

DIMENSIONS AND PERFORMANCES OF THE CREATIVE ECONOMY IN ROMANIA

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ABSTRACT

The creative economy highlights the human resource, talent, intellect and creativity, as the main production factors. Creativity makes its presence felt in the combination of the production factors in any industry, but along with artistic and symbolic expressiveness, copyrights and specific production methods, outlines the creative and cultural industries. These industries are known to have a great potential in job creation, generating incomes, increasing the exports and supporting social inclusion, but they also face extreme levels of demand uncertainty, tendencies toward monopoly, complex labour markets, plagiarism and theft of property rights. Anyway, the aim of this paper is to assess the creative economy in terms of job creation and generated earnings during 2010 – 2016. So, on the one hand, we analysed data regarding the number of persons employed in the creative and cultural industries and also their labour productivity. On the other hand, we analysed the generated net profit and the net profit margin rates. The results showed us a generally positive evolution during the entire analysed period, the most extraordinary evolutions belonging to the industries of IT and Art Crafts. The continuous growth during the seven years of analysis demonstrates that the creative and cultural industries present sustainability in economic development, succeeding to grow in the years following the economic crisis of 2008.

KEYWORDS: *creative economy, creative and cultural industries, economic performances, job creation, labour productivity.*

1. INTRODUCTION

The creative economy, the cultural economy, the creative and cultural industries, and the creative class, as well, are more and more discussed and become common concepts stirring up the interest as they become more understandable. The intellect and its possibilities of exploitation have become the main subject of concern in the new economic trend, where "the world is shifting to an economy that depends more on human creativity and knowledge than on any other single raw material, even oil" (Newbiggin, 2010, p. 20). According to Lin and Chiu (2017, p. 2) the term creative industry is defined differently among different countries: creative industry (used mainly in United Kingdom and Japan), cultural industry (United Nations Educational, Scientific and Cultural Organization, France and China), cultural content industry (South Korea) and cultural and creative industry (used in Taiwan, Germany and Hong Kong).

Trying to create a set of tools for mapping the Creative Industries, the British Council found that difficulties and challenges started even with finding / agreeing for a definition of the creative industries (CI) "what is in and what is out will help clarify the scope of the work" (BOP Consulting, 2010, pp. 38-39). The challenge is real because there is no standard definition, unanimously accepted, of the creative industries in use. Moreover, most countries adapt their concept to their

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own needs, strategies and particularities - industrial, cultural and social. For example, taking the example of the United Kingdom, Germany, Spain and France, the authors find that while Art market / visual art, Audio-visual and Music are unanimously included in the CI category, Architecture is not a CI in Spain, and Fashion and Crafts are CI only in the UK but not in Germany, Spain or France. Finally, Spain and France include in the CI the sectors Libraries or Museums and Cultural Heritage, Germany and UK do not do so, and examples can continue (BOP Consulting, 2010, p. 38).

However, regardless of the chosen name, we can say that, the creative industry is ever more enumerated as a key industry for economic growth by countries worldwide. Globalization, the dynamism and expansion of information and communication technology and, last but not least, the encouragement of cultural, artistic and scientific innovation and creativity at the level of individuals, companies and governments gave unprecedented momentum to the cultural and creative sector.

The creative economy includes a large share of activities based on the human resource with its creativity, transposed through intellect or talent into creative goods and services, protected and rewarded by intellectual property rights. Accordingly to UNCTAD (2004, p. 4), the creative economy comprises "activities having a strong artistic component to any economic activity producing symbolic products with a heavy reliance on intellectual property and for as wide a market as possible".

Another important aspect of the creative and cultural industries is their feature as environmentally – friendly; their primary input is creativity, rather than natural resources, "the creative industries production is usually less dependent on heavy industrial infrastructure and can be easily compatible with rules and objectives that aim at environmental protection and preservation" (UNCTAD, 2010, p. 26).

