as well as GVA and trade data (in both goods and services). Similarly, an internationally agreed-upon definition of CCS would greatly simplify benchmarking endeavours, allowing nations to more easily identify areas of strength and enabling better market intelligence for banks and private investors to assess the growth prospects of CCS businesses (EC, 2013[143]).

Ensure transversality and coherence in policy areas relevant for CCS businesses

Supporting CCS businesses at both national and regional levels requires integration of a wide range of policy areas including business, innovation, taxation, IP regulation, urban planning and education. Generating the conditions for entrepreneurship in CCS to flourish requires consideration of all aspects of the entrepreneurial ecosystem (OECD, 2017[88]). More integrated approaches to addressing the needs of the sector, for example through smart specialisation strategies, are therefore effective means to promote entrepreneurship in CCS and better support the growth of these increasingly impactful sectors.

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Notes

[1] Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam plus China, Japan, and the Republic of Korea.

[2] Note that the definition of CCS used in these studies includes some information technology (IT) firms which would be excluded from the OECD definition of CCS.

Regional perspectives: CCS as drivers of regional and local development

Cultural and creative sectors (CCS) are important for regional development

CCS businesses are widely acknowledged to significantly contribute to regional development. CCS businesses directly generate wealth, jobs and innovation which stimulates the local economy. These sectors also contribute more broadly to local ecosystems through their impact on other sectors of the economy, for example by driving revenues for other businesses within CCS supply chains and creating jobs in sectors supporting or adjacent to CCS.

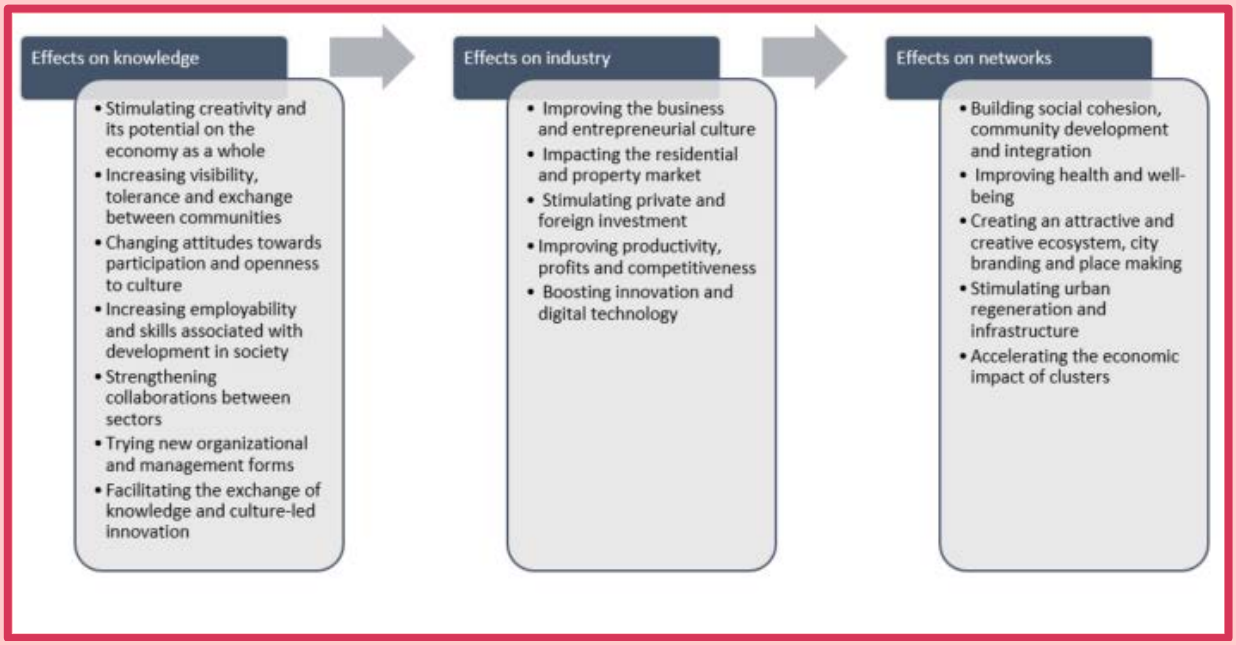
These "multiplier effects" have been observed in many national contexts and for many different CCS subsectors. For example, Gutierrez-Posada et al. (2021[1]) examined the role of CCS in stimulating employment in London and find that every job in CCS generated 1.9 jobs in other sectors of the economy. Similarly, analysis of the video games industry in Canada, shows that while the sector directly supported 27 700 full-time jobs in 2019, it also supported 9 800 jobs in the video games supply chain, and stimulated an estimated 10 600 jobs through the "induced effects" of spending by videogames industry workers (ESAC/Nordicity, 2019[2]).

As well as contributing to local economic growth through supply chains and job creation, CCS generate a broad range of knowledge, industry and network spillover effects (Figure 13). Such spillovers have a strong spatial dimension and are therefore particularly important for regional development. This includes spillover effects to other businesses, but also broader effects on local communities, such as improving health and wellbeing and facilitating social cohesion. CCS can also play an important role in influencing attitudes and behaviours, and can therefore contribute to local sustainability agendas, for example in tackling climate change (WCCF, 2019[3]).

The innovation spillover effects of CCS in particular have been shown to contribute to higher productivity across regional economies. Boix-Domènech and Soler's (2015[4]) study on CCS in 250 regions across Europe finds high correlation between labour productivity (measured as the regional GDP per person) and the proportion of people employed in some cultural and creative sectors. They distinguish between "creative services" (which includes publishing, programming and broadcasting, computer programming, architectural and engineering activities, scientific research and development, advertising and market research, design, photography, and artistic and cultural activities) and "creative manufacturing" (which includes wearing apparel, leather and related products, printing and reproduction of recorded media, and jewellery), finding that employment in creative services highly correlates with increased productivity. Moreover, they suggest that around 90% of this relationship is not due to higher productivity in CCS, but rather the generative nature of spillovers from CCS to other sectors of the economy.

However, the spillover effects of CCS on productivity are uneven across regions and differ by type of CCS activity. Using a similar methodology to the study mentioned above, applied to 275 European regions, Boix-Domènech et al. (2021[5]) find that while the presence of CCS had a significant positive effect on labour productivity on average, this was not the case across all regions and there were stark differences between the effect of creative services vs creative manufacturing. Their estimates suggest that while the effect of creative services on labour productivity was positive for 92% of regions, the effect of creative manufacturing was negative for 44% of regions meaning that in some regions, the high presence of creative manufacturing actually had a negative impact on labour productivity.

Figure 1. CCS effects on knowledge, industry and networks



Source: Tom Fleming Creative Consultancy (2015[6]), *Cultural and Creative Spillovers in Europe: Report on a Preliminary Evidence Review*, http://dx.doi.org/10.1163/2210-7975_HRD-1957-2015001.

Box 1. Harnessing CCS to address climate change and supporting CCS businesses in the green transition

Cultural and creative sectors can support the green transition in three key ways. Firstly, the sectors themselves can address the impact that their activities have on sustainability issues, for example by addressing sustainability issues in the fast fashion industry, or the use of plastics at live events. Secondly, CCS can contribute to the green transition in other areas of the economy, for example through design services which incorporate more sustainable materials. Thirdly, CCS have an important role to play in raising awareness and shaping narratives around the sustainability agenda through the work they produce, such as documentaries, music, novels etc.

Creative Carbon Scotland

Launched in 2011, Creative Carbon Scotland works with individuals, organisations and strategic bodies from CCS, sustainability and policy spheres with an aim to harness the cultural and creative sector in addressing sustainability needs in Scotland. Alongside working directly with artists and individuals on sustainability projects, the Creative Carbon provides arts organisations with training in carbon measurement, reporting and reduction, and has supported around 120 organisations in mandatory carbon reporting. Creative Carbon has also worked in partnership with the sector body Creative Scotland in developing an environmental sustainability policy for arts organisations across Scotland and offers a wide range of both general and sub-sector specific guidance documents on sustainability in CCS through its website.

Ahead of the COP26 summit in Edinburgh in 2021, Creative Carbon led the Climate Beacons project, which aimed to stimulate long-term public engagement in sustainability through a collaborative programme of work between climate change and environmental organisations, and arts, heritage and cultural organisations. The Climate Beacons project launched seven "hubs" across Scotland where artists and cultural sector professionals, environmental non-governmental organisations (NGOs), scientists and policymakers and members of the local community could meet physically or virtually to discuss and debate COP26 themes and climate action specific to each local area.

Source: Creative Carbon Scotland (2022[7]), *Creative Carbon Scotland: Connecting Arts and Sustainability*, http://www.creativecarbonscotland.com/. (accessed on 28 Feburary 2022)

CCS tend to "cluster" in specific regions or cities

It is well established that CCS have a tendency to cluster in specific regions or cities. There are multiple reasons why CCS cluster (Lazzeretti, Capone and Boix, 2012[8]). *Firstly*, much like other sectors, CCS businesses can gain significant "agglomeration" benefits from being geographically situated near to other businesses in the same sector, as they are able to pool resources and share knowledge and expertise (Porter, 1990[9]). These benefits of agglomeration are however particularly important for CCS, as they rely more heavily on knowledge generation and human capital, operate within dense networks and comprise smaller firms. *Secondly*, there are historic cultural reasons why CCS clusters develop and persist over time. Cultural heritage represents a resource for creativity and as expertise build over time regions develop path-dependent knowledge accumulation, meaning that areas with rich cultural heritage often develop into creative and specialised hubs. *Thirdly*, the popular "creative class" approach to understanding CCS clustering (Florida, 2002[10]) explains how creative professionals are drawn to places which exhibit certain characteristics (namely, access to technology, high levels of talented human capital, and high levels

of social tolerance) and that the presence of this "creative class" in turn enhances these characteristics, thus attracting more creative professionals and increasing the clustering effect.

The clustering of CCS businesses and labour markets leads to uneven CCS activity across regions. As discussed in Chapter 3, CCS employment is most often concentrated in large cities and capital regions. Analysis from the UK shows that productivity (measured in this study as GVA per employee) also varies widely by region, with CCS productivity in London being up to three times higher than in other regions (Tether, 2019[11]). Moreover, they find that productivity in London and the south-east of England has grown over six times faster between 2011 and 2017 than in the rest of the UK. Evidence from China, (Tao et al., 2019[12]) suggests that the urbanisation economies reflected in being in a large city (e.g. more diversity of industries, greater access to transport and communications networks etc.) raise the productivity of CCS businesses. However, studies also show that small "micro-clusters" of CCS can be found across regions, in both cities and non-metropolitan areas (Siepel et al., 2020[13]; Boix., Hervás-Oliver and de Miguel-Molina, 2015[14]), suggesting that there is potential to significantly improve CCS national productivity by targeting policy intervention towards rural and non-capital regions.

CCS are feeding into regional smart specialisation strategies

Considering the benefits that CCS can bring to local economies and communities, many local governments have put the development of CCS as a priority area in their smart specialisation strategies. Smart specialisation is an industrial and innovation framework for regional economies that combines industrial, educational and innovation policies to leverage innovation-led, knowledge-based investments in regions, while taking into account contextual specifies (OECD, 2013[15]). The smart specialisation approach encourages countries or regions to identify and select a limited number of priority areas for knowledge-based investments, focusing on their strengths and comparative advantages (OECD, 2021[16]). CCS can deeply benefit from such approaches, as they focus on investment in knowledge sharing, collaboration, infrastructure and the businesses environment.

Emerging from the EU expert group "Knowledge for Growth", smart specialisation strategies (S3) is the result of EU cohesion policies and investments. However, the smart specialisation approach has been taken up by many regions across the world. In total, 19 EU Member States and 7 non-EU countries as well as 180 EU and 42 non-EU Regions are registered on the European Commission's Smart Specialisation Platform, which provides advice to countries and regions for the design and implementation of their Smart Specialisation Strategies (EC, 2022[17]).

While specialisation may have traditionally focused on technology sectors, a growing number of regions have focused their smart specialisation strategies on CCS. Evidence from the European Commission (2019[17]) shows that 80% of public authorities in Europe have included CCS in their innovation strategies, with more than 90 EU regions including CCS in regional smart specialisation strategies. Between 2014 and 2020, more than EUR 67 million were made available to regional smart specialisation strategies through the European Structural and Investment funds and through national and regional funding (EC, 2012[18]). In 2014-2020, around 100 European regions had cultural and creative industries and/or cultural heritage included in their Research & Innovation Strategies for Smart Specialisation, both within regional and national priorities.

However, there remain barriers to taking up CCS-focused smart specialisation. For example, a lack of data on innovation in CCS has prevented some countries from including the sector, focusing instead on areas with a stronger evidence base (EC, 2018[19]). Moreover, the growing interest in developing smart specialisation strategies around CCS does not correspond to an equally substantial commitment in terms of allocation of financial resources (see Figure 14).

Figure 2. Shares of overarching topics addressed by Smart Specialisation Strategy priority areas and budget spent on such topics from ERDF funding, 2014-20

Source: European Commission (2021[20]), Study on prioritisation in Smart Specialization Strategies in the EU, Prognos and CSIL, 2021.

Smart specialisation can be a helpful approach to consolidating CCS policy across different areas or levels of governance. CCS business and entrepreneurship policies are often fragmented, with initiatives and programs split between arts and cultural ministries and economic, or innovation ministries. Moreover, national policies can be inconsistent with local approaches. Smart specialisation approaches to policy design can help to integrate various government departments in formulating comprehensive policy agendas, as well as bringing together the creative community, academia and businesses across the economy (EC, 2020[21]). Moreover, co-planning at a national level could help solve regional and local lack of resources when it comes to business development by sharing resources on a larger scale (EC, 2018[19]).

Smart specialisation strategies can target CCS as a whole or target specific subsectors. For example, in Catalonia, Spain, the region's cultural and creative strategy for 2014-2020 focused on tourism, culture and sport, while aiming to promote entrepreneurship through education from secondary and tertiary education so that youth from all sectors may participate in an entrepreneurial culture (Generalitat de Catalunya, 2014[22]). In Provence-Alpes-Côte-d'Azur, France, home to the Cannes film festival, the 2014-2020 strategy focused on exploiting the audio-visual and tourism sectors to increase the attractiveness of the region while also making culture an interactive element through e-tourism. (Région Provence-Alpes-Côte-d'Azur, 2014[23])

Box 2. CREADIS3: The Smart Specialisation Creative Districts Project

As part of the EU's Regional Funds Interreg Europe initiative the Sustainable Smart Specialisation Creative Districts or CREADIS3 project was launched in 2017 as a collaborative project between six regional actors: the Basque Country, Emilia-Romagna, Central Finland, Wallonia, Western Greece and the Slovak Republic. The purpose of the project is to align territorial public policy agendas and support the development of more efficient CCS policies in European territories, in order to generate innovation and economic development in European regions.

The project aimed to:

- Promote administrative collaboration at different levels to facilitate synergies between the different authorities in charge of the CCS
- Articulate better cultural and economic policies to achieve effective innovation policies for CCS
- Support the international territorial appeal to increase investment in the creative potential of each territory and retain entrepreneurs
- Improve collaboration within the local ecosystem of centres, laboratories, clusters, incubators, universities, science parks, etc.
- Improve growth between cultural and technological sectors
- Support the internationalisation of SMEs through capacity building and new business models in the field of research and innovation

Each region developed specific policies in response to these objectives, tailored to their own regional contexts, with a total of 22 actions developed across the partnership. For example, Wallonia developed actions around supporting creative hubs in the region and Western Greece looked at developing an online calendar of CCS events. Evaluation of the programme shows that the project has been highly impactful and the majority of actions taken by regional partners have a strong potential to be transferred to other regions.

Source: CREADIS3 Project (2020[24]), *Lessons Learnt in CREADIS3: From Territorial Action Plans to Smart Specialization Strategies in Cultural and Creative Districts*, https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1585655498.pdf.

Alongside this, CCS are increasingly feeding into wider policy initiatives, such as tackling climate change and creating more sustainable environments. The New European Agenda for Culture (EC, 2018[25]) highlights the importance of "cultural cross-overs", where connections between cultural and non-cultural spheres generate new, hybrid forms of social and economic value. This includes cross-overs between culture, health, and wellbeing; culture and social cohesion; culture and innovation; and culture, learning and education, to name only a few. Harnessing these types of cultural cross-overs can help address some of the most pressing policy issues and responding to the Sustainable Development Goals.

For example, the recently launched New European Bauhaus initiative connects the European Green Deal with CCS to promote sustainability agendas. It aims to connect science and technology sectors to the world of art and culture through knowledge sharing and idea generation in order to produce innovative solutions for sustainable living (EU, 2021[26]).

Culture is also a driver of regeneration in local communities

With growing recognition of the direct and indirect benefit of CCS to local regions, culture-led regeneration policies have proliferated in cities and regions across the globe (IDB, 2019[27]). As economies shift away from traditional manufacturing and primary industries, cities and regions have looked towards knowledge-intensive sectors and creative capability building as a way to remain globally competitive. Culture-led regeneration policies focus on economic and social development of a city or region through promoting and enabling cultural and creative activity (Vickery, 2007[28]; Evans, 2005[29]). Initial culture led-regeneration strategies emerging in the mid-1990s focused on "transforming old industrial and harbour areas with key infrastructures, hosting cultural events and reconstructing their industrial image through place marketing" (Gainza, 2017[30]). Over the past decade or so, these strategies have become increasingly targeted, focusing on specific neighbourhood level intervention and the promotion of spaces for cultural production. Whereas policies to support CCS at a national level typically see growth in CCS as the end goal, culture-led regeneration strategies at a local level are more targeted towards development, with CCS acting as a catalyst for this change. Here CCS are understood to not only provide economic benefits (through local taxation, job creation and innovation), and social benefits (e.g. improved wellbeing and community cohesion) but also to 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. An often-cited example of this wider impact is that of the city of Bilbao, which experienced transformative regeneration after the Guggenheim Foundation opened its second European museum in the city in 1997 (González, 2010[31]).

Culture-led regeneration policies integrate urban planning with economic and regulatory policy. CCS require affordable office and workshop space as well as physical and digital infrastructure (e.g. good transport links, high-speed broadband, etc.). Urban planning schemes can address these needs by investing in new building programs and reallocating former industrial districts and unused warehouse spaces for CCS use. For example, the INCREDIBOL! Project in Bologna has renovated over 40 vacant buildings in the area for use by entrepreneurs and start-ups in CCS (see Chapter 4 Box 4.4). Urban planning and city regulation also has a role to play in promoting a creative "milieu", by promoting nightlife (such as clubs, bars and restaurants) as well as cinemas, galleries, museums and libraries. These forms of cultural infrastructure contribute to city vibrancy, attracting creative professionals and proving an opportunity for social networking.

Sustainable culture-led regeneration must remain mindful of protecting existing communities. One of the main criticisms of culture-led regeneration is that it leads to gentrification and the "pricing out" of local communities (Cameron and Coaffee, 2005[32]). Sustainable regeneration therefore requires consideration of how increased development might impact the affordability of places for local communities. Moreover, while strong cultural heritage in a region or city represents a significant asset, over commercialisation or "commercial misappropriation" of local cultural heritage can be deeply damaging to local communities (UNESCO/World Bank, 2021[33]). Consequently, sustainable culture-led regeneration requires consideration of how to support communities in retaining control over the marketisation of heritage and ensure that they adequately benefit from it.

Box 3. Co-financing of regional CCS via the EU's Cohesion funds

The European Regional Development Fund (ERDF) is a structuring instrument for EU Member States' investments in cultural and creative sectors. The ERDF is the most significant source of EU funding for investments in culture. For the programming period 2014-2020, EUR 39.3 billion have been allocated for the co-financing of culture and cultural heritage programmes and projects in Europe.

Through ERDF and other structural funds, such as the European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF), financial support has addressed culture and culture-related projects in cities and regions across the EU. This includes support on the local level earmarked directly for culture (including cultural heritage), for the development and promotion of cultural and creative SMEs, and devoted to access to public sector information (including open data on culture, digital libraries, e-content and e-tourism).

Regarding ERDF itself, a number of broad programmes and actions supported by this fund provide opportunities or explore topics connected to cultural and creative sectors. For example, URBACT is a European exchange and learning programme promoting sustainable urban development. It conducts a number of culture related work streams including KAIRÓS, an URBACT Action Planning Network focused on cultural heritage as a driver for sustainable urban development and regeneration. A second example is Urban Innovative Actions (UIA), which provides urban areas throughout Europe with resources to test new and unproven solutions to address urban challenges. Culture and cultural heritage are one of UIA's main thematic areas, receiving over 100 funding applications under this theme in its latest funding call. ESPON (European Observation Network for Territorial Development and Cohesion), co-funded via ERDF, has also been analysing the impact of cultural heritage investments on societies and economies across Europe, including examining the economic impact of culture and the links between cultural heritage and identity.