So, once the unlimited potential in creating value and driving economic development is foreseen, the creative economy appears as a gold mine, only waiting for exploitation. In fact, creative and cultural industries represent "a significant factor of structural change at the economy's level, and an employment multiplier, of generating new, performance jobs on a sensible interface segment with the international trade of goods and services" (Zaman and Vasile, 2010, pp. 73-74). Also creative and cultural industries could be recognized "both as cause and as effect of the economic development; as cause of the economic development – it is the source of generating employment and revenues and as effect - due to peoples' habits of spending on culture when the incomes are higher" (Sava & Badulescu, 2017, p. 79).

Understanding the place and the importance of cultural and creative industries is not a simple exercise of mapping, identifying and recognizing their contribution to a global economy in permanent change and model searching. It can be an important step in looking for a new way of developing or revitalizing some sectors from which are great expectations, both in terms of growth potential, innovation and competitiveness, but also as a model for the whole economy and society. We have in mind here, especially the situation of entrepreneurship and small and medium-sized firms, where creativity and innovations are an essential source for sustaining economic growth and welfare (Cadaru & Badulescu, 2017, p. 67), where, for companies who want to maintain themselves on the market, to resist competition, to enlarge and develop their business, the imagination and innovation is mandatory (Cadaru & Badulescu, 2015, p. 663). Concerned about maintaining Europe's competitiveness in a changing global environment, the European Commission insists that creativity and innovation develop into a new entrepreneurial culture. This fact is reinforced by the fact that "cultural contents play a crucial role in the deployment of the information society, fuelling investments in broadband infrastructures and services, in digital technologies, as well as in new consumer electronics and telecommunication devices" (European Commission, 2010, p. 3), and creative industries contribute to stimulating economic and social innovation in many other sectors. Considering that innovation over the contemporary period exceeds the technological and scientific

changes; cultural and creative industries could "offer the opportunity to bring essential change in non-technological innovation for products and processes, contributing to a more inventive Europe (HKU, 2010, p. 6).

But the creative economy presents interest also because of the social aspects included; it has a great potential in promoting social tolerance and inclusion, the "creative and cultural industries have impacts that go far beyond leisure, entertainment, jobs or economic growth. They also provide invaluable social cement; they contribute to the feeling of belonging to a society" (EY, 2014, p. 7). Along with all these positive aspects, the creative economy faces negative aspects of its vulnerable points. One of these is the recognition and rewarding of the intellectual property rights. In a society benefitting easy access to internet and to any content available, lots of the creative goods are illegally used and downloaded. Another vulnerable aspect is the uncertainty of the demand for creative goods and services, and so, the income of the creative class.

2. THE CREATIVE AND CULTURAL SECTORS

Defining and delimiting the creative economy represent the challenge in measuring and assessing it due to the ambiguity and variability of the existing definitions and classifications. However, the majority agree upon these three characteristics (Throsby, 2001, p. 4):

- involving some form of creativity in their production;
- being concerned with the generation and communication of symbolic meaning;
- embodying, in their output, some form of intellectual property.

The cultural industries are part of the creative industries and the difference between them is that the cultural industries imply a "capitalisation" of art and include artistic or talent based activities, such as: music, painting, craft, performing, writing, design, fashion, etc.; on the other hand, the creative industries apply to a "much wider productive set, including goods and services produced by the cultural industries and those that depend on innovation, including many types of research and software development" (UNESCO, 2013, p. 20).

The cultural industries are approached as "to more traditional sectors, while referring to the creative industries as those comprising new sectors, associated with new technologies / digital economy" (Lazzeretti et al., 2008, p. 550)

The approach of creative and cultural industries depends on which functions or features are emphasized; so there are many classifications of the creative economy's industries in the academic literature and in the specialized reports. Cunningham and Higgs (2008, p. 11-14), mention four types of metrics used in creative industry studies to express the dimension or contribution of this sector to the entire economy: (1) Employment - mainly the full time employment within industry; (2) Firm activity (number of firms, turnover, the degree of concentration of the industry); (3) Gross value add to the economy and (4) Exports. According to the International Trade Centre (2018), an international agency dedicated to the internalization of the small and medium enterprises with different areas of work, the specific creative industries target six domains, such as:

- Artisanal products: clothing / accessories; decorations; household items; toys, gifts, stationery;
- Visual arts: sculpture; artistic crafts; painting; photography; fashion; design;
- Performing arts: theatre; circus; street performance; dance; live music;
- Cinema and Audio-visual: film and video; radio; internet broadcasting; recorded music;
- Multimedia: education; advertising; digital art; communication; entertainment;
- Literature, books and publishing: novels; e-books; newspapers; magazines; podcasts, comics.

In order to present clearly our findings, we took into consideration the approach of the National Institute for Cultural Research and Formation. This approach divides the creative economy in four sectors, two of them – cultural, one – artistic and another one – transversal. This four sectors frame 11 domains (Croitoru et al., 2016, p. 7-18), more exactly: Libraries and Archives; Heritage; Art

Craft; Visual Arts; Performing Arts; Books and Press; Architecture; Audiovisual; Advertising; IT; Research and development.

These activities are both of public and private interest, and in this paper the data collected, analysed and presented regard the cultural and creative activities according to the Romanian Classification of the economic activities.

3. ASSESSMENT OF THE CREATIVE ECONOMY IN ROMANIA

3.1 Persons employed by the creative and cultural sectors

In Romania, the people work accordingly their occupations, named, defined and classified by The Romanian Occupations Classification (COR). The occupations are divided in nine categories, each category including similar occupations, similarities being given by the level of education needed, requirements, responsibilities and tasks. These nine categories are the following (Rubinian, 2018): Legislative members, Government and other institutions members, senior public administration leaders, senior officials and clerks; Specialists in various fields of activity; Technicians and other technical specialists; Administrative clerks; Workers in the field of services; Qualified workers in agriculture, forestry and fishing; Qualified workers and other assimilated workers; Installers and machinery operators, machine and equipment assemblers; Unskilled workers.

Analysing the occupations of the creative class, according to the codes attributed to the creative and cultural jobs, mostly are found in the second COR category – specialists in various fields – secondly in the third COR category - technicians and other specialists in the technical field – and thirdly, another large part of the creative class is working as qualified workers and other assimilated workers (the seventh COR category).

Besides talent and the intrinsic motivation of the working class, the members of the creative class require and prove, most of the time, a strong training and experience in the field they operate. This fact is demonstrated also by the classification mentioned above, by the large range of specialised occupations of the creative and cultural industries. Most of these occupations require at least secondary education (7th category), post – secondary education (3rd category) or tertiary education (2nd category).

3.1.1 Number of persons employed

After we saw what the creative economy employs, we should see how many does it employ, to how many people the creative economy creates a job and an income source.

The following figures show the number of employees working in the Romanian creative and cultural industries. The creative economy employs in Romania a growing number of persons, even in the post – crisis years, proving sustainability. As Table 1 presents, in six years, the number of employee grew from 264,076 employees to 361,770 employees, recording an increase of 37 %.

Table 1. The total number of employed persons in the creative economy (2010-2016)

	2010	2011	2012	2013	2014	2015	2016
TOTAL	264,076	283,564	293,561	310,443	324,220	344,338	361,770

Source: adapted from Borg Design (2018)

As it can be noticed in Figure 1, the leading industry is that one of the Art Crafts, being followed by IT. This can be explained by the nature of the products and services offered, but also by their quantity. If a program is created by an IT team, that program can be multiplied without including the creative team, but if we talk about making musical instruments, the creator will spend relatively similar time to produce the second or the third instrument or will hire more people to work in the same time.