Source: EC (2022[34]), *European Regional Development Fund*, https://ec.europa.eu/regional_policy/en/funding/erdf/ (accessed 13 May 2022); URBACT (2022[35]), *Culture & Heritage*, https://urbact.eu/ (accessed 13 May 2022); UIA (2022[36]), *Culture and cultural heritage*, https://www.uia-initiative.eu/en/theme/culture-and-cultural-heritage, (accessed 13 May 2022); ESPON (2022[37]), *Cultural heritage*, https://www.espon.eu/search/node/cultural%20heritage, (accessed 13 May 2022) https://ec.europa.eu/regional_policy/en/funding/erdf/ ; https://urbact.eu/ ; https://www.uia-initiative.eu/en/uia-cities, https://www.espon.eu/search/node/cultural heritage

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5 Public and private funding for cultural and creative sectors

Investing in cultural and creative sectors (CCS) is important due to the direct and indirect benefits they generate for the economy and society. Public expenditure on culture has promoted culture as a “merit good”, similarly to education and healthcare. However, with a growing understanding of the role that culture and creativity can play in economic development, a more diversified approach to funding cultural and creative sectors has emerged, with a greater emphasis placed on economic returns to government expenditure and a more prominent role for private investors. Consequently, a more complex ecosystem of financial support for CCS has developed, encompassing public, private and philanthropy funding and investment. This Chapter outlines significant trends in cultural finance over the previous few decades, including traditional public expenditure models, private and philanthropy funding as well as new forms of support for cultural and creative for-profit and non-for-profit organisations.

In Brief

Funding for cultural and creative sectors is an investment, not a cost

- **Investing in cultural and creative sectors (CCS) is important due to the direct and indirect benefits they generate for the economy and the society**. Public support is also important to ensure the preservation of cultural heritage and to facilitate fair access to culture across different population groups. Traditionally, cultural policies and public expenditure in culture has promoted culture as a "merit good", similarly to education and healthcare.
- **The recognition of the economic impact of CCS broadened the scope of investments beyond cultural policy to a wide range of more industrial policy approaches**. With a growing understanding of the role of CCS in economic development, a more diversified approach to funding CCS has emerged, with a greater emphasis placed on economic returns to government expenditure and a more prominent role for private investors. Consequently, a more complex ecosystem of financial support for CCS has developed, encompassing public, private and philanthropy funding and investment.
- **Culture 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 (see Regional Perspectives in this report).
- **CCS are very diverse, including non-for-profit and for-profit organisations with wide-ranging financing needs.** Libraries and cultural centres, film production companies, circuses, socio-cultural associations, museums, theatre companies, visual artists, design and architectural companies, all belong to CCS, but their business models, cost structures and financing needs are very diverse.
- **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. However, during the crisis period, this growth in cultural expenditure generally reverted, and crucially, in the post-crisis era growth in government expenditure has generally failed to reach the levels seen pre-2008.
- **Shares of subnational government spending on cultural services are much higher than national shares across OECD.** Subnational governments accounted for almost 60% of total public expenditure towards cultural services in 2019 and spent, on average, 3% of their total spending on cultural services.
- **Household spending on recreation and culture grew by 18% between 2011 and 2019, twice as fast as overall spending, but clearly COVID-19 left a mark**. Recreation and culture accounted for nearly a tenth of aggregate household spending across the OECD. Households spend more on recreation and culture than on restaurants and hotels, furnishing and household equipment or clothing and footwear. In 2020, per capita spending on recreational and cultural services dropped by about 30% relative to 2019, on average.
- **The role of public finance is shifting from direct support to intermediation and strategically channelling private investment.** Public support to CCS could be in the form of direct support through grants, indirect funding through tax reliefs, leveraging private finance, for

instance through public loan guarantees, or matching funds to leverage private investments. Governments are gradually transforming their participation in the financial ecosystem of CCS from direct supporters to intermediaries, leveraging private investment and promoting transversal resources for companies in particular stages.

- **Partnerships and alliances are at the core of the emergence of new financial ecosystems for culture.** Public-private, public-public and public-civic partnerships are increasingly found in many cultural interventions. Since creative and cultural ecosystems include a multiplicity of stakeholders, partnerships between local governments, creatives, and other major contributors are key to enabling a thriving cultural and creative ecosystem, aligning mutual interests and priorities.

Why funding CCS matters

Public support for cultural and creative sectors (CCS) is important due to the direct and indirect benefits they generate for the economy and society. As demonstrated in previous chapters CCS produce creative output, create employment and generate tax revenue. Arts and culture have shown a capacity to combat marginalisation and promote inclusivity in society. They also prove to be effective in improving the well-being and health of cultural participants as well as consumers. Owing to the several advantages that CCS bring to the forefront, public support is important so that these benefits are effectively harnessed to steer growth and development.

Public support facilitates fair access to cultural resources. This includes access to cultural resources for all (intra-generational equity) and at the same time the protection of cultural resources for future generations (inter-generational equity) (Throsby, 2008[1]). Public support can also reduce barriers to entry in the cultural market and barriers to public participation and consumption. It can also support forms of cultural activity that are simply less amenable to market mechanisms but important to preserve.

The evolution of public funding approaches: from market failure to industrial policies

For centuries, art and culture were primarily financed through a philanthropy model of patronage. Artists were funded by wealthy individuals to produce artistic work either for private ownership or for the benefit of the wider community. However, with the invention of the printing press and other forms of content reproduction, art became a commodity which could be mass-produced and therefore mass-consumed, thus introducing the ability for profit-making on a larger scale than could be previously achieved. This turn towards the "commodification" of art and culture relied, to a certain extent, on market forces to which some forms of cultural production were ill-suited.

Since the mid-20th century, public funding for arts and culture has sought to correct market failures. The neo-classical approach to financially supporting CCS addresses the market failures in both supply (imperfect competition, increasing returns of scale in the production of arts, difficult increases in productivity, income redistribution in favour of artists) and demand (merit good similar to education and healthcare, production of spillovers in other fields, hidden demand, public good) (Frey, 2019[2]). Since the mid-20th century, considering the benefits of art and culture to the wider society, governments began to develop systematic approaches to cultural policy, seeking to readdress such market failures and to encourage cultural consumption by directly financing arts and culture. This market failure approach to cultural policy was sustained until the mid-1980s when policy makers started to recognise the extent to which these sectors were not only benefiting society, but were also contributing to economic growth and development. This major shift in political attitudes towards arts and culture was reflected in widespread policy changes throughout the 1990s with the inclusion of creative industries in many government policy agendas. As a result, governments increasingly promoted private investment in cultural and creative sectors as the main driver of financial sustainability.

The recognition of the economic impact of CCS broadened the scope of investments from market failure approaches to a wide range of more industrial policy approaches, increasingly centred upon creative entrepreneurship. Since the 1990s, both academia and policymakers acknowledged the creative economy as a source of competitiveness. CCS represent not only a source of employment and growth but also a driver for innovation and cross-fertilisation with other sectors of the economy (see Chapter 4). Cultural policy, following other policy domains, has broadened its focus towards more "cost-effective" and commercially oriented approaches to supporting CCS. This has led to public financing addressing the needs of CCS from a business perspective: from cultural start-up subsidies to the establishment of digital platforms to share content and knowledge.

The shift towards commercialisation has also had ramifications for the management of cultural organisations. Public policies are under pressure to adapt a new form of public management inspired by

the principles that guide the private sector. These principles are largely based on the introduction of competition, outcome orientation, and market-based operation, highlighting the need for accountability (OECD, 2018[3]). Similar principles are increasingly applied to the management of cultural organisations.

A complex financial ecosystem to support a very diverse sector

Public, private and philanthropy funding are all used to finance CCS. Rather than relying solely on public or private funding sources, CCS are now part of a complex financial ecosystem encompassing a diversity of actors and resources, with the majority of organisations in CCS relying on funding from a mixture of different sources. Consequently, much government policy at a national and regional level has sought to facilitate greater integration of public, private and philanthropic funding of CCS.

Given the diversity of organisations and firms in CCS and their needs, there is no uniform funding model. CCS incorporate some sectors which are largely subsidised, such as museums and theatres, and some which are more or even mostly market-driven, such as architecture or advertising (Throsby, 2008[4]). The motivations are diverse, with some sectors motivated primarily by the desire to fulfil social goals and others more oriented towards profit-making. Moreover, the business models, cost structures and financing needs of organisations within these also vary. For example, organisations with their own infrastructure, such as museums, will have high fixed costs and possibly also a potential source of income (see Sectoral Perspectives in this report), whereas a craft worker may have high variable costs. Similarly, audio-visual productions demand a large amount of pre-financing, but they have the potential for generating substantial revenues over time. In live performance sectors such as theatre, higher variable costs must be met by a smaller market, curtailed by limits to physical attendance, although digital technologies offer new possibilities whose real market potential is still under exploration. Moreover, each sector encompasses a range of different business orientations, including the provision of goods or the provision of services to either consumers or to other businesses, and a range of different non-profit actors. Consequently, there is no single model of financial ecosystems for CCS.

The distinction between public and private organisations in the cultural sector is getting blurred. This ‘‘hybridisation’’ consists of the emergence of a variety of mixed forms of governance with both public and private stakeholders. Hybrid organisations rely on both private and public finance which comes from different levels of government and/or public agencies.

Governments have an important role to play in developing policy which can support the complex financing needs of CCS. The role of governments in CCS financial ecosystems is no longer simply as a funder of CCS activity, though this is still important, but rather to help facilitate the interplay of public and private actors in the financing of CCS and to provide the conditions and incentives for organisations to flourish. To do so, policy makers have to balance tensions between supporting both profit-making and non-profit making cultural and creative activity, and the benefits of CCS for both economic gain and social good.

Overview of government and household spending on culture in OECD countries

Government spending on cultural services across OECD countries

In 2019, on average, 1.2% of total government spending was devoted to cultural services across the OECD. Government expenditure on cultural services includes spending on a range of cultural activities (see Box 5.1 and Chapter 1 for further information). Across OECD countries, government spending on cultural services as a proportion of total spending varies widely. For example, Estonia, Latvia, Hungary, and Iceland spent almost 3% of their national government expenditure on cultural services, while the United Kingdom, Greece, and Costa Rica spent less than half a percent (Figure 5.1).

Box 5.1. Components of government spending on recreation, culture, and religion

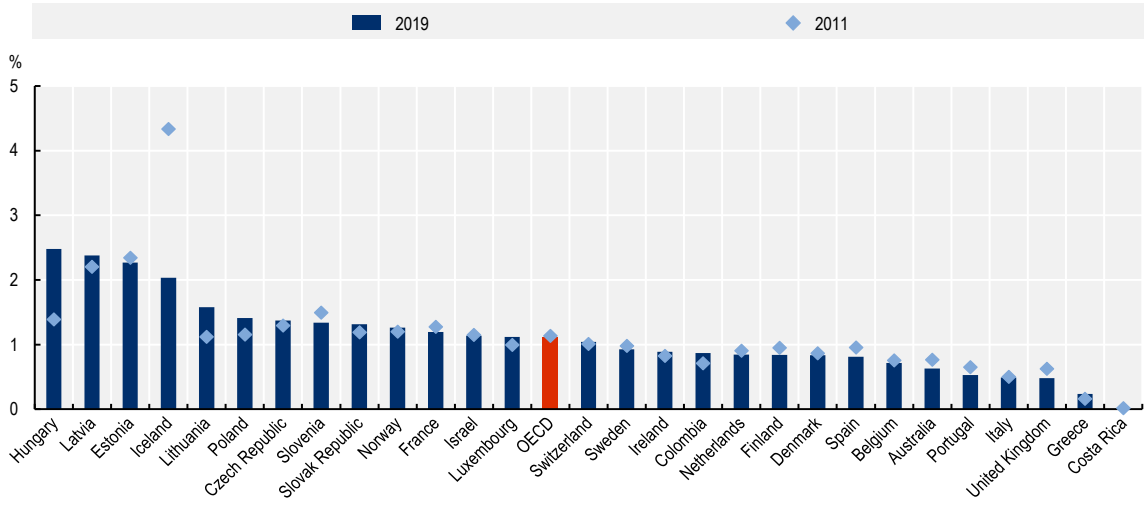
What's included?

Government spending on recreation, culture, and religion includes expenditure on services provided to individual persons and households, expenditure on services provided on a collective basis, as well as capital expenditure (capital transfers and direct investment). Individual expenditure is allocated to groups (1) and (2); expenditure on collective services is assigned to groups (3) to (6). Collective services are provided to the community as a whole.

1. Recreational and sporting services
2. Cultural services:
   Provision of cultural services; administration of cultural affairs; supervision and regulation of cultural facilities; operation or support of facilities for cultural pursuits (libraries, museums, art galleries, theatres, exhibition halls, monuments, historic houses and sites, zoological and botanical gardens, aquaria, arboreta, etc.); production, operation or support of cultural events (concerts, stage and film productions, art shows, etc.); grants, loans or subsidies to support individual artists, writers, designers, composers and others working in the arts or to organizations engaged in promoting cultural activities. Includes: national, regional or local celebrations provided they are not intended chiefly to attract tourists. Excludes: cultural events intended for presentation beyond national boundaries (01.13); national, regional or local celebrations intended chiefly to attract tourists (04.73); production of cultural material intended for distribution by broadcasting (08.30)
3. Broadcasting and publishing services
4. Religious and other community services
5. R&D recreation, culture, and religion
6. Recreation, culture and religion n.e.c.

Source: Eurostat (2019[5]), *Manual on Sources and Methods for the Compilation of COFOG Statistics*, European Union, Luxembourg.

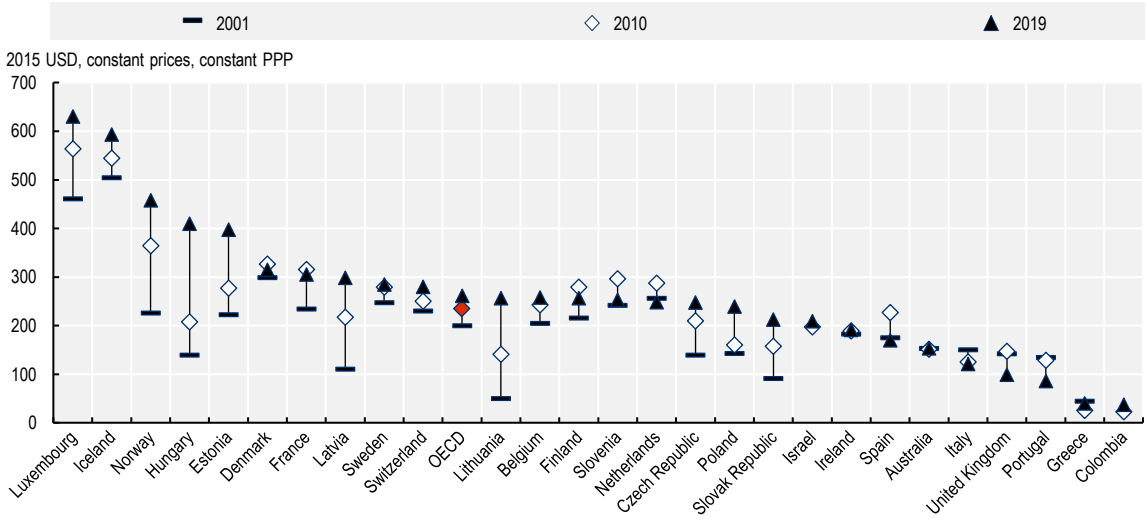
Figure 5.1. Cultural services as a share of total government spending, 2011 and 2019



Note: Data for Israel in 2011 refers to 2013, data for Costa Rica in 2019 refers to 2017, and data for Costa Rica in 2011 refers to 2012.
Source: OECD (2022[6]), *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

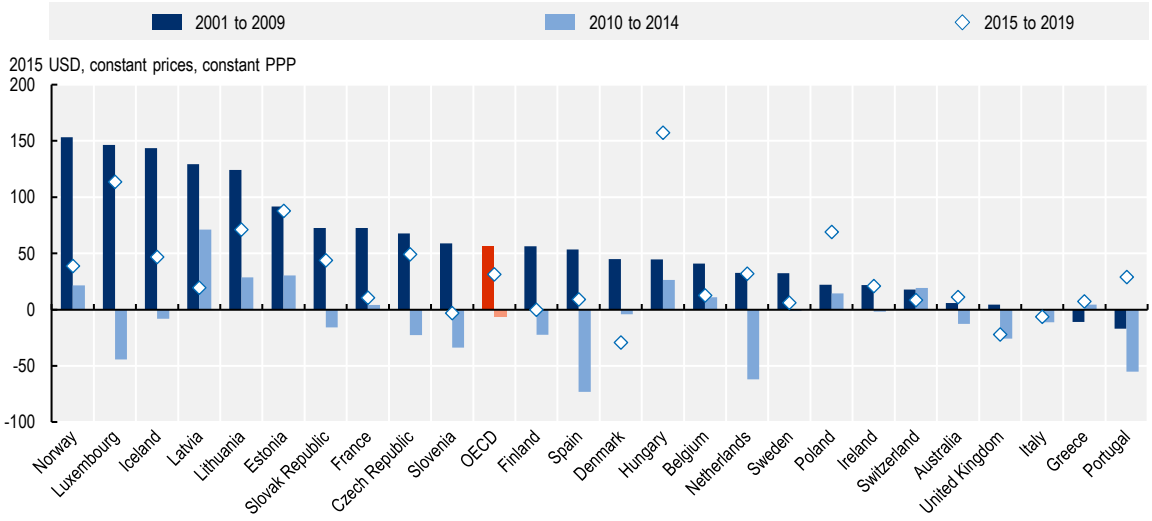
The Global Financial Crisis (GFC) in 2008 represented a turning point in government financing of culture at the national level. Whilst there was a slight increase in overall per capita spending on cultural services by OECD countries between 2001 and 2019 (Figure 5.2), these figures mask a general decline in growth rates of government expenditure experienced before the GFC. Considering three periods: pre-crisis (2001-09), crisis (2010-14) and post-crisis (2015-19), government cultural expenditure exhibits clear trends (see Figure 5.3). The pre-crisis or economic expansion cycle denotes increases in general government budgets reflected in increases in government expenditure on cultural services for the majority of OECD countries. However, during the crisis period, this growth in cultural expenditure generally reverted, with expenditure declining across OECD countries as a group between 2010 and 2014. Crucially, in the post-crisis era, growth in government expenditure has generally failed to reach the levels seen before the crisis, with the proportion of government spending across OECD countries as a group slightly falling from 1.3% in 2011 to 1.2% in 2019.

Figure 5.2. Per capita total government spending on cultural services, 2001, 2010, 2019



Note: Data for Israel in 2010 is from 2013. Data was not available for Israel and Colombia for 2001.
Source: OECD (2022[6]), *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

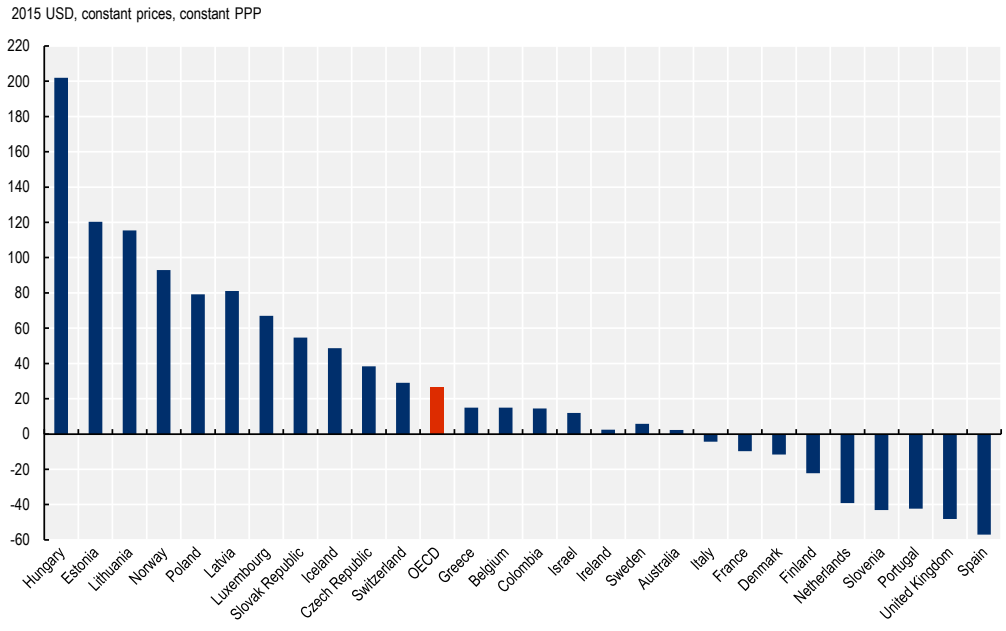
Figure 5.3. Difference in per capita total government spending on cultural services, 2001 to 2009, 2010 to 2014, and 2015 to 2019



Source: OECD (2022[6]), *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

Since 2010, there has been a slight increase in per capita total government spending on cultural services on average, but different spending patterns are evident. Figure 5.4 shows changes in government expenditure on culture between the GFC period and subsequent recovery. There were more countries with increasing per capita total government spending during this period (Northern and Central Europe), but a notable number of countries with declining spending. France, Italy, the Netherlands, Portugal, Slovenia, Spain and the United Kingdom, are among the countries which saw a drop in total per capita total government spending on cultural services since post-GFC.

Figure 5.4. Difference in per capita total government spending on cultural services, 2010 to 2019

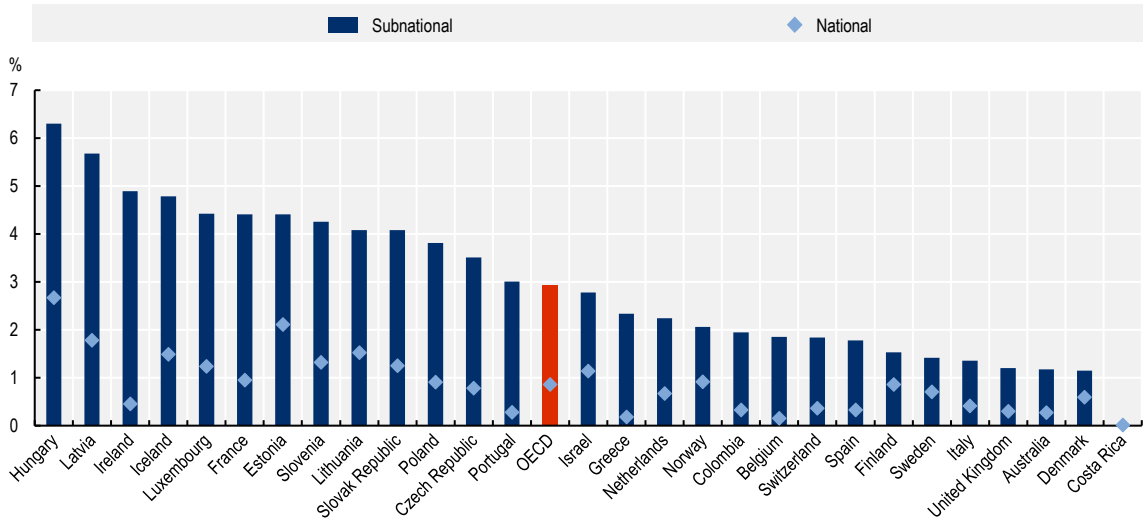


Note: Data for Israel in 2010 refers to 2013.
Source: OECD (2022[6]), *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

Shares of subnational government spending on cultural services are much higher than national shares across OECD countries. Figure 5.5 compares cultural spending as a share of national government spending and subnational government spending in 2019. For example, in Hungary and Latvia, subnational governments spent more than 5% of their total spending on cultural services while their respective national governments spent less than 3%.

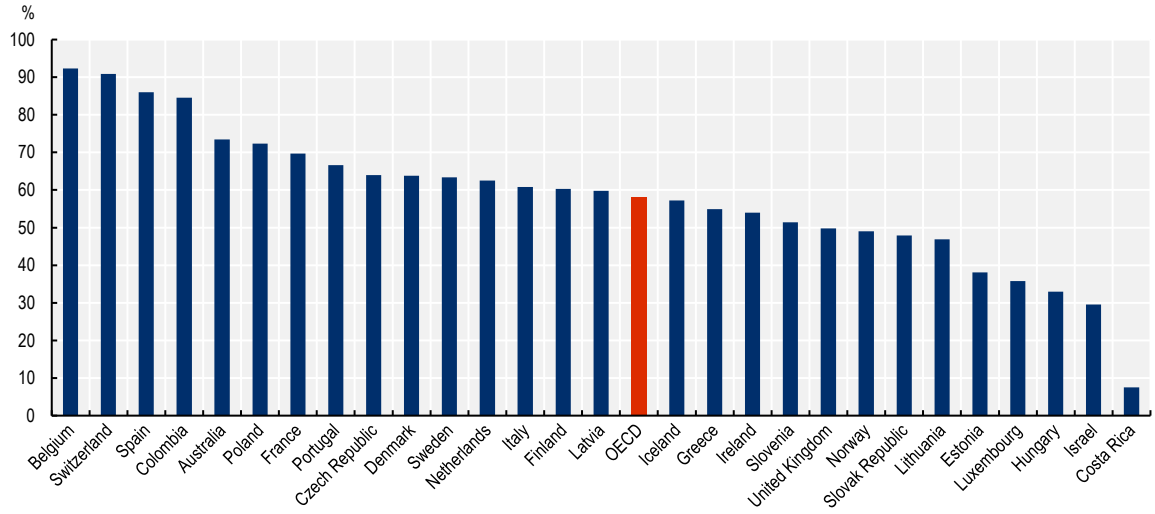
Subnational governments accounted for almost 60% of total public expenditure towards cultural services in 2019 on average in the OECD. As shown in Figure 5.6, in Belgium, Switzerland, Spain, and Colombia, subnational governments accounted for over 80% of total spending on cultural services, while in Luxembourg, Estonia, Hungary, Israel, and Costa Rica, subnational governments accounted for less than 40% of the public spending on cultural services.

Figure 5.5. Cultural services as a share of subnational and national government spending, 2019



Note: Subnational refers to the combination of state and local government spending. Data for Costa Rica in 2011 refers to 2012, and data for Costa Rica in 2019 refers to 2017.
Source: OECD (2022[6]), *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

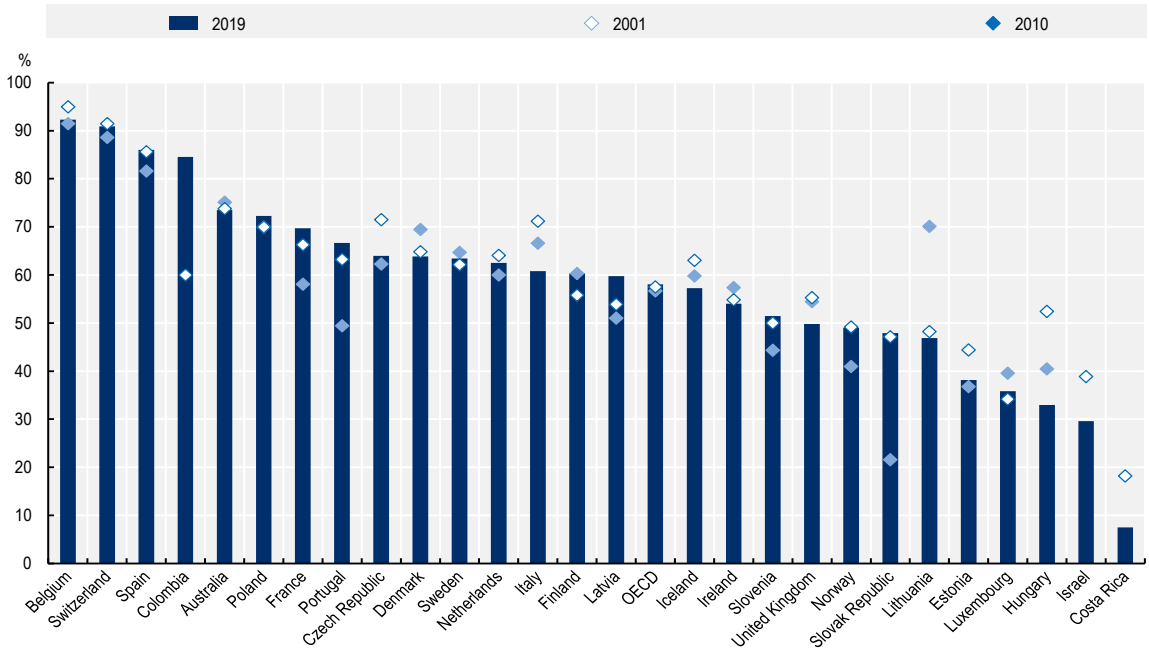
Figure 5.6. Subnational government spending on cultural services as a share of total spending on cultural services, 2019



Note: Data for Costa Rica is for 2017.
Source: OECD (2022[6]), *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

The proportion of total government spending on cultural services attributed to subnational governments has remained relatively stable since 2001, with some notable exceptions (Figure 5.7). For example, subnational governments in Colombia accounted for 85% of total government spending on cultural services in 2019, which represents a 25% increase in the share since 2010. On the other hand, Hungary, Israel, and Costa Rica were among the countries where the share of total government spending on cultural services attributed to subnational government declined since 2010.

Figure 5.7. Subnational government spending on cultural services as a share of total government spending on cultural services, 2001, 2010, and 2019



Note: Israel data for 2010 refers to 2013; Data for Costa Rica in 2010 refers to 2012, and data for 2019 refers to 2017.
Source: OECD (2022[6]), *National Accounts Statistics - Government expenditure by function (COFOG)*, http://dx.doi.org/10.1787/na-data-en.

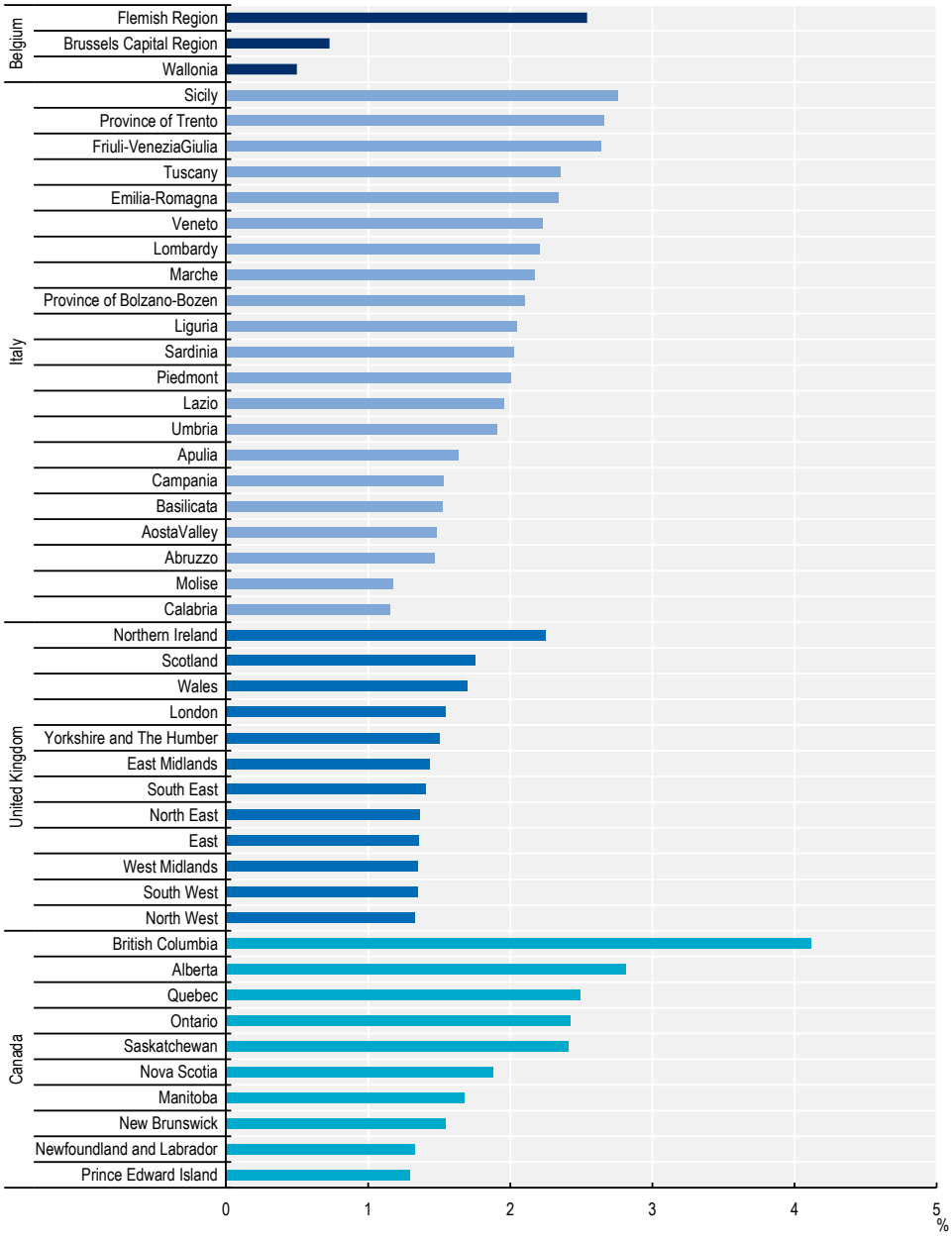
Subnational government spending on recreation, culture and religion varies considerably within countries. For instance, in Belgium, it varies from 2.5% in the Flemish Region to 0.5% in Wallonia (see Figure 5.8). Likewise in Italy, it varies from 2.8% in Sicily to 1.2% in Calabria. In the United Kingdom, Northern Ireland spends 2.2% on recreation, culture and religion while North West England spends 1.2%. In Canada, this share ranges from a high of 4.1% in British Columbia to a low of 1.3% in Prince Edward Island. Although recreation, culture and religion are a broader category than cultural services and the share of spending allocated to cultural services will be lower, but nonetheless, the regional differences are likely to remain.

Capital city or economic centre status plays a key role in the funding of CCS. The World Cities Finance Report (BOP Consulting, 2017[7]) shows that three of the sixteen cities analysed - Paris, London and Moscow – received large amounts of funding from national governments. Capital cities and economic centres, such as New York and Istanbul, have benefited from subsequent waves of national government investment which have generated a unique system of cultural infrastructure and qualified labour that constantly requires large amounts of resources.

Subnational government finances have been strongly hit by the COVID-19 crisis. Data for 2020 confirm the negative impact of the crisis on subnational government expenditure and tax revenue. This impact is, however, of a lower magnitude than what initial surveys indicated in some countries, such as Finland, France, Germany, Japan, and Spain. This can be attributed, at least in part, to significant central/federal government measures to support local finance, as well as savings in expenditures, and deferrals or cancellations of investment projects. However, considerable uncertainty over the longer term remains due to a number of factors including uncertainties around the health situation, the fact that many essential expenditures that were deferred in 2020 cannot be deferred indefinitely, and that in many countries tax revenues in 2020 reflected activities in 2019, not 2020. In addition, the impact on subnational finance in 2021 and 2022 will depend on the continuation and extent of support provided by higher levels of government (OECD, 2021[8]).

Figure 5.8. Recreation, culture and religion as a share of subnational government spending, 2019 or latest available year

Belgium, Italy, United Kingdom, and Canada



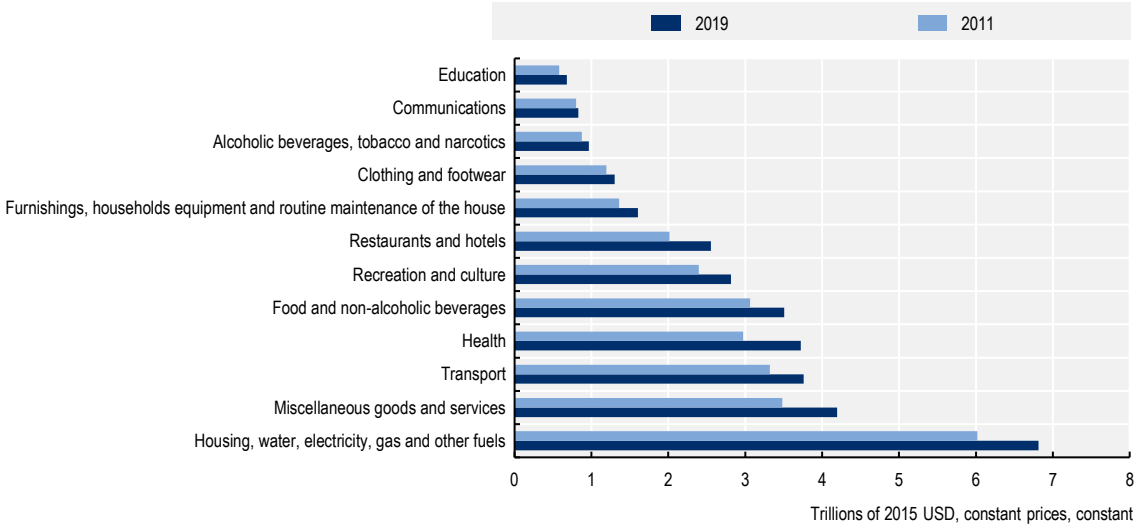
Note: Data for Italy is from 2018.

Source: National Bank of Belgium online statistics (2021[9]), *Government spending by functions and transactions*, https://stat.nbb.be/Index.aspx?DataSetCode=NFGOVCOFOG; ISTAT (2020[10]) *National Accounts regional main aggregates: Final consumption expenditure of general government by function*, http://dati.istat.it/Index.aspx?QueryId=11482&lang=en; UK Office for National Statistics (2021[11]) *Country and regional public sector finances expenditure tables*, https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/countryandregionalpublicsectorfinancesexpendituretables; Statistics Canada (2021[12]), *Canadian Classification of Functions of Government,* https://doi.org/10.25318/1010000501-eng

Household spending on recreation and culture

Household spending on recreation and culture grew by 18% between 2011 and 2019. As illustrated in Figure 5.9, at USD 3 trillion (2015 dollars), recreation and culture accounted for nearly a tenth of aggregate household spending across OECD countries in 2019, making it the sixth highest spending category out of twelve (also the case in 2011).

Figure 5.9. Total household spending by category across the OECD, 2011 and 2019



Source: OECD (2022[6]), *National Accounts Statistics - Final consumption expenditure of households,* http://dx.doi.org/10.1787/na-data-en.

Recreational and cultural services (a sub-category of recreation and culture) also represent an increasing share of household spending across the OECD. Figure 5.10 shows that recreational and cultural services accounted for 3.5% of total household spending across OECD countries in 2019, up from 3.1% in 2011. In Iceland, Denmark, Sweden, Norway, and Latvia, it represented more than 4% of total household spending. However, the COVID-19 pandemic put a dent in this spending category and may leave long-lasting effects going forward. It should be noted, however, that the recreation and cultural services category includes some activities which are beyond the scope of CCS as defined in this report, such as sports and gambling payments (see Box 5.2). Most data sources do not disaggregate data at this level of detail (however, the United Kingdom Office for National Statistics shows that, between 2016 and 2018, sports admissions made up about a third of the spending on recreational and cultural services and gambling payments made up about 12%. Canadian data from 2019 shows that sports and recreation accounted for 28% of recreational and cultural services spending while games of chance accounted for about 38%).

Box 5.2. Household spending on recreation and culture

What's included?