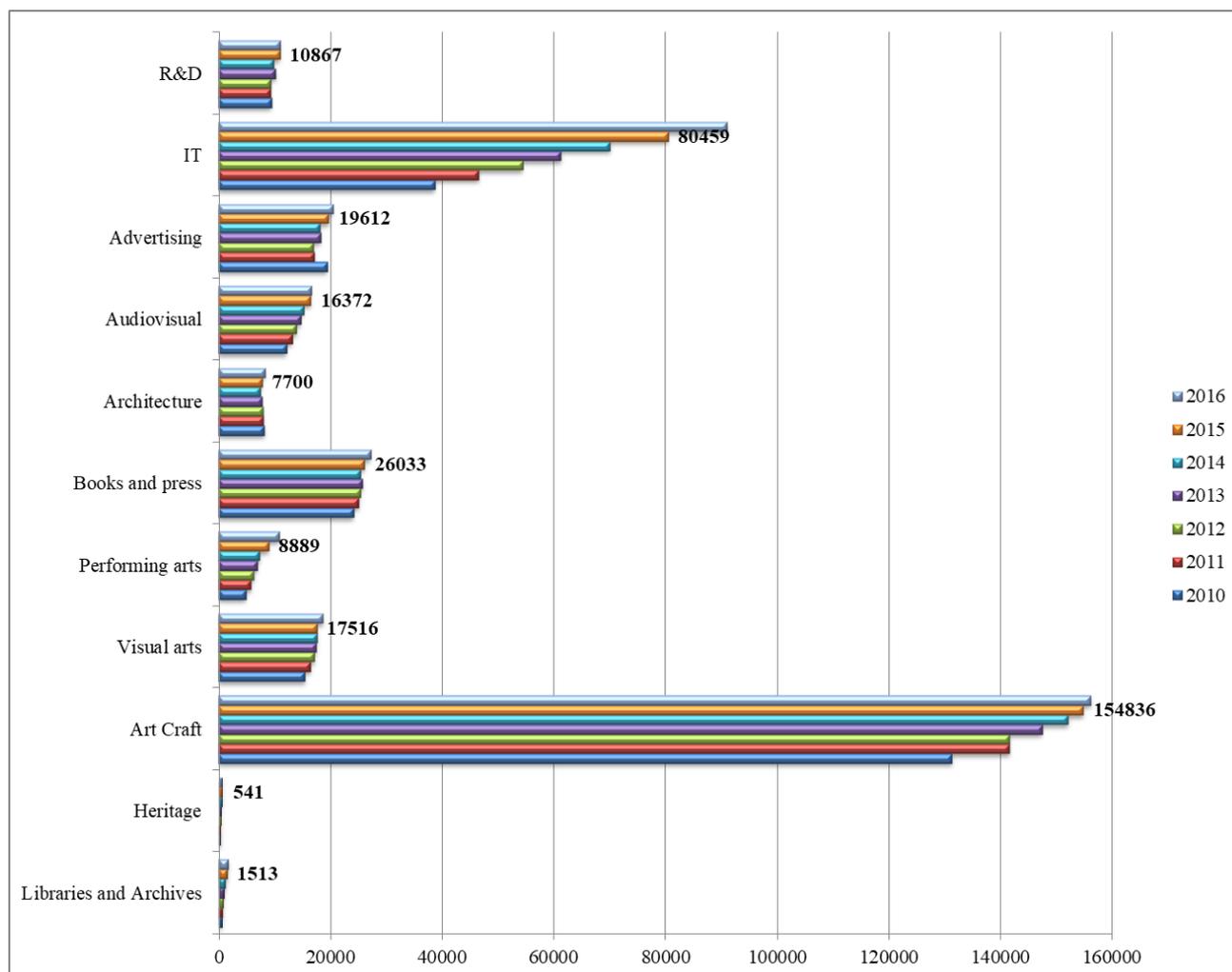


Figure 1: Number of persons employed by the creative and cultural sectors of Romania during 2010 - 2016

Source: adapted from Borg Design (2018)

The dominance of these two industries is given by their importance for the nowadays needs: the emergence and development of the gadgets created new needs, formed new habits and engaged in solving professional and day by day tasks in a manner such that gadgets are mandatory in the life of a normal person. On the other hand, the creative economy serves mostly superior needs and buying handicraft products or services implies a more social aspect – these are bought by persons who seek symbols, expressiveness for themselves or unique experiences. Also the craft products and services are more accessible and have a wider range of offers than the other industries.

The sectors of Libraries and Archives, and Heritage recorded during the analysed period the lowest results, this fact being explained by their low changeability in comparison with the other sectors, but also due to their offer, which is very different because the products and services are not of interest for a large public and also, these are not so accessible in terms of place, time, price, knowledge and interest.