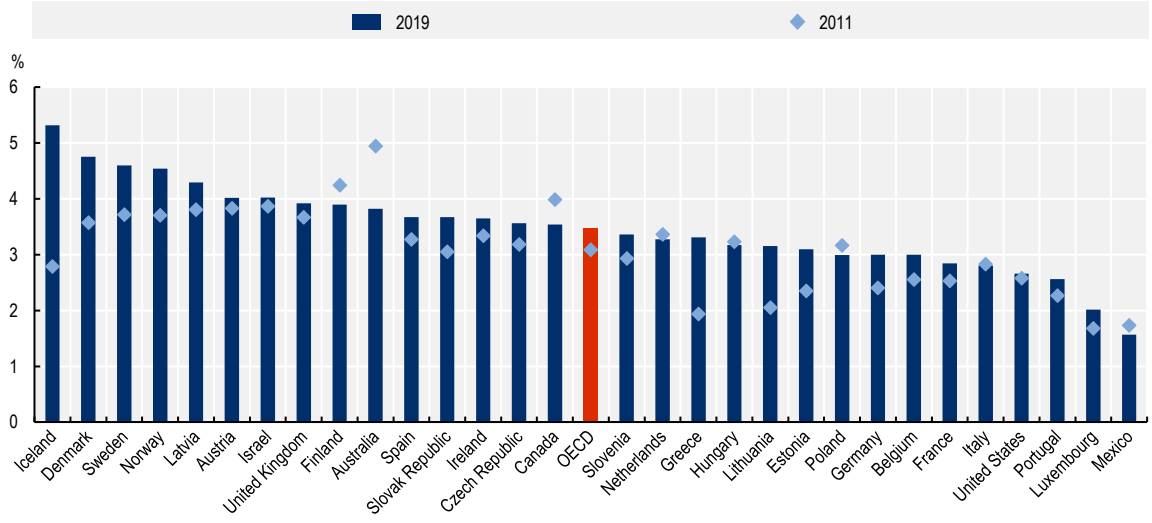
Household spending on recreation and culture includes the following categories:

- Audio visual, photographic and information processing equipment
- Other major durables for recreation and culture

- Other recreational items and equipment, gardens and pets
- Recreational and cultural services:
  - Hire and repair of photographic and cinematographic equipment and optical instruments
  - Hire, maintenance and repair of major durables for recreation
  - Hire and repair of games, toys and hobbies
  - Hire and repair of equipment for sport, camping and open-air recreation
  - Veterinary and other services for pets
  - Recreational and sporting services
  - Games of chance
  - Services provided by cinemas, theatres and concert venues
  - Services provided by museums, libraries, and cultural sites
  - Photographic services
  - Other cultural services
- Newspapers, books and stationery
- Package holidays

Source: UN (2018[13]), *Classification of Individual Consumption According to Purpose (COICOP)*, United Nations, New York.

Figure 5.10. Recreation and cultural services as a share of total household spending across OECD countries, 2011 and 2019

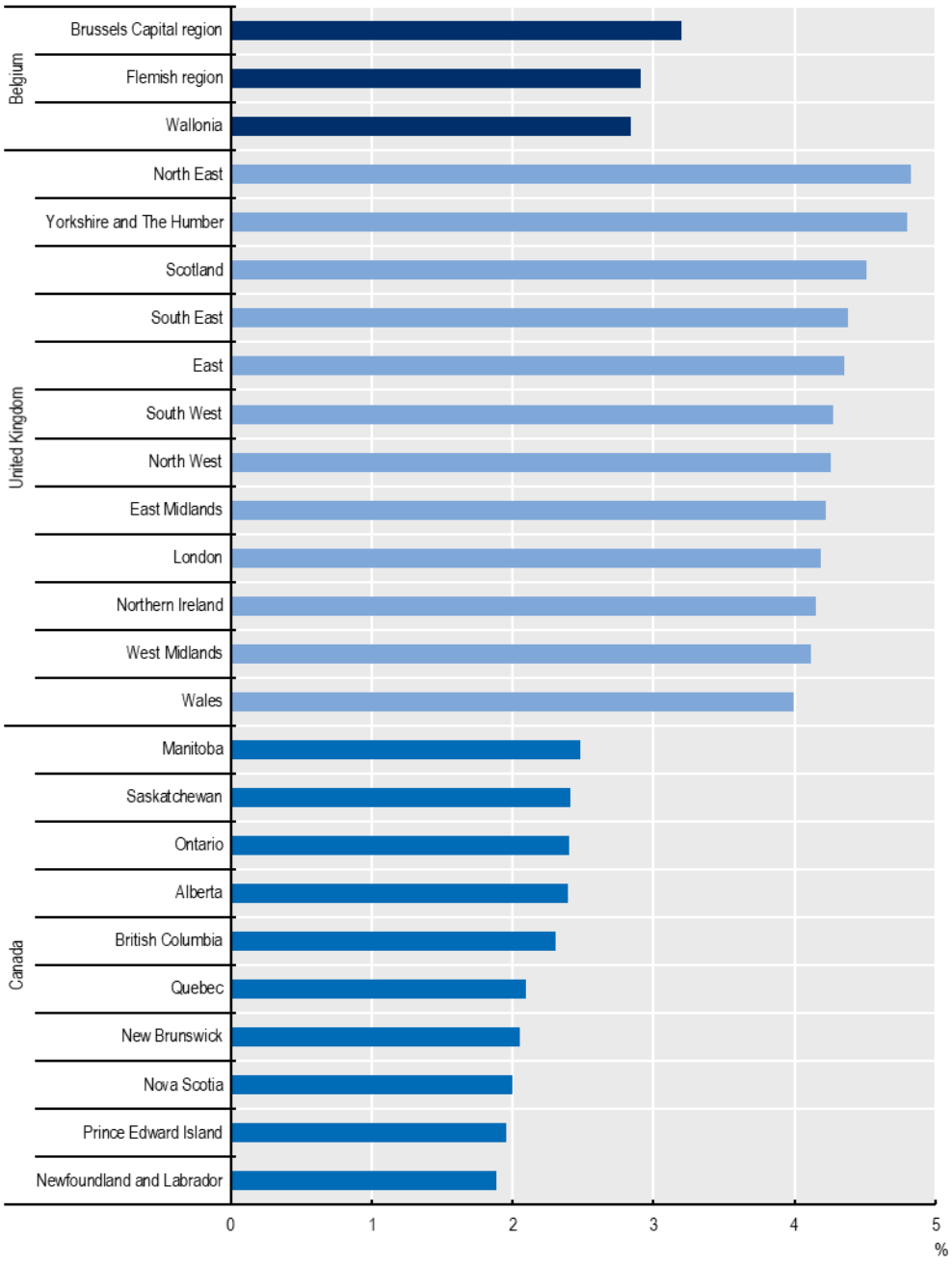


Note: Latest data for Norway was from 2018.
Source: OECD (2022[6]), *National Accounts Statistics - Final consumption expenditure of households*, http://dx.doi.org/10.1787/na-data-en.

Household spending on recreational and cultural services varies within countries. In Belgium, the share of household spending on recreational and cultural services, in 2018, ranged from 3.2% in Brussels Capital Region to 2.8% in Wallonia (see Figure 5.11). In the United Kingdom, it varied from a high of 4.8% in North East England, to 4% in Wales. In Canada, Manitoba had the highest share in 2019 at 2.5% while Newfoundland and Labrador had the lowest share at 1.9%. While regional data for recreational and cultural services were not available for Italy, the broader category, "recreation and culture" can be used for inter-regional comparison. In 2018, Piedmont had the highest share of spending in this category at 8% while Sicily had the lowest at 5% (see Figure 5.12).

Figure 5.11. Recreational and cultural services as a share of total household spending, 2019 or latest available year

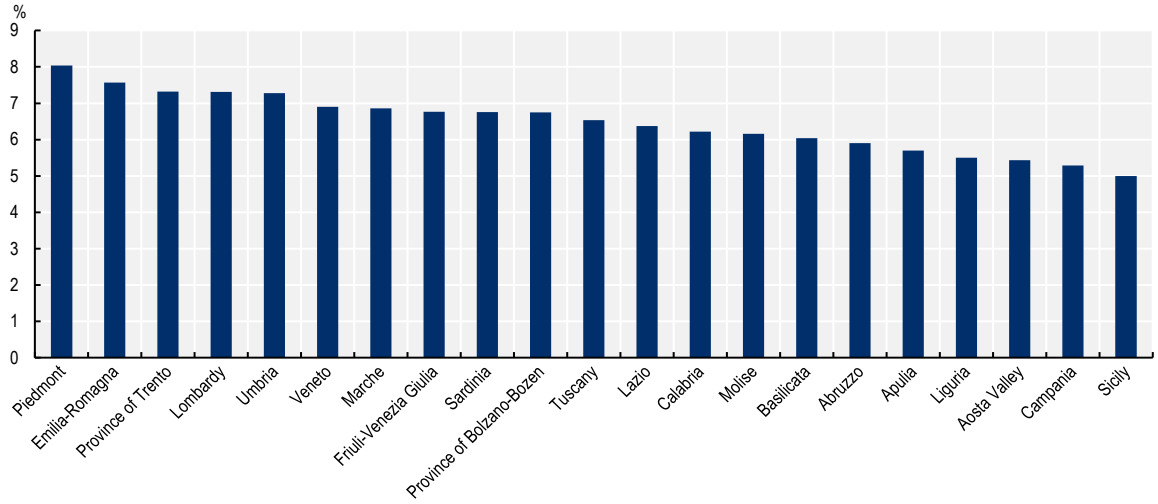
Belgium, United Kingdom, and Canada



Note: Data for Belgium is from 2018; Data for the United Kingdom are based on the 2016-18 average weekly household spending. Recreational and cultural services spending in Canada was estimated by aggregating recreational and sporting services, cable, satellite and other programme distribution services, cinemas, photographic services, and other cultural services.

Source: National Bank of Belgium online statistics (n.d.[14]), *Household consumption by category*, https://stat.nbb.be/Index.aspx?DataSetCode=REGP3S14; UK Office for National Statistics (2019[15]), *Detailed household expenditure by countries and regions*, https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/detailedhouseholdexpenditurebycountriesandregionsuktablea35; Statistics Canada (n.d.[16]), *Detailed household final consumption expenditure, provincial and territorial*, https://doi.org/10.25318/3610022501-eng.

Figure 5.12. Recreation and culture as a share of total household spending across Italy, 2018

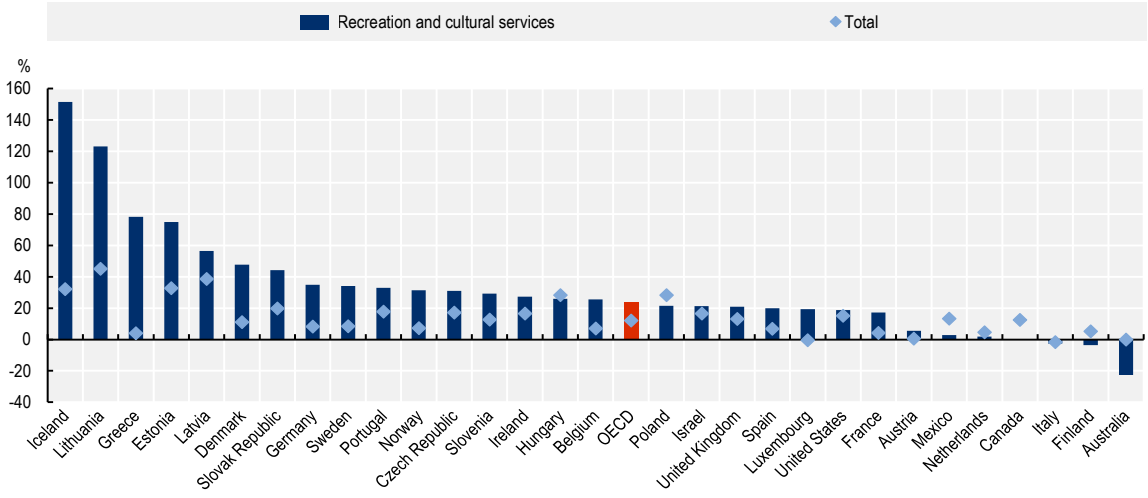


Note: Recreation and culture is a broader category than "recreational and cultural services".
Source: ISTAT (n.d.[17]), *National Accounts regional main aggregates: Final consumption expenditure of households by expenditure item (Coicop 2 digit) and durability*, http://dati.istat.it/Index.aspx?QueryId=11481&lang=en.

Between 2011 and 2019, per capita household spending on recreational and cultural services grew twice as fast as overall spending, but clearly COVID-19 left a mark. As shown in Figure 5.13, per capita household spending on recreational and cultural services grew by 24% across the OECD between 2011 and 2019, outpacing overall per capita spending which grew by 12% during the same period. Iceland, Lithuania, Greece, and Estonia experienced the highest per capita growth among OECD countries, while Italy, Finland, and Australia saw a decline. The pandemic has essentially erased some of the growth across OECD countries (see Figure 5.14). In 2020, per capita spending on recreational and cultural services dropped by about 30% since 2019, on average, with Spain's spending dropping by nearly 50%.

Figure 5.13. Per capita household spending on recreational and cultural services, 2011 to 2019

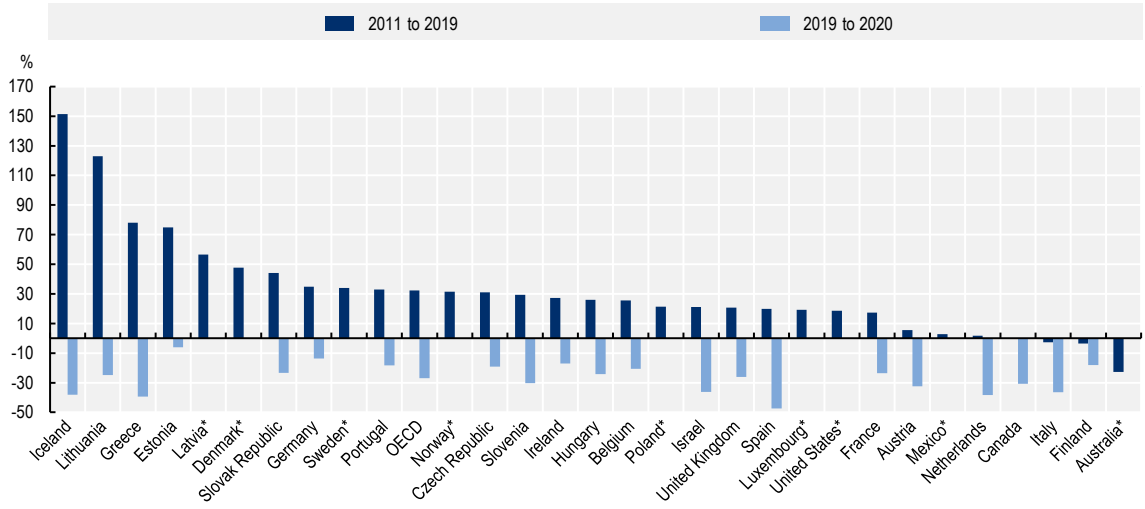
Per capita household spending growth



Note: Latest data for Norway was from 2018.
Source: OECD (2022[6]), *National Accounts Statistics - Final consumption expenditure of households*, http://dx.doi.org/10.1787/na-data-en.

Figure 5.14. COVID-19 has cut into some of the growth in per capita household spending on recreational and cultural services, 2011 to 2019, 2019 to 2020

Real per capita household spending growth on recreational and cultural services



Note: Latest data for Norway is from 2018. * indicates countries for which 2020 data were not available.
Source: OECD (2022[6]), *National Accounts Statistics - Final consumption expenditure of households,* http://dx.doi.org/10.1787/na-data-en.

Household spending is an important indicator in terms of funding for the more market-oriented side of cultural and creative sectors. This is especially important for entertainment-related content, whose main source of revenue is consumer demand. The effect of the pandemic is clearly legible, even in countries that were in the middle of a decade-long, high growth in expenditure. In assessing differences in growth in cultural expenditure, it is important to keep in mind that absolute levels of expenditure may significantly differ across countries. This means that a decrease in expenditure for a given country may still mean that its absolute level of spending is higher than that of a country where spending grows quickly.

Moreover, the change in household spending has not affected all cultural producers uniformly. In some cases, the pandemic crisis has also boosted the demand for certain types of cultural and creative content, namely that related to digital entertainment platforms which have been massively favoured by the new demand caused by the stay-at-home restrictions. As such digital platforms typically are big players with large and solid access to financial markets, the redistribution effect of the pandemic shock may have caused a further shift of demand and profitability from small, precarious content producers to large, well-funded ones. This effect could be difficult to cancel even after the pandemic is over insofar as it changes at least to some extent the demand habits and attitudes of cultural and creative content consumers.

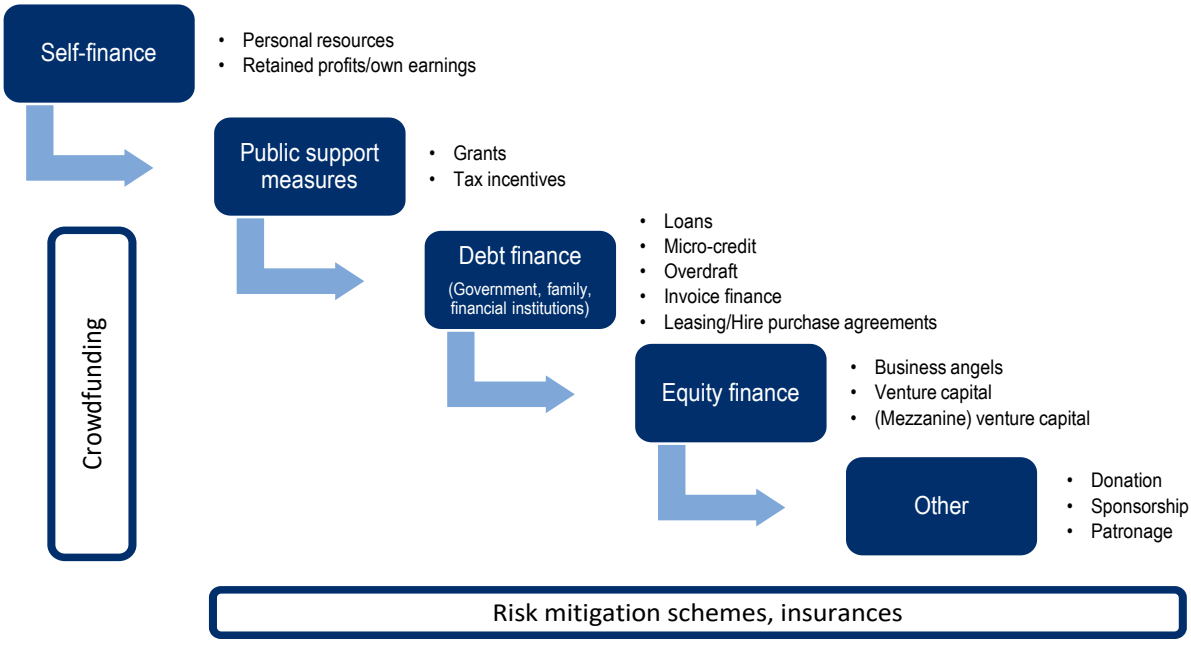
A particularly serious effect is caused in those contexts where the pandemic has disrupted the primary source of market revenue of producers. This is the case, for example, of musicians who have their main source of income in live concerts whereas they have very small returns from the online broadcasting of their music on large platforms. The latter cannot be a full substitute for the former even if the demand for online streaming of music increases substantially. In this case, therefore, the net benefit accrues to the platform owners but only minimally to the cultural producers. However, while the crisis has stricken a serious blow to the future sustainability of some cultural and creative producers, it may also become a stimulus for an acceleration in the evolution of new business models.

Financial ecosystems and sources of finance for CCS

Possible sources for CCS finance

CCS financial ecosystems are complex and not only driven by banking support or public investment. Cultural and creative sectors benefit from a wide range of possible finance mechanisms: from self-finance to public and private finance (see Figure 5.15).

Figure 5.15. Typology of funding sources



Source: OMC (2016[18]), *Towards More Efficient Financial Ecosystems*, http://dx.doi.org/10.2766/59318.

There are five main sources of finance for cultural and creative businesses and organisations. First, as identified in the above typology, self-finance which for many start-ups and small- and medium-sized enterprises (SMEs) may include personal investment, and for more established organisations is likely to be the result of reinvestment of existing profits. Second, there is public sector finance, in the form of either direct grants or in a range of potential tax incentives. Third is debt finance, including both secure (where some form of collateral is offered if the loan is not repaid) and unsecure (where no collateral is offered) loan arrangements. This type of financing source is one of the most common forms of financing for businesses in any sector, but carries inherent risk. Fourth is equity finance, in which money is exchanged for part-ownership or shares in the company. And finally, there are sponsorship and patronage sources, where money is freely offered to companies for communication, charitable or philanthropic reasons. From this typology a number of key actors can be identified: the firms and organisations themselves, governments (both national and sub-national), financial institutions, business angels and venture capital investors and audiences, publics and communities. It is the combination of each of these actors and each of these mechanisms for funding CCS which shapes the financial ecosystem.

Financial ecosystems in support of CCS

The CCS financial ecosystem is defined by a number of internal and external factors. The CCS financial ecosystem includes aspects that are internal to the organisation (i.e., their financial situation, the

composition of their labour force, their own organisational schemes, their business models etc.) and others that are external to the organisation (i.e., the availability of and access to financial sources, the position of the company in the market, the existing regulatory framework, the policy support, etc.) (Table 5.1).

Table 5.1. Considerations on financial ecosystems of CCS

Internal	External (finance)	External (market)	Policy framework and regulations

• **Company's financial situation**
  • Own capital
  • Liquidity
  • Available collateral
• **Skills and financial know-how**
  • Creative skills
  • Management skills
  • Financial skills
	• **Supporters**
	  • Family and friends
	  • Business angels
	  • Incubators
	  • Accelerators
	  • Universities
	• **Finance providers**
	  • Private: banks, business angels, family, crowdfunding, …
	  • Public: subsidies, vouchers, etc.
		• **Market dynamics**
		  • Size of the market
		  • Trend of the market (decline or growth)
		  • Risk related to the market
		• **Reputation of the sector** (media, opinion leaders, other gatekeepers, …)
			• State aid: direct and indirect
			• Indicators of effective finance (Basel III)
			• State aid rules
			• Alternative finance regulations
			• Intellectual property regulations

Source: OMC (2016[18]), *Towards More Efficient Financial Ecosystems*, http://dx.doi.org/10.2766/59318.

The policy frameworks and the existing regulations at global, national, and local levels determine the opportunities for interaction of all the participants in the ecosystem (OMC, 2016[18]). Policy and funding frameworks vary across countries from a highly state-powered approach, where the public sector is the main provider of support and funding, to a strongly privately supported sector, where increasingly effective market connections between cultural producers and private funders have been developed. The former approach has been mainly adopted by European countries to a varying degree, whereas the latter has prevailed in the US. There are also "mixed" models where cultural productions rely upon a mix of funding sources, namely, public, private, and earned. This has been the so-called "tripod model", and has been embraced in Canada and increasingly in Europe. Moreover, the shares of earned income and public and private funding for arts and cultural organisations continue to evolve (see Box 5.3).

Box 5.3. The evolution of public and private funding for arts and cultural organisations in the United Kingdom, Australia and Canada

There is a general shift from public funding to earned revenues as a source of income for arts and cultural organisations in the United Kingdom (UK). As shown in the previous sections, the UK has one of the lowest rates of government expenditure on cultural services across OECD countries. However, this shortfall appears to be addressed by large amounts of investment from the private sector. The Arts & Business Survey conducted in the United Kingdom in 2018 shows a general shift from public funding to earned revenues as a source of income for arts and cultural organisations in the UK. While in 2009/10, 38% of the income of UK cultural organisations was earned income through ticketing, sales, etc., by 2017/18 this had risen to 52%. Meanwhile, public funding, including that from governmental departments, the Arts Council, and national lottery funds, which amounted to 47% of the total in 2009/10, decreased to 33% in 2017/18.

91% of cultural organisations had received some form of private investment, making it the most common source of income in the sector in the UK. In 2017/18, private financing represented around 15% of cultural organisations' income. The largest source of private financing came from individual giving, amounting to 43% of private funding, with a further 38% coming from trusts and foundations and 18% from business investment. Specifically, visual arts, museums, music and theatre received the most support from private investment. Combined arts, dance and literature were less attractive for private investment. Not surprisingly, larger organisations manage to achieve a higher proportion of earned income, while smaller organisations are significantly more reliant on public funding and private investment.

Private sector support for the arts has also been shown to be growing in Australia. According to the "Private sector support for the arts in Australia"' paper, which is a product of a collaboration between the Bureau of Communications and Arts Research and Creative Partnerships Australia, the overall private sector support for the arts in Australia was estimated to have grown over a period of 6 years, from AUD 221.1 million in 2009-10 to between AUD 268.5 million and AUD 279.8 million in 2015-16. However, COVID-19 has had a significant effect on private funding offers in Australia. Recent data from Creative Partnerships Australia shows that private funding for the arts declined by 11% between 2018 and 2020. This was largely driven by a steep decline in the value of in-kind sponsorships, volunteer and pro bono support, and bequests, while cash donations and cash sponsorships actually increased during this period.

In Canada, private support for the arts follows a "mixed" or "balanced" model. This means that non-profit arts organisations rely on a combination of public, private, and earned revenues. For example, in 2020, non-profit performing arts companies in Canada derived around 42% of revenue from the public sector and 27% from the private sector, with the remaining revenues coming from performance, licencing and other sales.

Source: Arts Council of England (2019[19]), *Private Investment in Culture Survey*, https://www.artscouncil.org.uk/publication/private-investment-culture-survey; Bureau of Communications and Arts Research (2017[20]), *Private Sector Support for the Arts in Australia;* Creative Partnerships Australia (2020[21]), *Giving Attitude: Private Sector Support Survey 2020,* https://creativepartnerships.gov.au/wp-content/uploads/2021/12/CPA-Giving-Attitude-2020_Private-Sector-Support-Survey.pdf; Statistics Canada (2022[22]), *Performing arts, detailed sources of revenue, not-for-profit,* http://dx.doi.org/10.25318/2110018701-eng.

In a similar vein, the governance and management models of organisations that directly receive public funds present significant differences. The two extremes of the range include, on the one side,

governments that own, manage and fund their own cultural facilities, a vertically integrated model of cultural policy. On the other side, there is a shared responsibility with other actors, either by means of outsourced management of cultural facilities and events to for-profit and non-for-profit organisations, or of grant-funded independent organisations.

The new forms of cultural and creative production (e.g. co-creation with audiences) are reflected in the forms of financial support. In view of this increasing complexity of production processes, conventional forms of funding or investment are encountering more difficulties to identify where resources are needed or how subsidies or grants might adequately reach the desired target. Thus, in parallel to the emergence of innovative approaches to cultural and creative production, new forms of financial sustainability have developed in recent years. For instance, since some new practices of cultural and creative production consist of a myriad, often networked bottom-up initiatives, grassroots communities have been providing not only new ideas and content but also various forms of material and financial support and funding.

Public finance for CCS

The role of public expenditure in supporting CCS

Public expenditure on culture has evolved from direct grants and subsidies, although these remain important, to indirect funding instruments to stimulate cultural production and consumption. Public support to CCS could be in the form of direct support through granting certain activities without the need for reimbursement, indirect funding through tax reliefs, leveraging private finance, for instance through public loan guarantees, or matching funds to promote a synergy between public subsidies and private investments.

Direct funding: Bid-based grants

Direct funding to artists and cultural organisations has traditionally been the most prominent form of government investment in cultural sectors. Here, grants are issued to individuals or organisations either as ongoing revenue payments or to conduct a specific activity without the need for any form of reimbursement. This type of policy can be seen as a direct response to market failure approaches to arts and cultural sectors, whereby governments are motivated to intervene in promoting cultural activity which may not be financially sustainable if left solely to market forces. There are many different motivating factors which can influence the allocation of grant funding to cultural activities. Grant funding may be allocated to sectors or activities which have a significant social impact or are seen as strategically important to national culture. For example, grant funding can be used as a means to maintain cultural practices which form part of a county or region's cultural heritage, but which might be witnessing a decline in engagement from local communities. Moreover, grant funding is often used to increase engagement in culture by underrepresented groups, either as audiences or in the production of cultural assets. Consequently, grant funding for arts and culture can incorporate multiple policy objectives, and is often part of a government's broader strategic objectives.

Public funding for cultural projects can directly target the subsidy or grant to the organisation that will be responsible to develop the idea or alternatively, organise public bidding where individuals or associations, foundations or any other form of cultural partnership compete to win the grant. The allocation of money responds to the interest and merit of the proposal. This may happen at the local, national or supranational level. The imbalance towards the latter, competitive way of providing funds for cultural projects has accompanied processes of privatisation and public debt reduction since the 70s. Two models can be singled out (at least in Europe) with respect to the way culture is funded: on the one hand, cultural projects are funded according to the assessment of expert committees that decide the allocation

of cultural spending (arm's length principle); on the other, criteria are set directly by the public authority, such as the Ministry of Culture.

Given the reduction in direct grants, many organisations have opted for alternative forms of funding (Parker, Ray and Harrop, 2001[23])**.** Participation in competitive bidding requires practice and skills. Certain organisations have been routinely incorporating their participation in calls for funding in their financing strategies. Depending on the dimension (i.e., number of employees, revenues, etc.), they might even exclusively or partially devote permanent staff to fundraising. Both in terms of available budget and expertise, however, not all organisations are in the same position to compete on these grounds. In a similar vein, fund providers might also be more interested in currently fashionable, attractive projects than in others delivering, more subtle, long-term benefits.

Public funding to CCS does not come from Ministries of Culture exclusively. In some countries, there is a vast range of different Ministries that concur with the Ministry of Culture in supporting CCS. In France, for instance, in 2021, the amount of expenditure on culture by other ministries is estimated at EUR 4.4 billion. Around 60% of this comes from the Ministry of Education, with the remainder coming from a wide range of ministries including the Ministry for Higher Education, Research and Innovation, the Ministry for Europe and Foreign Affairs, the Ministry of Economy and Finance, the Ministry for Agriculture and Food and the Ministry of Justice. Overall, the combined public expenditure on culture from other Ministries slightly exceeded that of the Ministry of Culture itself every year since 2017 (Ministère de la Culture, 2021[24]).

The involvement of ministries other than culture in cultural expenditure is often motivated by the economic and social impacts of CCS, whose relevance goes beyond the mere cultural sphere. For instance, the Czech Ministry of Finance (in cooperation with the Ministry of Culture) alongside Arts Council Norway and the Icelandic Centre for Research has issued an open call through the EEA Grants 2014-21 for project funding for an equivalent of EUR 3 million addressing the core of cultural and creative industries and the creative economy, provided that the proposals ensure a contribution to sustainable and inclusive growth. The national export strategies for CCS also typically entail a direct collaboration between different Ministries: for instance, in the case of Sweden, together with the Ministry of Culture, the Ministries of Foreign Affairs and of Enterprise and Innovation are involved.

In Europe, additional funding is provided from supra-national level. Funding is available through specific programmes with a CCS focus such as Creative Europe or the Culture, Creativity and Inclusive Society cluster of the Horizon Europe programme and the call for the new KIC on Cultural and Creative Industries. In addition, many different lines of funding for CCS-related projects may be found in different programmes as well as in the cohesion policy funds depending on the local composition of the Smart Specialisation Strategies. The new flagship project of the New European Bauhaus, the budget allocated to the new KIC, as well as the increased budget of Creative Europe and the newly launched culture-focused cluster in the Horizon Europe programme show how EU public spending on CCS is substantially increasing in 2021-27 with respect to the previous programming period.

Indirect funding: tax expenditures and voucher schemes

Alongside direct funding of arts and culture, many governments provide indirect funding to CCS through tax incentives. This type of support can still be considered "government expenditure", as it represents a loss in tax revenue to the government. However, rather than direct grant-based funding, which seeks primarily to address market failure through subsidising private revenues, the purpose of tax incentives is to encourage actors other than the State, i.e. private firms, to invest more in particular sectors or activities than they might otherwise do (BOP Consulting, 2017[7]). The specific design of tax incentives for this sector is influenced by various factors, including cultural policy objectives, economic policy objectives, and external regulations (Cramb, 2018[25]).

Broadly speaking, tax incentives as a way of financing CCS generally come in three forms. Firstly, specific tax credits can be targeted toward specific sectors within CCS. Secondly, tax relief may be given for charitable donations to CCS organisations. Thirdly, tax credits may be used for wider policy goals, such as support to SMEs or innovation, which businesses from CCS can take advantage of.

Tax incentives for particular creative sectors have become an increasingly popular way of funding CCS at both the national and local levels. Tax incentives for creative sectors predominantly come in the form of either "shelters" (tax deductions) or "credits" (rebates), both of which encourage investment in cultural and creative goods and services by offering a lower tax rate to be paid on specific qualifying costs (Daubeuf et al., 2020[26]). Moreover, tax incentives can be used by the government to encourage inward investment in specific areas by making it cheaper for international CCS organisations to conduct activities in their country, and can be used to promote specific forms of cultural production. For example, in 2017, the Congress of Colombia introduced a zero-income tax for seven years for start-ups in CCS, alongside a range of other tax incentives to encourage inward investment in the country. According to the fDi Intelligence Service, Colombia saw a stark increase in foreign direct investment (FDI) projects in cultural and creative sectors the year after these incentives had been introduced, becoming the biggest recipient of FDI for CCS in Latin America in 2018 (fDi Intelligence, 2019[27]).

Tax incentives have been extensively used in funding the film and television industry. Research from Olsberg SPI (2019[28]) indicates that the number of tax incentives for the film and television industry has been steadily growing since 2017, with 97 different schemes now available globally. Moreover, it was found that the use of tax incentives had increased investment in the sector, benefiting employment and gross value added (GVA) and creating a return on investment for national governments.

Box 5.4. The Canadian Film or Video Production Tax Credit (CPTC) and Film or Video Production Services Tax Credit (PSTC)

Canada introduced the Film or Video Production Tax Credit (CPTC) and Film or Video Production Services Tax Credit (PSTC) in 1996 with the aim of supporting Canadian cultural production and to encourage foreign-based film producers to employ Canadian labour.

The CPTC is targeted towards Canadian content productions that are owned and controlled by Canadians. The CPTC offers eligible productions a fully refundable tax credit of up to 25% of qualifying labour costs, to a maximum of 60% of the eligible cost of production. The credit therefore can provide up to 15% of the total cost of production.

The PSTC is similar to the CPTC, but is targeted towards the employment of Canadians by foreign-owned corporations, and generally features non-Canadian copyright ownership. The PSTC is available at a rate of 16% of the qualified Canadian labour expenditure for production.

Ten years after the implementation of the CPTC, evaluation reports conclude that the introduction of the scheme positively contributed to Canadian domestic film and television production. Survey results show around half (48%) of recipients of the tax credit stating that their projects would not have been carried out at all in the absence of the credit, and a further 22% of recipients stating that their project would have been significantly reduced in scope.

The implementation of both the CPTC and PSTC has significantly contributed to Canada becoming a major actor in the global film and television market, with the sector now worth over CAD 9 billion. Over half of this value is attributed to companies using Canada as a filming location or using Canadian film and television production services. Moreover, whilst domestic production saw a small decline in 2019/20, in the light of the COVID-19 pandemic, foreign activity in the sector actually saw an increase of 8%.

Source: UNESCO (2016[29]), *The Canadian Audio-Visual Certification Office (CAVCO)*, https://en.unesco.org/creativity/policy-monitoring-platform/canadian-audio-visual; Canadian Heritage (2008[30]), *Summative Evaluation of the Canadian Film or Video Production Tax Credit (CPTC)*, Office of the Chief Audit and Evaluation Executive, Evaluation Services Directorate, https://publications.gc.ca/collections/collection_2016/pch/CH7-53-2008-eng.pdf; CMPA (2020[31]), *CMPA Profile 2020: Economic Report on the Screen-based Media Production Industry in Canada*, Canadian Media Producers Association in collaboration with the Department of Canadian Heritage, Telefilm Canada, the Association québécoise de la production médiatique (AQPM) and Nordicity.

A second way in which taxation policy can support the financing of CCS is through tax relief on charitable giving to arts and heritage organisations (see Box 5.5). For example, in 2014, Italy introduced the Art Bonus - a tax credit equal to 65% of charitable contributions that individuals or companies make in favour of public cultural heritage. Such measures incentivise private donations and can be seen to aid sponsorship and patronage of cultural and heritage sectors by large corporations.

Box 5.5. Examples of tax incentives for CCS philanthropy

- The **Italian Art Bonus** tax exemption measure incentivises private and corporate investment in cultural heritage preservation and cultural production. It exceeded EUR 500 million in donations since its introduction in 2014.
- **Flanders, Belgium** has had a fiscal instrument in place since 2015 that encourages donations of valuable works of art to the Flemish Government (and thus indirect donations to Flemish museums). This measure means that heirs can pay **inheritance tax** by donating works of art. The measure has existed at the federal level since 2003 and with the implementation of the sixth state reform since January 2015, falls under Flemish jurisdiction. In France and the United Kingdom, there is a similar system for paying inheritance taxes in full or in part with art.
- The **Dutch Kennel Act of 2012** contains several fiscal measures (extra tax benefits) to encourage donations to non-profit organisations. These tax benefits are further strengthened in the Competence Act when it comes to donations to non-profit cultural organisations.
- The **Japanese hometown tax** was introduced in 2008 to correct the imbalanced tax revenue between urban and rural areas. It provides tax deductions to people who donate money to a local government of their choice and for an activity of their choice, cultural activities being eligible. Under this system, people get a deduction in the residence tax they pay to the municipality in which they currently live and the income tax they pay to the national government. The hometown tax reached its highest revenue in 2020 increasing by 40% compared to 2019.
- **Hypothecated taxes** are taxes imposed on categories of goods and services "whose proceeds can only be spent on a designated and specific purpose – in this case, culture". While the money raised through hypothecated taxes is paid either by the public or some element of the business community (depending on the specific tax), the setting and collection of the tax are undertaken by the state. This is the case for Los Angeles which operates a 1% transient occupancy tax (a tax on hotel rooms) which generates about USD 11 million per year for the Department of Cultural Affairs. Some European cities have implemented this system in the form of a percentage of the hotel tax.

Source: MIC/ALES (2022[32]), *Art Bonus*, https://artbonus.gov.it/ (accessed on 13 April 2022); BOP Consulting (2017[7]), *World Cities Culture Finance Report*, BOP Consulting, London; Nippon (2021[33]), "Japanese hometown tax system sees record-breaking donations in 2020", https://www.nippon.com/en/japan-data/h01108/; OECD (2018[3]), *The value of culture and the creative industries in local development*, www.oecd.org/cfe/leed/venice-2018-conference-culture/documents/Culture-and-Local-Development-Venice.pdf.

Cultural and creative sectors can also receive financial support through tax incentives targeted towards broader policy objectives. Many governments across the world have developed tax incentive schemes to support SMEs and innovation, which CCS firms may be eligible to benefit from. As CCS are characterised by a high concentration of small and micro businesses, SME tax incentive schemes can be particularly helpful for many CCS businesses. However, access to financial support for innovation for firms from the cultural and creative sectors is mixed. Out of the 41 countries covered in the OECD compendium on research and development (R&D) tax incentives, only 23 countries included R&D in the arts and humanities as eligible expenditure (OECD, 2020[34]).

Alongside tax incentives, voucher schemes to promote innovation using CCS have been trialled in a number of countries such as the United Kingdom, Portugal, Slovakia, Belgium and Austria (Daubeuf et al., 2020[26]). These types of schemes most commonly offer credit to SMEs from either CCS or non-CCS sectors to spend on cultural and creative goods and services. The underlying logic of such schemes is that SMEs typically lack the financial resources to invest in innovation. By receiving vouchers to work with cultural and creative firms, SMEs can enhance their innovation capabilities, develop new

relationships and improve their competitive position, whilst CCS firms benefit from new business opportunities and develop relationships and capabilities in other industry sectors (Bakhshi et al., 2013[35]). Consequently, voucher schemes offer both direct monetary benefit to the businesses who receive voucher scheme funding, and additionally promote innovation and strengthen inter-industry networks.

Box 5.6. Wallonia Creativity Vouchers

In 2014, the region of Wallonia, Belgium, introduced a pilot scheme offering "Creativity vouchers" to SMEs, as part of the Wallonia European Creative District project, co-funded by the Wallonia Region Government and the European Commission.

The voucher scheme offered SMEs from any industry sector EUR 6 000 to develop a creative innovation in collaboration with a business from the creative industries. The vouchers covered up to 80% of the expenses associated with the creative intervention, with the remaining 20% being financed by the recipient SME. The pilot held two open calls for applications in September 2014 and February 2015, with the selection process based on application questionnaires completed jointing by the SME and its creative partner. Ten projects were funded through this scheme, including sectors such as high-tech, food, health and construction.

"The Creativity Voucher demonstrated that irrespective of the sector of activity, it could be profitable to cooperate with a creative enterprise and that even the most technical sectors could benefit from it."

Source: Wallonia Creative District (2015[36]), *Supporting Creative Industries: Conclusions of the Actions Taken by Wallonie Design as part of Wallonia European Creative District*; Daubeuf, C. et al. (2020[26]), "Enumerating the role of incentives in CCI production chains", Cicerone Project, University of Amsterdam.

Another set of vouchers that has gained even more prominence with COVID-19 crisis is the one to help individuals, including groups experiencing a disadvantage, access cultural goods and services. For example, in France a national scheme, the "*pass culture*"' was launched in 2021. The value of this voucher is EUR 300 allocated exclusively to young people to be used for all cultural products over a 24-month period (OECD, 2021[37]).