3.1.2 Labour productivity in the creative and cultural industries

Labour productivity shows the return of using the labour as a production factor. Knowing that in the creative economy the most important factor of production is the human capital, we will analyse its output by reporting the turnover (total sales) to the number of employees.

Table 2. Labour productivity in Romania's creative and cultural industries, 2010 - 2016 (RON)

Industry / Year	2010	2011	2012	2013	2014	2015	2016
Libraries and Archives	100.318	103.239	104.958	103.365	100.517	94.348	97.861
Heritage	110.734	108.529	115.896	104.598	120.535	121.835	124.402
Art Crafts	98.146	104.477	111.826	116.498	124.958	129.705	140.595
Visual Art	211.586	226.927	229.466	227.893	227.793	241.042	255.108
Performing Arts	93.624	98.001	105.533	101.719	104.969	115.732	130.058
Books and press	165.008	173.655	178.794	179.777	151.799	202.850	209.731
Architecture	91.807	97.269	97.343	93.352	106.435	125.193	132.147
Audio-visual	247.682	251.760	255.465	267.276	304.493	285.506	303.006
Advertising	244.667	308.893	330.319	256.606	255.300	282.100	336.314
IT	178.974	177.589	183.221	186.220	200.600	208.041	208.364
R&D	116.574	117.539	138.160	130.015	138.789	139.942	134.015

Source: adapted from Borg Design (2018)

There was a positive general trend regarding labour productivity (see Table 2), just a single industry recording a decrease, that one of the Libraries and Archives. The highest increase was recorded by Advertising, and secondly, by the industry of Audio-visual. However, in order to present a comparison between the creative and cultural sectors, the calculation of the average labour productivity, represented a necessity. Also in this representation (see Figure 2), the industry of Advertising had the best performance, the next two most impressive industries being those of Audio-visual and Visual Arts. Apparently, the lowest labour productivity was met by Libraries and Archives, Architecture and Performing Arts.

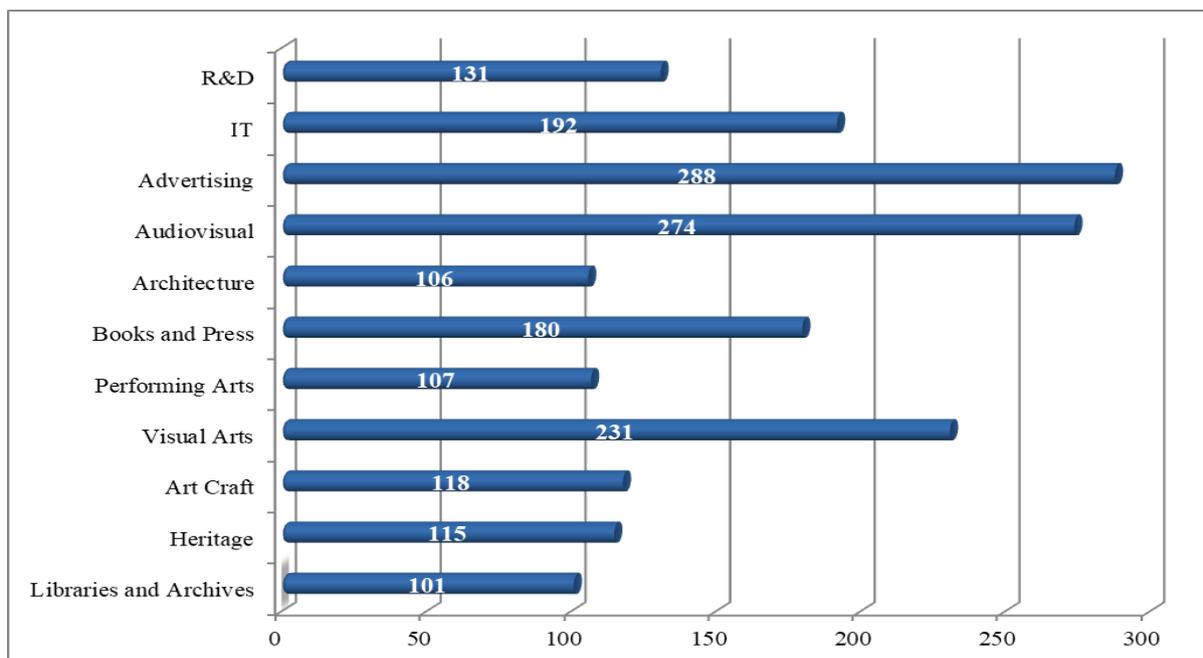


Figure 2. Average labour productivity of Romania's creative and cultural industries, 2010 – 2016 (Thousands RON)