Private finance for CCS

Self-finance through profit

Some cultural activities have more potential to generate income from the market than others. For example, a cultural association with paying membership receives membership contributions, while many cultural organisations such as museums, concert and festival producers can generate income from ticket sales, sponsoring or catering activities. The most obvious source of income is the sale of a physical product ("asset sale"), such as a book, a piece of clothing, a piece of furniture, or a painting. Income can also be generated by fees for use ("usage fee"), such as fees for cloakroom service, access to the Internet, or an annual fee for a streaming service of films or music.

The extent to which CCS can rely on the market for sustainable financing of activities depends on the specific characteristics of the sector and the product or service being offered (OECD, 2018[3]). There is an interplay of three factors: i) the size of the accessible market; ii) the fixed and variable costs for producing creative goods or content; and iii) the potential capacity to transcend time and space horizons (Baumol, 1965[38]; Caves, 2000[39]). This provides a typology for forms of cultural and creative production and their degree of "sustainable market dependence". For example, museums are limited in their

accessible market as they generally require physical attendance, making them less able to only rely on self-generated income.

Equity and debt financing

Although own income and subsidies are often the most important sources of funding for CCS, they are not always enough to meet all financing needs. Sometimes interim funds must be borrowed from third parties to finance projects, investments or growth. In exchange for providing money, the financier may receive interest (debt financing) or be remunerated in the form of shares that they may sell (or choose to hold) over time (equity financing). This financier could be a traditional financial institution, a microcredit provider, a business angel, a venture capitalist, an individual (the so-called 'family, friends, fans and fools' - the 4Fs), or even the government.

CCS do not necessarily underperform in terms of profit or financial soundness when compared to other sectors (see Chapter 4). Yet there remains a gap between private finance suppliers and financial access for CCS companies given their particularities, with which many potential lenders or investors are unfamiliar. There are many characteristics of CCS that traditional lending institutions remain wary of. First, CCS are characterised by a high incidence of small and micro businesses, alongside a strong presence of individual entrepreneurs and freelance workers. Consequently, many of the problems in access finance encountered by SMEs, such as difficulties in obtaining guarantees/collateral to be solvent, are particularly acute in CCS. Second, CCS produce goods which are inherently creative or symbolic in nature. As such, assessments of value are often subjective and face high levels of uncertainty. Third, the project-based nature of many creative ventures also limits their capacity to access private finance. Consequently, the high levels of uncertainty and perceived risks of investment in CCS are key barriers for private investors seeking quick or low-risk returns on investment.

Furthermore, as CCS rely heavily on intangible assets it can be difficult to determine an objective market value of a firm's assets. CCS companies are often characterised by having few or even no tangible assets, relying exclusively on the value of their intellectual property and creative skills. Intellectual property (IP) rights are important assets because they can increase a company's asset value. IP law exists to protect the creators, covering areas of copyright, trademark law, and patents. Understanding and valuing these assets can help a company to negotiate access to credit or other forms of financing and help negotiate better terms for that financing (OMC, 2016[18]). Lately, IP has been used as collateral in CCS although it cannot be considered a generalised practice. Despite the emergence of a new economy of intangible property, there is still a clash between the laws of secured finance and IP law, which makes IP ill-suited for use as collateral (Owens-Richards, 2016[40]).

This incapacity to provide (tangible) collateral to guarantee the risk of loans, has important implications for CCS firms' ability to successfully apply for finance through formal channels. The European Commission's 2013 survey into financing of CCS found that business model issues are a key barrier to finance for many CCS firms "since often, but not always, CCS business models do not match with the traditional financial products offered by general banks as there is no underlying collateral" (EC, 2013[41]).

Given the difficulties that many cultural and creative businesses face in accessing equity and debt finance, governments are increasingly stepping in to assume the role of the private sector in financing CCS through debt and equity finance. For example, the United Kingdom's Creative England investment programme offers start-up loans and scale up capital exclusively to business in the creative industries. Assessment of their investment portfolio from 2012-17 showed that for every GBP 1 of public sector investment, GBP 4 of external capital had been mobilised, the majority from private commercial sources (The Good Economy, 2018[42]).

Moreover, there is a growing trend in social impact investing and venture philanthropy which explicitly seeks investments which generate a high social return, alongside a financial one. The main objective of impact investing is to secure returns on investment whilst also having a positive impact on society by using traditional investing models to financially support businesses with social goals. Research from Rockefeller Philanthropy Advisors (RPA) identified 107 social impact investment funds, representing an estimated USD 60 billion, that have been active in the creative economy (although their definition of creative economy also includes sectors such as social and sustainable food) (Upstart Co-Lab, 2018[43]).

Venture philanthropy is a form of financing where both financial and non-financial support are combined to create stronger "investee" organisations so that they can increase their social impact (OECD, 2018[3]). This approach can cover the entire spectrum of financial instruments (grants, debts, equity...) and non-financial instruments (advice, coaching and business mentoring, access to networks, financial management, fundraising and income strategy, management). Whereas government grants and private philanthropy typically focus on the short-term financing of specific projects, social impact investing and venture philanthropy generally focus more on long-term objectives and supporting the development of capabilities at the organisational level.

Box 5.7. The Motae Fund for private-public VC funding of CCS in Korea

In 2005, the Korean government launched a large-scale state venture capital investment fund known as The Motae Fund ("mother fund" in Korean). The Motae Fund focuses on supporting SMEs and start-ups in a number of specific sectors, including biotech, healthcare, information and communication technology (ICT), and film and culture. The film and culture funds work by offering matched funding to private investors, creating a hybrid private-public capital investment. Typically, Motae provides 50-60% of the investment, with private investors (usually 3 or 4) contributing 40% and the remaining 1-10% being provided by the Venture Capital company. The fund invests at both project and firm level, with some funds for example investing in specific films and others in companies such as video games developers or K-pop talent agencies. Whereas tax incentives for investment in CCS lower the cost of investment, the public-private capital investment model of Motae is designed instead to minimise risk, by taking on part of the investment themselves.

The Motae film and cultural funds raised over USD 1.6 billion from 2006 to 2016 and delivered a significant "crowding-in" effect, encouraging large amounts of VC investment into CCS projects and businesses. As part of wider CCS policy measures, it contributed to exceptional growth rates for Korean creative sectors which saw, for example, the film industry grow by 890%, the broadcasting industry by 625%, the music industry by 1 605% and the games industry by 1 585% between 1999 and 2018.

Source: Lee, H. (2021[44]), "Supporting the cultural industries using venture capital: A policy experiment from South Korea", http://dx.doi.org/10.1080/09548963.2021.1926931.

Philanthropy and patronage

There are many ways in which individuals can offer financial support to CCS organisations through charitable giving (OECD, 2018[3]). Individuals can give through donations or patronage and organisations can give through donations, or sponsorship deals. With donations, an individual or an organisation gives money freely without expectation of any tangible return. Donations are often made to support a specific project or programme of work. When donations are made regularly and not intended to support a particular project, this is known as patronage. With patronage, an individual artist or cultural organisation receives money from a patron - someone who donates money to support the activities of the beneficiaries. Here a

patron pays the artist not to get a work of art in return, but to provide them with livelihood, to cover the costs of material, of an exhibition or execution of an artwork. The platform Patreon, launched in 2013 is a good example of this type of arrangement, where givers can “subscribe” a monthly donation to an individual or organisation to support their general upkeep, as opposed to a specific piece of work.

Alongside donations and patronage, many organisations engage in corporate philanthropy, through offering financial or in-kind support to CCS businesses. This support can be in the form of one-off donations, or in the form of patronage. Corporate patronage differs from sponsorship deals, as its aim is purely philanthropic. Unlike sponsoring, the company does not expect any "direct consideration" or impact on its trading activities, although the positive image benefit is a sought-after indirect impact. In addition to the corporate philanthropic funds of a single company, there are also collective corporate philanthropic funds, in which the resources of various companies are combined to support the same social mission. For example, since 2003, in Belgium the Wallonia organisation Promethea manages six such collective company sponsorship funds (Promethea, 2022[45]). One of these corporate patronage funds is Akcess, a fund that specifically subsidises initiatives "that promote, encourage and support the discovery and enjoyment of culture.”

Donations and cultural patronage are opportunities for corporations and individuals to support arts and culture. There are many motivations for such charitable giving: philanthropy, private interest to promote a brand or a name, or as a strategy to reduce tax payments, among others. Rather than being treated as separate practices from the core activities of the business, sponsorship and patronage are increasingly considered as a strategic investment for many companies. Research has shown that corporate sponsorship of cultural activities can contribute to a company’s competitive advantage by building local capabilities and gaining increased exposure to new concepts and ideas (Comunian, 2008[46]).

Matchmaking between actors from the cultural sector and the business community is very important in corporate patronage (and in sponsoring). In some cases, governments have created or supported Cultural Matching Funds to stimulate matching in a transparent way. Established by the Ministry of Culture, Community and Youth (MCCY), the Cultural Matching Fund (CMF) in Singapore provides dollar-for-dollar matching grants for private cash donations to registered charities in the arts and heritage sector (Ministry of Culture, Community, and Youth, 2022[47]). The CMF aims to encourage giving to the arts and heritage sector to create a more sustainable arts and heritage scene. Similarly, the Australian Government established Creative Partnerships Australia, an agency with the purpose of encouraging and facilitating arts philanthropy in Australia. Their matched funding programmes help independent artists and small to medium arts organisations increase their fundraising, secure new donors and partnerships, and strengthen their networks (Creative Partnerships Australia, 2022[48]).

In some countries, national lotteries play a large role in philanthropic support to arts and culture. For example, in Belgium in 2014 almost EUR 150 million of the profits went directly to humanitarian, social, sporting, cultural or scientific projects, of which EUR 10.5 million was spent on cultural projects. Every week in 2017, GBP 30 million of the National Lottery went towards arts and culture, local communities, heritage and sports across the United Kingdom. However, some reviews have noted that arts lottery funds are not fundamentally different from grant-in-aid funding – those provided to maintain the core national cultural infrastructure.

In many OECD countries, the share of individual and philanthropy funding of cultural organisations tends to increase compared to decreasing direct state support (Antoshyna and Bondarenko, 2020[49]). Evidence from the 2014 Survey on the European Cultural Sponsorship of 13 European countries suggests that sponsorship revenues in the financing mix of cultural organisations represented on average around EUR 166.6 million per country (Causales, 2014[50]). The 251 cultural institutions participating in the survey evaluated the quality of sponsorship management in European cultural institutions and the potential future of a European cultural sponsorship market. According to this survey, 74% of cultural institutions acknowledged the increasing importance of sponsorship.

More can be done to raise the awareness of potential sponsors about sponsorship benefits and about the importance of a stable regulatory framework. A survey of large Italian firms found that just under 50% of 345 respondents had used sponsorship arrangements. Of the companies who had not engaged in sponsorships, around half stated a lack of knowledge of the potential fiscal benefits of such arrangements. Other reasons for a lack of sponsorship engagement included questioning of sponsorship as an effective tool for communication, being too expensive in view of its expected benefits, or perception of cultural suppliers as unreliable partners. In all countries and projects, a stable regulatory framework that guarantees and safeguards the conditions of the collaboration in the medium or long run is also needed. Contractual arrangements can be considered the main vehicle for mutually satisfactory cultural sponsorships (Severino, 2014[51]).

Patronage and sophisticated forms of sponsorship are not new, but what has changed since the 20th century is the growing support of governments in orchestrating these privately funded or co-funded cultural patronages or sponsorships. In some cases, this could lead to public-private partnerships based on ad hoc contracts or agreements and in others, this could facilitate the creation of intermediate bodies such as arts councils to distribute private donations in a way which aligns with public objectives (Frey, 2019[2]).

Crowdfunding and the platform economy

Crowdfunding is understood as "an initiative undertaken to raise money for a new project proposed by someone, by collecting small to medium-size investments from several other people (i.e. a crowd)" (Ordanini et al., 2011[52]). Crowdfunding has recently emerged as an alternative and well-used source to fundraise private investment for cultural and creative projects. Crowdfunding offers enhanced opportunity to access finance from a range of individuals and represents an alternative to minimise or even eradicate the number of intermediaries between creation and consumption of cultural products.

There are four main types of crowdfunding: equity-based, lending-based, reward-based, and donation-based (Hossain and Oparaocha, 2017[53]). In equity-based models, individual investors offer money in return for an equity share in the company or project being funded. In lending-based crowdfunding, funds are provided as a loan and so this type of funding is often referred to as "peer-to-peer" or P2P lending. In both cases, investors are motivated to finance projects by the prospect of a fiscal benefit or return on investment. Reward-based and donation-based models are both forms of non-financial crowdfunding where money is given either in exchange for some kind of non-financial "reward", such as small gifts of the first manufactured products, or money is donated by individuals for purely philanthropic means. As such, equity-based crowdfunding can be seen as an alternative to venture capital funding, lending-based crowdfunding as an alternative to traditional bank debt, donation-based crowdfunding as an extension of patronage models and reward-based crowdfunding as a hybrid of patronage and sales. Whereas donation-based and reward-based crowdfunding are particularly suitable for financing specific cultural projects, lending-based and equity-based crowdfunding models are much more focused on organisational financing (OECD, 2018[3]).

Crowdfunding may influence the rate of innovation by increasing the total amount of funding available to innovative new ventures. At the same time, it may influence the direction of innovation by changing the way in which capital is allocated to new ventures (Agrawal, Catalini and Goldfarb, 2014[54]). Further than resource-pooling or social-networking strategies, crowdfunding has unique elements: first, the return of the investment could be financial but also intangible for instance, status or social esteem. Second, the decision-making process of potential contributors with respect to which innovative ideas to finance is mostly limited to making a selection among available alternatives (Ordanini et al., 2011[52]).

Crowdfunding has several characteristics that make it an interesting tool for financing CCS. First, the benefits of setting up a crowdfunding campaign go beyond the mere collection of money. It can increase the involvement of stakeholders, build a community, or be used to communicate a vision to the public. These are important factors for cultural actors to increase their support and impact on society. Second, a large part of the financing needs in the cultural sector is related to specific projects and microfinance (less than EUR 25 000). It is often difficult to meet these financing needs through traditional forms of bank financing, whereas crowdfunding campaigns can set smaller fundraising goals. Third, the CCS is composed of very different actors. Some are heavily dependent on subsidies, while others have more opportunities to generate market revenues. Some CCS institutions are clearly anchored locally, while other actors are active in international value chains (e.g. film, music). The different forms of crowdfunding offer opportunities for the financing needs of various actors. And finally, crowdfunding has an important signal value, in demonstrating the market potential of specific products and projects to traditional investors and financiers. Successful campaigns can be seen as an indicator of support and thus facilitates further co-financing by traditional financiers.

Next to the emergence of new fundraising alternatives is the generalisation of the use of ICT. Technologies facilitate the outreach and the dissemination of potential projects to be supported. In the case of CCS, digitisation has played a key role in opening new possibilities, from rethinking the traditional value chain to the opening of new channels for financing and co-production of cultural projects (Shneor, Zhao and Flåten, 2020[55]). Crowdfunding provides access to financial resources to artists, creators and new CCS businesses that might not otherwise occur, especially in early-stage financing of their careers (Agrawal, Catalini and Goldfarb, 2015[56]). Moreover, artists and creators with a mainly local focus of activity might seek in crowdfunding platforms the credibility and recognition of professionalism that otherwise could be in doubt (Dalla Chiesa and Dekker, 2021[57]).

There are three primary actors in CCS crowdfunding: creators, funders and platforms. They respond to different incentives such as lower cost of capital or more visibility (for the creators); access to investment opportunities, early access to new products, being part of the community, philanthropy and certification of contributions (for funders), profit and media attention (for platforms). However, crowdfunding might also generate unintended consequences such as the disclosure of innovative ideas lacking proper intellectual property protection to potential competitors and imitators, difficulties in the collection and management of a large number of small-sized non-professional investments (for creators), creator incompetence, fraud and high project risk (for funders) (Agrawal, Catalini and Goldfarb, 2014[54]).

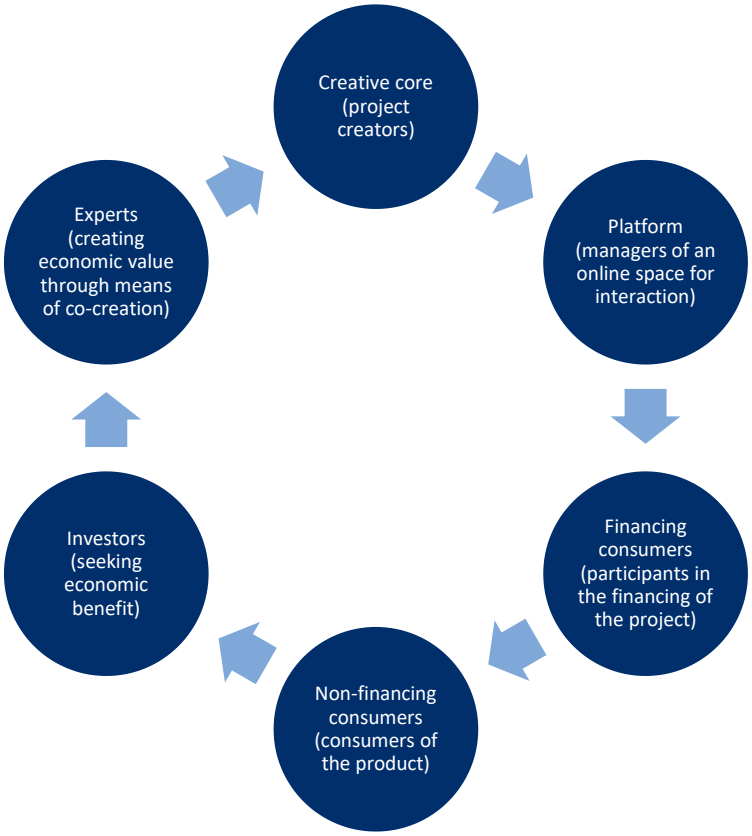
Crowdfunding in CCS requires the participation and engagement of several actors. Quero and Ventura identify six types of actors in CCS crowdfunding arrangements (Figure 5.16). Each of these actors adds value to the overall project being funded through co-ideation, co-valuation of ideas, co-design, co-test, co-launch, co-investment or co-consumption.

Crowdfunding typically relies on personal relationships (Agrawal, Catalini and Goldfarb, 2014[54])**.** Path dependency strongly influences the engagement and success of CCS projects in crowdfunding throughout a variety of digital platforms. Crowdfunded CCS projects explore new avenues of value creation and business models in the cultural and creative sector, whose reception by potential investors depends on a number of factors. Moreover, although any CCS project might be potentially eligible for fundraising from the crowd, certain personality traits of the project creator such as openness, sociability or extraversion have been shown to enhance the probability of engagement in crowdfunding attempts (Davidson and Poor, 2014[58]).

The availability of data on crowdfunding is limited. One of the underlying problems in CCS crowdfunding analysis is the lack of harmonised data and definitions. Several studies on CCS crowdfunding have relied on specific platform data or ad hoc primary research. However, a study on the extent of crowdfunding projects in CCS based on 75 000 campaigns launched since 2013 across different CCS subsectors and EU Member States, reveals that around 50% of the campaigns were successful in

reaching their goal, for a total amount of around EUR 247 million (EC, De Voldere and Zeqo, 2017[59]). However, such an amount covered only 7% of the needs pledged in these campaigns. The research also makes an important point: Europe is home to about 600 crowdfunding platforms. However, almost half of the CCS campaigns (47%) initiated by a European project creator were hosted on global US-based platforms. The same source indicates that crowdfunding in CCS is mostly reward-based or donation-based, signalling a relative lack of professional or strategic investors.

Figure 5.16. The key actors in crowdfunding models



Source: Quero, M.J. and R. Ventura (2015[60]), "The role of balanced centricity in the Spanish creative industries adopting a crowd-funding organisational model", http://dx.doi.org/10.1108/JSTP-09-2013-0182.

Crowdfunding is not going to substitute for public funding. Presumably, it will coexist with the latter as an inclusive, bottom-up form of philanthropy (Weigmann, 2013[61]). In CCS, crowdfunding is increasingly seen as a potential source of alternative funding but to date, it makes a modest contribution to the financial ecosystem of CCS (EC, De Voldere and Zeqo, 2017[59]; Shneor, Zhao and Flåten, 2020[55]).

Box 5.8. Examples of crowdfunding platforms and campaigns

There is a wide range of crowdfunding platforms available, some of which are specifically aimed towards supporting CCS projects, and others which are more general in scope. Moreover, many national governments and local administrations have begun to develop their own crowdfunding platforms to help finance and support CCS projects.

- *KickStarter* is a well-known platform for creative projects based in the United States since 2009. It has since raised over USD 600 million for more than 40 000 creative projects. The type of financing is limited to donations and sponsorship. 15 categories are eligible: Art, Comedy, Comics, Dance, Design, Fashion, Food, Film & Video, Games, Journalism, Music, Photography, Technology, Theatre, or Writing & Publishing.
- *Crowdfunding.gent* is the crowdfunding platform of the city of Ghent, which started in 2015 and is intended for both profit and non-profit organisations (including individuals and non-profit organisations) that are looking for financing for their projects or campaigns. These can only be financially supported by pure donation or donation in exchange for a symbolic reward. Crowdfunding.gent runs on the online do-good platform of the foundation 1% Club, which charges an honorarium of 7% when the crowdfunding campaign reaches its goal; if this is not the case, the foundation 1% Club charges a fee of 2%.
- The "*Un Passo per San Luca"* is an example of a local civic crowdfunding campaign, which contributed, among many other initiatives, to the recognition of the Porticoes of Bologna as a UNESCO World Heritage Site in 2021. This recognition builds on participatory governance structure that has been put forth by the Municipality of Bologna, Italy, to manage, preserve, and devise urban policies for the porticoes throughout the years. The "*Un Passo per San Luca"* civic crowdfunding campaign was one of the many initiatives that contributed to raise awareness on the porticoes, while also representing a successful crowdfunding campaign involving both public and private actors and targeting the preservation and restoration of cultural heritage in Italy. The campaign was carried out between October 2013 and October 2014 with the support of a local crowdfunding platform that helped set up a DYI website and manage the campaign. The campaign raised EUR 330 000 from over 7 000 supporters and helped finance renovation works on the San Luca Porticoes. The Municipality of Bologna contributed to the campaign with EUR 100 000 that were collected through Bologna's own tourist tax, as well as through patronage and sponsorship initiatives.
- The Dutch crowdfunding platform *Voordekunst* has been operational since 2011 with the support of the city of Amsterdam and focuses on creative projects. The available options for fund providers are only donations or sponsoring in exchange for rewards in kind. *Voordekunst* is transparent and democratic; it stimulates entrepreneurship and strengthens social support for the art sector.
- *Kisskissbankbank* is a European and international platform launched in response to the 2008 financial crisis. KissKissBankBank is a crowdfunding platform for projects by filmmakers, musicians, designers, developers, illustrators, explorers, writers, and journalists worldwide. Donors from 174 different countries have funded projects from 38 different countries.
- *Goteo in Barcelona* is a platform for civic crowdfunding founded by Platoniq, a Catalan organisation specialising in digital cultural production and civic participation projects. Goteo helps citizen initiatives as well as social, cultural and technological projects that produce open-source results and community benefits by providing crowdfunding and crowdsourcing support. Since its launch in 2011, Goteo's crowdfunding campaigns have mobilised more than

90 000 people, collecting over EUR 4.5 million and successfully funding initiatives in more than 70% of the cases. Through the projects it enables, Goteo promotes transparency, open-source information, knowledge exchange and cooperation among citizen initiatives and public authorities.

- *The Australian Cultural Fund (ACF)* is a fundraising platform for Australian artists. It is managed by Creative Partnerships Australia, a not-for-profit organisation supported by the Australian Government through the Department of Infrastructure, Transport, Regional Development and Communications. The ACF was established by the Australian Government in 2003 to encourage donations to the arts. Unlike all-or-nothing fundraising platforms, all donations are still taken into account for ACF artists if their initial fundraising goal is not met. Donations over AUD 2 are tax-deductible. In 2020/21 the ACF supported fundraising campaigns of 490 independent artists, and arts organisations. Together they generated 9 811 donations from 8 788 arts lovers to invest more than AUD 4.4 million into arts and cultural projects.

Source: Kickstarter (2021[62]), www.kickstarter.com/ (accessed on 1 November 2021); Crowdfunding.gent (2021[63]), www.crowdfunding.gent (accessed on 1 November 2021); Voordekunst (2021[64]), www.voordekunst.nl (accessed on 1 November 2021); KissKissBankBank (2021[65]), www.kisskissbankbank.com (accessed on 1 November 2021); OECD (2018[66]), "Culture and Local Development: Background report", https://www.oecd.org/cfe/leed/culture.htm; Goteo (2022[67]), https://en.goteo.org/ (accessed on 10 May 2022); Creative Partnerships Australia (2022[48]), www.creativepartnerships.gov.au/ (accessed on 3 March 2022); OECD (forthcoming[68]), *Cultural and creative sectors and local development: the case of Emilia-Romagna*.

Frameworks and alliances between public, private and third sector actors to finance arts, culture and creativity

Partnerships and alliances are at the core of the emergence of new financial ecosystems for culture. Public-private, public-public and public-civic partnerships are increasingly found in many cultural interventions. Since creative and cultural ecosystems involve a multiplicity of stakeholders, partnerships between local governments, creatives, and other major contributors are key to enabling a thriving creative ecosystem by aligning mutual interests and priorities (UNESCO/World Bank, 2021[69]). In this vein, governments are transforming their forms of intervention to support greater interaction between CCS and private funders. At the same time, cultural organisations are offering a wide array of opportunities for private investment in exchange for economic or social returns. This is contributing to broadening the scope of public-private partnerships meant to enhance the financial sustainability of arts and culture. Thus, new avenues of collaboration are opening up in the form of alliances and agreements across a wide range of public sector, private sector and third sector actors.

One of the innovations in public sector engagement in CCS support is its role as a third-party guarantee. For example, in 2016, the European Commission set up the Cultural and Creative Sectors Guarantee Facility (CCS GF) which covers up to 70% of financial intermediaries' potential loss on individual loans to CCS projects and up to 25% of investors overall CCS loan portfolio. The EU guarantee is provided free of charge to selected financial intermediaries and can be accessed by CCS SMEs or small public enterprises in EU member states. As of 2019, EUR 424.4 million of debt financing had been made available by the scheme, supporting projects worth over EUR 1.08 billion in total (EC, 2021[70]).

Some governments are also harnessing the power of crowdfunding to encourage private sector investment and individual giving to CCS. For example, funding from the Scottish Government and the national lottery is being invested through Creative Scotland. The latter has partnered with the private crowdfunding platform Crowdfunder, offering match funding to creative projects seeking financial resources through the platform. So far, projects in Scotland have raised over GBP 200 000 for projects in live and recorded music, participatory arts, fashion and textiles and others (OECD, forthcoming[71]).

However, partnership models are currently challenged by new business models blending non-profit and for-profit rationales. Cultural organisations are increasingly relying on a wider variety of business models and funding sources. Consequently, the traditional distinction between non-profit, publicly-funded or commercial producers is being gradually eroded by many organisations in the sector as they strive to keep afloat. Hybridisation in cultural production and its consequences respond to rationales that range from typical commercial interests to voluntary cultural service to the community (Gielen and Lijster, 2016[72]). Thus, tensions can arise in the values and priorities of different stakeholders in CCS organisations and partnerships. The contradiction between drivers of, for instance, public institutions guided by societal principles and private organisations interested in economic profit is inevitable unless their shared objectives are compatible with their own interests. As such, many authors advocate for the benefits of the inclusion of non-governmental organisation (NGO) principles in these partnerships as they are driven by mission rather than profit (Bartoletti and Faccioli, 2020[73]; Copic and Dragicevic Sesic, 2018[74]).

The impact of COVID-19 on the financing of CCS

CCS have been some of the most affected sectors by the COVID-19 pandemic. As discussed in the previous chapters, the venue-based sectors (such as museums, performing arts, live music, festivals, cinema, etc.) were among the hardest hit by social distancing measures. The abrupt drop in revenues has put their financial sustainability at risk and has resulted in reduced wage earnings and lay-offs with repercussions for the value chain of their suppliers, from creative and non-creative sectors alike.

In response, governments across the globe have offered a variety of relief packages targeted to CCS (OECD, 2020[75]). These include grants and subsidies for cultural sectors, grants and subsidies for individual artists, compensation of losses, loan provision and guarantees and investment incentives (Box 5.9). Funding directed specifically to cultural and creative sectors has been included in many countries emergency aid packages, with some governments allocating a budget for the whole cultural sector, and others specifying specific amounts to be assigned to sub-sectors, such as music, cinema, museums, and publishing industries. In addition, several countries have put in place a range of measures to compensate for the actual or potential losses that CCS firms incur due to COVID-19 lockdowns. These are reimbursement schemes that specifically benefit cultural and creative sectors and individuals who have lost income due to cancelled activity (EC, 2020[76]).

Regions and cities have also allocated specific budgets to their cultural sectors. For example, the Brussels-Capital Region has instituted an emergency fund of EUR 8.4 million targeted specifically towards the cultural sector. It also allocated a fund of EUR 5 million to provide EUR 1 500 to individual cultural and creative workers who cannot benefit from other forms of support. The city of Seoul (Korea) has directed support specifically towards artists and workers in the CCS through the creation of three different Emergency Support for the Arts funds. They target artists, arts companies, planners, art educators and freelancers. In such a way, the city provided economic relief to CCS workers, overcoming the diverse and non-traditional nature of employment in such sectors. Regional support has also been directed to certain hard-hit sectors. For example, the Department of Culture of Catalonia (Spain) advanced almost EUR 4 million for book purchases by libraries to also help minimise the impact of COVID-19 on the book sector (OECD, 2020[75]).

These emergency support packages have been a lifeline for many cultural organisations and creative businesses during the pandemic. Evidence from the United Kingdom suggests that over 85% of UK creative businesses had received some form of pandemic-related government support in 2020, with around 70% of museums, libraries and galleries and around 30% of music, visual and performing arts organisations receiving specific “cultural recovery” funding (Siepel et al., 2021[77]). However, of the firms surveyed, a significant number indicated a need for further support and a lack of financial ability to invest

in key business activities themselves. Similarly, a survey of artists and creative organisations in the United States by America for the Arts found that around 70% of respondents who had suffered a loss of income as a result of the pandemic were planning to apply for government support to compensate for their losses (Americans for the Arts, 2021[78]).

Box 5.9. Overview of COVID-19 related public funding measures impacting CCS

During 2020 and 2021, governments across the world implemented a range of policy initiatives to support CCS hit by the global pandemic. The table below shows the type of public funding offered by national governments to CCS as of September 2020. While a number of other types of support have been offered (e.g. employment support, deferral of payments and easing administrative procedures, etc.) and a number of regional administrations within these countries have also provided additional funding in these areas, the table demonstrates the range and scale of public investment from national governments around the world.

Table 5.2. Public funding measures to support CCS in response to COVID-19, as of September 2020

Country	Grants and subsidies for cultural sectors	Grants and subsidies for individual artists	Compensation of losses	Loan provision and guarantee	Investment incentives
Australia	x	x	x	x	
Austria	x	x	x		
Belgium					x
Canada	x			x	
Chile	x			x	
China					
Colombia	x	x		x	
Czech Republic	x	x	x		
Denmark	x	x	x		
Estonia	x	x	x		
Finland	x	x	x		
France	x	x	x		x
Germany		x	x	x	
Greece	x				
Hungary		x			
Ireland	x	x	x		
Italy	x	x	x	x	
Japan	x	x		x	
Korea	x	x	x	x	
Latvia	x		x	x	
Lithuania	x	x			
Luxembourg	x	x	x		
Mexico		x			
Netherlands	x	x	x	x	

New Zealand	x	x		x	x
Norway		x			
Poland		x			
Portugal	x		x		x
Slovak Republic		x			
Spain	x			x	
Sweden	x			x	
Switzerland	x	x	x	x	
United Kingdom	x	x		x	
United States	x	x		x	

Source: OECD (2020[75]), "Culture shock: COVID-19 and the cultural and creative sectors", https://read.oecd-ilibrary.org/view/?ref=135_135961-nenh9f2w7a&title=Culture-shock-COVID-19-and-the-cultural-and-creative-sectors.

Yet there remains a significant deficit in the amount of support offered to creative sectors in view of the size of the accrued losses. A review of COVID-19 support for CCS in Europe found that when comparing the overall budget spent on CCS in the context of the COVID-19 crisis to the expected revenue loss for firms in these sectors, a huge gap emerges (IDEA Consult et al., 2021[79]). Moreover, they concluded that this gap was likely to remain substantial even if further programmes were to be launched.

The financing landscape for CCS in the post-COVID recovery period remains uncertain. While the 2008 global financial crisis was a catalyst for a reduction in government support for CCS, it remains to be seen to what extent an analogous situation will emerge in the aftermath of the global pandemic. In the light of a growing acknowledgement of the importance of CCS for regional and national growth, many governments have labelled CCS as strategic growth sectors in their recovery plans. However, this does not necessarily mean more public spending on arts and culture and could in fact mark a further shift towards more market-oriented sustainability models.

Policy perspectives

Consider culture as an investment, not a cost

The consideration of CCS social impact, beyond its profitability, provides a rationale for public support. A lack of profitability is intrinsic to many cultural projects, at least in certain phases of creation. In addition, market results do not consider the positive externalities that culture and CCS can create, over and above pure economic value. Aside from job creation and GDP contribution, CCS affect individual and community well-being and brings numerous other benefits.

Ensure a stable regulatory framework

The increasing participation of new actors in the support and financing of culture and cultural organisations requires a stable regulatory framework to strengthen their commitment. Favourable regulation has become one of the most compelling and stimulating catalysers to enhance private participation in arts and culture funding. As such, a stable regulatory framework for financing CCS, which encompasses a mix of direct and indirect funding, alongside innovative strategies for supporting private sector investment, is needed.

Besides ensuring the necessary stability for alternative and innovative models to finance cultural projects, governments can proactively assume the risk of financing uncertain phases in the value chain mainly associated with the creation stage. Governments can be leading agents in facilitating the kind of innovative breakthroughs that allow companies, and economies, to grow, not merely by creating the conditions that enable innovation. Governments can proactively focus upon a new high growth area before the potential is understood by the business community (from the internet to nanotechnology), funding the most uncertain phase of the research that the private sector is too risk-averse to engage in, seeking and commissioning further developments, and often even overseeing the commercialisation process (Mazzucato, 2013[80]).

Recognise the diversity of funding needs within the sector

CCS do not fit well in conventional industrial definitions as their intra- and inter-sector diversity is high. Moreover, some actors in the more subsidised sub-sectors, such as performing arts or theatre, may not recognise themselves as operating within an industrial model. Thus, traditional industrial policy models are not adequate in supporting all cultural and creative sectors equally well. CCS are dominated by uncertainties that affect their possibilities to be financed. It becomes challenging to finance CCS only according to their performance on certain indicators (for instance, indicators of quality, productivity or success). The design of policy tools to catalyse or improve the financing of culture needs to pay attention to CCS unique characteristics. Thus, traditional industrial policy models could be enhanced by taking a more ecosystem-based approach, such as that taken in the EU industrial strategy (EC, 2021[81]; 2020[82]), and integrating sector-specific policy initiatives.

Innovation in financial ecosystems involves understanding the business fabric of CCS. Since small and medium companies, freelancers and non-for-profit organisations are overrepresented in CCS, adequate support tools should recognise the importance and the specific needs of these creative communities. In this sense, public funding might leverage private involvement in less economically attractive but socially relevant projects.

Recognise in the financial ecosystem the project-based schemes commonly used in CCS

Project-based schemes are commonly used in CCS and should be reflected in their financial ecosystem. Support policies based on a silo vision (to start, to develop the idea, to invest in infrastructure, etc.) would benefit from new approaches that cover the whole lifecycle of a project. Many different actors are involved in a particular project. The existence of well-established networks allows the development of ad hoc communities that do not lack expertise or interest but need financial resources to flesh out the new ideas. The financial gaps between creativity, exploration and innovation, and exploitation have stimulated the development of new forms of innovative support to culture and CCS.

Enhance networking opportunities

Innovative financial approaches to CCS and culture should enhance and protect their own intangible assets, like, for instance, their professional networks and relationships, and reinforce the weakest links. Since CCS are strongly based on the “projectification” of their ventures, keeping their connections alive is essential to develop innovative financial solutions by building upon the formal and informal relations that shape artistic production networks and their vast ramification in other sectors and social areas. However, artists and investors need to better align and coalesce around their common interests. Strategic support is needed to allow better synergies between those in need of financial means and those able to provide them.

Use public funding to leverage private involvement in areas of social impact

There is a global trend among investors to focus on investments that have a positive impact on society and the world at large. CCS are well suited to benefit from this growing trend in impact investment (Creativity, Culture and Capital, 2021[83]), as "simply acquiring art and building a collection for private enjoyment feels increasingly outdated in today's world" (Deloitte, 2019[84]). Moreover, there is also a general increase in cultural participation and involvement of communities and individuals who are not professional investors but who are willing to support such sectors through crowdfunding and other micro-finance type arrangements.

Ease access to crowdfunding

Access to crowdfunding can be eased by enabling the technological and financial environment as well as by addressing skills gaps such as financial literacy. Crowdfunding provides access to financial resources to artists and creators that otherwise would not occur, especially in early-stage finance of their careers. Regional and national authorities may consider actions to provide an enabling technological and financial environment. Crowdfunding platforms need internet access, bank accounts and online payment systems. There is also a need to ensure cyber-security, design prevention mechanism, and dispute and resolution mechanisms, as well as to increase the financial literacy of entrepreneurs and citizens (OECD, 2015[85]).

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Regional Perspectives: Using culture and creativity to transform places

The formation of cultural and creative districts is one way in which policy makers can promote cultural and creative sectors (CCS) at the local level. These districts often arise organically, through the clustering of cultural and creative businesses, workers and artists around a particular street or area within a city. However, cultural and creative districts can also be promoted by policy makers, through targeted planning strategies and support measures including, for example, renovating disused buildings, creating preferential business rates for CCS businesses, and launching creative hubs. Supporting the development of cultural and creative districts requires thorough consultation and engagement with local communities and the integration of different policy areas.

Presented below are five short case study examples of creative districts in OECD countries.

Matadero Madrid Centre for Cultural Creation (Madrid, Spain)

The Matadero Madrid Centre for Contemporary Creation is located in the city's former slaughterhouse and cattle market, in the Southern area of Arganzuela near the Manzanares river. The area functioned as the industrial slaughterhouse of Madrid from 1924 to 1996, when the buildings began to be re-purposed for cultural and creative activities. As a notable example, in the mid-1990s, the old cattle stable was transformed into the headquarters of the National Ballet of Spain and the National Dance Company.

In 2005, the Municipality approved a special plan of intervention to further adapt the use of the slaughterhouse, with an aim to increase the cultural use of the facility by 75%. A total of EUR 95 million was invested in the overall regeneration project, including the Slaughterhouse and surrounding area, with EUR 12.5 million of funding coming from the European Regional Development Fund (ERDF). The new premises were opened in 2007 as an open space for the participation of all to create, reflect, learn and enjoy.

Founded in 2006, Matadero Madrid is managed and funded by Madrid City Council's Department of Culture and Sport. The centre aims to support cultural projects that promote employment, promote Madrid as a cultural destination, and offer support to artists, CCS businesses and entrepreneurs. Its various spaces host an extensive programme of exhibitions, plays, festivals, concerts, films and audio-visual projects, conferences, talks, workshops, educational programmes, and artistic residencies. The involvement of the city's major actors and institutions, such as universities, businesses and local groups has been a key source of success for the centre, which operates on a model of collaboration and partnership.

Alongside permanent and temporary exhibitions, Matadero Madrid hosts a number of festivals including the Matadero L.E.V. Festival of Visual Electronics; the RAYO Festival of Expanded Visual Arts; the Madrid International Documentary Film Festival; the International Contemporary Animation Festival of Madrid; and the Matadero Madrid International Literature Festival. The centre also houses Medialab, a community laboratory that acts as a meeting place for the production of open cultural projects, and the Mutant Institute

of Environmental Narratives (IMNA), a laboratory for creation and research that addresses the climate crisis through art, fiction and other strategies for citizen mobilisation.

The Jewellery Quarter (Birmingham, UK)

The Jewellery Quarter is an area of central Birmingham, the United Kingdom (UK) that represents around 1.07 square kilometres. It is currently one of the largest clusters of companies devoted, directly or indirectly, to jewellery production and trade in the UK.

For most of its history, the Jewellery Quarter was a closed community. There were no jewellery shops until the late 1970s when the economic recession prompted some of the manufacturers to open their doors to retail customers. Soon, other retailers moved into the area and in the 1980s, old buildings started to be restored rather than pulled down.

The area started to develop in the late 1970s, when the economic recession forced some of the manufacturers to include retail in their activities. They were soon joined by other businesses moving to Quarter which in turn supported the conservation of old buildings rather than their demolition.

The area has become a hub for artistic creation and CCS businesses. Seven hundred jewellers and retailers are based in the Jewellery Quarter. Over 150 independent specialist retailers and craftspeople specialising in other creative activities rather than jewellery such as gastronomy or graphic design are located there as well.

Established in 2011, the Jewellery Quarter Development Trust (JQDT) delivers several projects that enhance the environment for businesses, visitors and residents. In addition to running the Jewellery Quarter Business Improvement District, the Trust secures outside investment for the area and continues to protect its heritage through the National Lottery Heritage Fund schemes. Since 2012, the Trust has secured over £5 million worth of investment for the Jewellery Quarter.

The Jewellery Quarter Business Improvement District (JQBID) was established in 2012 by the JQDT as part of its long-term plan to improve the business environment of the Quarter and to make it an attractive location for people to visit and businesses to invest. The JQBID is funded by a local levy, set at 2% of rateable value, which is payable by all non-domestic properties within the BID area and is collected by Birmingham City Council.

Quartier des spectacles (Montreal, Canada)

The Quartier des spectacles, located around the site of a former red light district in Montreal, has a rich cultural history. In the late 1800s, the Bibliothèque Saint-Sulpice and the Collège Sainte-Marie moved into the neighbourhood, soon followed by the first cultural establishment in the neighbourhood in 1885, The Gesù theatre. During the 1910s, a long line of theatres and cinemas opened or moved to the area, including the Monument-National, the Gayety Theatre, the Théâtre Saint-Denis and the Imperial Cinema, one of the first “super palaces” to be built in Montreal.

During the first part of the 20th century, the area became home to several cabarets, contributing to the reputation and popularity of Montreal as a place of recreation and leisure. However, the rise in popularity was accompanied by the growth of organised crime, prostitution and illegal gaming houses, leading to the area becoming known as a red-light district.

During the 1960s, the area underwent significant modernisation, with the construction of Place des Arts, the metro system, and the establishment of Hydro-Québec’s headquarters. Later, the building of commercial site, Complexe Desjardins and the campus of the Université du Québec à Montréal, also provided economic dynamism to the area. During the 1980s and 1990s, the network of cultural venues

expanded adding the Montreal Jazz Festival, the Musée d'art contemporain, the Société des arts technologiques and Club Soda while the Théâtre du Nouveau Monde underwent a complete renovation.

In 2001, several representatives from the cultural sector designed a vision for the future of Montreal based on positioning culture as a key development tool. The creation of the Quartier des spectacles aimed at using culture as the central piece of the development of the neighbourhood and the city of Montreal. The Montreal city government targeted the presence of major festivals to exhibit the existing cultural facilities. It was a form of intervention based on the existing path dependency of the area, improving the necessary infrastructures to accommodate the development of new events, shows and exhibitions.

The Quartier des spectacles Partnership was founded one year later, with 20 stakeholder members, responsible for activities in the neighbourhood public spaces, with the support of the City of Montreal and provincial and federal governments, all committed to the infrastructure development of the Place des Arts sector. New public spaces have been created (the Place des Festivals, Parterre, Promenade des Artistes) and many private and public real estate projects have been built, including several with a cultural focus, notably the 2-22 and the Maison symphonique de Montréal. The Partnership was then given the responsibility by the city to promote the destination, manage its public spaces and bring them to life. The Quartier hosts over 40 events each year alone contributing to enhancing the outdoor cultural offer of the city.

The Bronx creative district (Bogotá, Colombia)

The Bronx Creative District, located in Bogotá, aims to contribute to transforming the district into an inclusive, creative, caring and sustainable city. The idea for the Bronx Creative District was driven by the municipal administration in 2016, when the City Hall launched an urban renovation initiative in the area. The area where it is located was previously the largest drug distribution point in Bogotá and the development of the project aimed to transform this seriously deteriorated area into a cluster of economic and social development. Three neighbourhoods in the centre of Bogotá were direct beneficiaries of the project, Candelaria, Santa Fe and Mártires, which represent around 200 000 inhabitants.

The Bronx Creative District aims to be a space to develop productive initiatives, in an environment conducive to the birth of new consumption dynamics together with a cultural atmosphere of inclusion through support for entrepreneurs and companies in the creative and cultural industries.

The local Municipality initiated a public-private partnership to develop the creative district, in an effort observed across the country to attract private funding to complement municipal support for creative districts across Colombia. Currently, heritage protection actions are taking place in the area as well as the process of involving the existing community. The alliance between the Gilberto Alzate Avendaño Foundation and the Urban Renovation Company (ERU), both part of the district administration, is a major contributor to this project along with Bogota City Hall's department for sports, culture, recreation and habitat, among others and under the auspices of the Neighbourhood Redevelopment Plan (2020-2024).

The strategic objectives of the project are as follows:

- Generate opportunities for the productive reactivation and sustainability of the processes associated with the creative and cultural economy of the city, specifically the centre.
- Contribute to the recovery and revitalisation of the tangible and intangible heritage of its surroundings.
- Support the cultural and creative ecosystem of the city, through entrepreneurship, innovation and collaborative work.
- Promote social inclusion, strengthen the social fabric and coexistence, and generate opportunities for vulnerable communities.

22@Barcelona (Barcelona, Spain)

Located in the former industrial area of Poblenou, in the Northern East part of the city of Barcelona, the 22@ district has undergone significant regeneration over the past few decades. During much of the late 19th and early 20th centuries, the area housed a large number of factories and industrial units, primarily in the textiles industry, earning the region the nickname “the Catalan Manchester” (in reference to the UK city of Manchester which was also a powerhouse of textiles production during this period). During the 1960s however, the textile industry in the district began to decline, prompting progressive decay and abandonment.

In 1992, the city of Barcelona housed the Olympic Games, bringing a renewed interest in regenerating former industrial areas, and creating stronger linkages between the district and the city’s business centre. Following this, discussions began about the future of the neighbourhood based on two main proposals, becoming a residential area or, alternatively, an economic (service-oriented) district. After public debate, the amended Metropolitan Master Plan for the refurbishment of the industrial area of Poblenou - the 22@ Plan - was adopted in July 2000.

The comprehensive 22@ redevelopment plan had a horizon of ten years and was based on three different focuses: urban, economic and social. The project aimed for the neighbourhood to become a compact city, with both residential and economic functions.

Cultural and creative industries, in particular the media sector, were targeted as axes of development following a Triple Helix combination of industries, institutions and universities. Large media companies such as Mediapro and Lavinia set up in the area, alongside SMEs. In addition, several arts factories such as Hangar o la Escocesa, were also located in the area, providing residences for artists, developing workshops and exhibitions and participating in all sorts of cultural projects.

The area was rethought in 2015, throughout a participatory process, where the involvement of the different stakeholders was considered, and the municipality became one additional partner in a large consortium. The key priorities were established and agreed among partners with respect to the future expansion of certain parts of the district still underdeveloped. A formal agreement was signed in 2018 with the involvement of all the related actors in the district. Cultural and creative sectors formed an important component of this plan, with one street in particular, Pere IV Street, designed to become a “creative mile”. The new plan saw a mix of interventions and existing and new entrepreneurial and small and medium creative organisations contributing to forging a creative and cultural atmosphere, moving forward the more “economic” orientation of the past.

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Annex A. Sectors included in employment and business statistics by country

Table A A.1. Sectors included in cultural and creative employment statistics (NACE Rev. 2 codes) by country, 2020 or latest available data

	Printing and reproduction of recorded media (18)	Manufacture of musical instruments (32.2)	Publishing of books, periodicals and other publishing activities (58.1)	Motion picture, video and television programme production, sound recording and music publishing activities (59)	Programming and broadcasting activities (60)	Specialised design activities (74.1)	Photographic activities (74.2)	Translation and interpretation activities (74.3)	Creative, arts and entertainment activities (90)	Libraries, archives, museums and other cultural activities (91)
Australia	x	x	x	x	x	x	x	x	x	x
Austria	x	x	x	x	x	x	x	x	x	x
Belgium	x	x	x	x	x	x	x	x	x	x
Bulgaria	x	x	x	x	x	x	x	x	x	x
Canada	x		x	x	x	x	x	x	x	x
Croatia	x	x	x	x	x	x	x	x	x	
Czech Republic	x	x	x	x	x	x	x	x	x	x
Denmark	x	x	x	x	x	x	x	x	x	x
Estonia	x	x	x	x	x	x	x	x	x	x

	Printing and reproduction of recorded media (18)	Manufacture of musical instruments (32.2)	Publishing of books, periodicals and other publishing activities (58.1)	Motion picture, video and television programme production, sound recording and music publishing activities (59)	Programming and broadcasting activities (60)	Specialised design activities (74.1)	Photographic activities (74.2)	Translation and interpretation activities (74.3)	Creative, arts and entertainment activities (90)	Libraries, archives, museums and other cultural activities (91)
Finland	x	x	x	x	x	x	x	x	x	x
France	x	x	x	x	x	x	x	x	x	x
Germany	x	x	x	x	x	x	x	x	x	x
Greece	x	x	x	x	x	x	x	x	x	x
Hungary	x	x	x	x	x	x	x	x	x	x
Iceland	x	x	x	x	x	x	x	x	x	x
Ireland	x	x	x	x	x	x	x	x	x	x
Italy	x	x	x	x	x	x	x	x	x	x
Korea	x	x	x	x	x	x	x		x	
Latvia	x	x	x	x	x	x	x	x	x	x
Lithuania	x	x	x	x	x	x	x	x	x	x
Luxembourg	x	x	x	x	x	x	x	x	x	x
Malta	x	x	x	x	x	x	x	x	x	x
Mexico					x	x	x	x	x	x
Montenegro	x	x	x	x	x	x	x	x	x	x
Netherlands	x	x	x	x	x	x	x	x	x	x
North Macedonia	x	x	x	x	x	x	x	x	x	x
Norway	x	x	x	x	x	x	x	x	x	x
Poland	x	x	x	x	x	x	x	x	x	x

	Printing and reproduction of recorded media (18)	Manufacture of musical instruments (32.2)	Publishing of books, periodicals and other publishing activities (58.1)	Motion picture, video and television programme production, sound recording and music publishing activities (59)	Programming and broadcasting activities (60)	Specialised design activities (74.1)	Photographic activities (74.2)	Translation and interpretation activities (74.3)	Creative, arts and entertainment activities (90)	Libraries, archives, museums and other cultural activities (91)
Portugal	x	x	x	x	x	x	x	x	x	x
Romania	x	x	x	x	x	x	x	x	x	x
Serbia	x	x	x	x	x	x	x	x	x	x
Slovak Republic	x	x	x	x	x	x	x	x	x	x
Slovenia	x	x	x	x	x	x	x	x	x	x
Spain	x	x	x	x	x	x	x	x	x	x
Sweden	x	x	x	x	x	x	x	x	x	x
Switzerland	x	x	x	x	x	x	x	x	x	x
Turkey	x	x	x	x	x	x	x	x	x	x
United Kingdom	x	x	x	x	x	x	x	x	x	x
United States	x		x	x	x	x	x	x	x	x

Note: The sectors enumerated here are those with sufficient data from the EULFS. For non-EU countries, the sectors were aligned as closely as possible to those in scope of the EULFS for cross-country comparability of cultural employment. Not all countries provide data on the required number of NACE Rev. 2 digits so in such cases, it is necessary to impute them using information from countries that do provide detailed data. For more details and a complete listing of the theoretical cultural and creative sectors, please refer to the Eurostat definition (Eurostat, 2018[1]).
Source: Cultural employment by NUTS regions, Eurostat 2020; American Community Survey, 2019; Canadian Labour Force Survey, March 2019, Mexican National Survey of Occupation and Employment, 2019 quarter 4; Australian Census, 2016; and Statistics Korea, 2020.

Table A A.2. Occupations included in cultural and creative employment statistics (ISCO-08) by country, 2020 or latest available data

	216	2353	2354	2355	262	264	265	3431	3432	3433	3435	3521	4411	7312	7313	7314	7315	7316	7317	7318	7319
Australia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Austria	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Belgium	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Bulgaria	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Canada	x				x	x	x	x	x	x	x	x	x			x	x	x		x	x
Croatia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Czech Republic	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Denmark	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Estonia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Finland	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
France	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Germany	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Greece	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Hungary	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Iceland	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Ireland	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Italy	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Korea	x				x	x	x		x					x				x	x		
Latvia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Lithuania	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Luxembourg	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Malta	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Mexico	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Montenegro	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Netherlands	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x

	216	2353	2354	2355	262	264	265	3431	3432	3433	3435	3521	4411	7312	7313	7314	7315	7316	7317	7318	7319
North Macedonia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Norway	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Poland	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Portugal	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Romania	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Serbia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Slovak Republic	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Slovenia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Spain	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Sweden	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Switzerland	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Turkey	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
United Kingdom	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
United States	x				x	x	x	x	x	x	x	x	x		x		x	x	x	x	x

Note: ISCO-08 codes: 216: Architects, planners, surveyors and designers; 2353: Other language teachers; 2354: Other music teachers; 2355: Other arts teachers; 262: Librarians, archivists and curators; 264: Authors, journalists and linguists; 265: Creative and performing artists; 3431: Photographers; 3432: Interior designers and decorators; 3433: Gallery, museum and library technicians; 3435: Other artistic and cultural associate professionals; 3521: Broadcasting and audio-visual technicians; 4411: Library clerks; 7312: Musical instrument makers and tuners; 7313: Jewellery and precious-metal workers; 7314: Potters and related workers; 7315: Glass makers, cutters, grinders and finishers; 7316: Sign writers, decorative painters, engravers and etchers; 7317: Handicraft workers in wood, basketry and related materials; 7318: Handicraft workers in textile, leather and related materials; 7319: Handicraft workers not elsewhere classified. Not all countries provide data on the required number of NACE Rev. 2 digits so in such cases, it is necessary to impute them using information from countries that do provide detailed data. For more details and a complete listing of the theoretical cultural and creative sectors, please refer to the Eurostat definition (Eurostat, 2018[1]).

Source: Cultural employment by NUTS regions, Eurostat 2020; American Community Survey, 2019; Canadian Labour Force Survey, March 2019, Mexican National Survey of Occupation and Employment, 2019 quarter 4; Australian Census, 2016; and Statistics Korea, 2020.

Table A A.3. Sectors included in CCS enterprise statistics (NACE Rev. 2 codes) by country, 2018 or latest year available

	18	32.12	32.2	47.61	47.62	47.63	58.11	58.13	58.14	58.21	59	60	63.91	71.11	74.1	74.2	74.3	77.22	90	91
Australia	x	x	x	x		x	x				x	x	x	x	x	x		x	x	x
Austria	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Belgium	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Bulgaria	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Costa Rica	x	x	x	x		x				x	x	x	x	x	x	x		x	x	x
Croatia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Czech Republic	x		x	x	x	x	x	x	x		x	x			x	x	x		x	x
Denmark	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Estonia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Finland	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
France	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Germany	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Greece	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Hungary	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Iceland	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Ireland				x	x	x					x		x	x	x	x	x	x	x	x
Italy	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Korea	x	x	x	x		x				x	x	x	x	x	x	x		x	x	x
Latvia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Lithuania	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Luxembourg	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Malta	x		x								x	x							x	
Netherlands	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
New Zealand	x	x	x	x		x	x				x	x	x	x	x	x		x	x	x
North Macedonia	x		x	x	x	x	x	x	x		x	x	x	x	x	x	x		x	x

	18	32.12	32.2	47.61	47.62	47.63	58.11	58.13	58.14	58.21	59	60	63.91	71.11	74.1	74.2	74.3	77.22	90	91
Norway	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Poland	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Portugal	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Romania	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Serbia	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Slovak Republic	x	x	x	x	x	x	x	x	x		x	x		x	x	x	x	x	x	x
Slovenia	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Spain	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Sweden	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Switzerland	x		x								x	x			x	x	x		x	x
Turkey	x	x	x	x		x	x				x	x	x	x	x	x		x	x	x
United Kingdom	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
United States	x	x	x	x		x	x				x	x	x	x	x	x		x	x	x

Note: NACE Rev. 2 codes: 18: Printing and reproduction of recorded media; 32.12: Manufacture of jewellery and related articles; 32.2: Manufacture of Musical Instruments; 47.61: Retail sale of books in specialised stores; 47.62: Retail sale of newspapers and stationery in specialised stores; 47.63: Retail sale of music and video recordings in specialised stores; 58.11: Book publishing; 58:13: Publishing of newspapers; 58:14: Publishing of journals and periodicals; 58:21: Publishing of computer games; 59: Motion picture, video and television programme production, sound recording and music publishing activities; 60: Programming and broadcasting activities; 63.91: News agency activities; 71.11: Architectural activities; 74.1: Specialised design activities; 74.2: Photographic activities; 74.3: Translation and interpretation activities; 77.22: Renting of video tapes and disks; 90: Creative, arts and entertainment activities; 91: Libraries, archives, museums and other cultural activities.
Source: Enterprises in Cultural Sectors, Eurostat; Structural Business Statistics, OECD.

Annex B. Glossary of terms

Cultural and creative sectors: Industry sectors which are predominantly cultural or creative in nature.

CCS sub-sectors: The different industry sectors which make up CCS. These can include: advertising, architecture, crafts, cultural education, cultural heritage sites, design, fashion, film and television, libraries, museums, music, performing and visual arts, photography, publishing, radio, videogames, etc.

Cultural and creative occupations: Jobs which are predominantly cultural or creative in nature. These can be found in cultural and creative sectors as well as other sectors of the economy (e.g. designers working in car manufacturing).

Cultural and creative employment: All jobs in cultural and creative sectors plus cultural and creative occupations in other sectors of the economy.

Cultural participation: All the ways individuals may access cultural goods and experiences. It includes both active (playing a musical instrument, painting, or performing in a play) and passive (listening to music, reading a book, or playing a videogame) forms.

Cultural and Creative goods (trade): Physical or digital products which are predominantly cultural or creative in nature (e.g. a book, film or computer game)

Cultural and Creative services (trade): Facilities or activities provided to a customer or consumer which are predominantly cultural or creative in nature (e.g. design services, advertising services, music recording services).

Cultural services (government spending): Services that are predominantly cultural in nature, including: administration of cultural affairs; supervision and regulation of cultural facilities; operation or support of facilities for cultural pursuits (libraries, museums, art galleries, theatres, exhibition halls, monuments, historic houses and sites, zoological and botanical gardens, aquaria, arboreta, etc.); production, operation or support of cultural events (concerts, stage and film productions, art shows, etc.); grants, loans or subsidies to support individual artists, writers, designers, composers and others working in the arts or to organisations engaged in promoting cultural activities.

Cultural and creative production: The production of cultural and creative goods and services, e.g. making movies, books, art pieces, theatrical performances, design services etc.

Cultural consumption: The use or experience of cultural and creative goods and services, e.g. watching movies, reading books, attending theatrical performances, utilising design services etc.

Cultural access: The ability to participate in culture (e.g. visit a museum, read a book, etc.), which may be hindered by physical, geographical, financial or social barriers.

Philanthropy and patronage: Where individuals or organisations donate money or in-kind goods and services without expectation of any tangible return. This can take the form of one-off payments to support a specific project, or donations made regularly to support ongoing work (patronage).

Local Economic and Employment Development (LEED)

The Culture Fix

CREATIVE PEOPLE, PLACES AND INDUSTRIES

Cultural and creative sectors and industries are a significant source of jobs and income. They are a driver of innovation and creative skills, within cultural sectors and beyond. They also have significant social impacts, from supporting health and well-being, to promoting social inclusion and local social capital. As national and local governments reconsider growth models in the wake of COVID-19, cultural and creative sectors can be a tool for a resilient recovery if certain longer-term challenges in the sector are addressed. The report outlines international trends with new data, including at subnational scale. It addresses issues in cultural and creative sectors in terms of employment, business development, cultural participation and funding, both public and private. It provides analysis of how these sectors contribute to economic growth and inclusion, taking into account the impact of COVID-19 related crisis on jobs and firms. Finally, it offers recommendations on how to capitalise on the role of cultural and creative sectors in national and local recovery strategies.

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