Source: adapted from Borg Design (2018)

3.2 Economic performances of Romania's creative and cultural industries

We have seen the magnitude of the creative economy as number of employees and labour productivity, but we should also analyse the performances expressed as profits and using a profitability ratio, more exactly, the net profit margin rate.

3.2.1 The net profit of Romania's creative economy

Previously we acknowledged the economic and social benefits brought by the creative economy in terms of job creation, but in order to have a greater understanding of the dimensions and implications of the creative and cultural sectors, it is crucial to analyse financial data.

The net profit represents the earnings left after the deduction of all expenses from the total revenues. Even if this financial result can be altered by accountants in order to pay lower income taxes, we think an analysis of the net profit correlated with a profitability rate can present a meaningful image of the financial performances of the creative economy.

We can see in Table 3 that the highest earnings belong to the industries of IT, Art Crafts, Advertising, Audio-visual and Books and Press. These four industries were the most impressive during all the analysed period of time, the first two, IT and Art Crafts, recording the greatest achievements during these seven years.

On the other hand, considering the evolution, the Performing Arts generated the greatest increases, reaching a profit in 2016 five times higher than the profit of 2010. Also, even if at the end of the analysed period, the IT was in the leading position, this industry achieved this position by recording a profit four times higher than the one earned in 2010.

Table 3. The net profit of the creative – cultural industries in Romania, 2010 - 2016 (thousands RON)

Industry / Year	2010	2011	2012	2013	2014	2015	2016
Libraries and Archives	6.267	6.472	11.654	14.157	20.900	26.609	28.393
Heritage	11.693	11.245	13.021	14.232	19.140	20.441	24.374
Art Crafts	690.540	759.178	772.515	830.088	1.022.568	1.161.515	1.343.692
Visual Art	98.674	112.072	130.483	161.510	189.167	275.736	390.173
Performing Arts	45.391	60.480	71.672	85.562	107.145	179.315	253.220
Books and press	279.765	323.147	254.581	315.324	429.280	536.085	599.888
Architecture	97.474	114.800	113.030	128.223	159.300	205.977	255.319
Audio-visual	206.677	250.032	254.076	244.241	354.001	508.284	693.605
Advertising	272.434	313.791	330.159	341.830	399.551	569.235	707.061
IT	625.504	847.016	975.994	1.078.640	1.427.608	2.028.544	2.303.609
R&D	75.955	71.265	61.788	70.832	76.208	118.166	93.165
TOTAL	2.410.376	2.869.497	2.988.972	3.284.638	4.204.867	5.629.907	6.692.499

Source: adapted from Borg Design (2018)

3.2.2 The net profit margin ration in the creative economy of Romania

For a better understanding and a more realistic image of the creative economy's financial performances, we choose to represent also the net profit margin ration, as a profitability indicator

rate. The net profit margin ratio measures the profitability "by dividing the net profit to the total sales" (MyAccountingCourse, 2018).

The highest rates of the net profit margin, as presented in Figure 3, were generated by Heritage, being followed by the industry of Architecture, while the lowest rates belong to the industries of Art Crafts and, Research and Development. These results could be justified by the total expenses, the size of the expenditure affecting the profit, and each industry is different, meeting different demands, developing and needing different investments. The highest rates belong to industries mostly of public patrimony (Heritage) and on the other hand, the industry of Architecture doesn't imply high expenses because typical for architecture are the services which don't request as many expenses as the production of goods. The Research and Development regard services, as well, but this industry has one of the lowest rates due to the high expenses implied in the processes. Even if Art Crafts is one of the most important creative industry due to the great performances, in relative figures, has the lowest rate; Art Crafts use lots of materials, employees, advertising, so the expenses are also high.

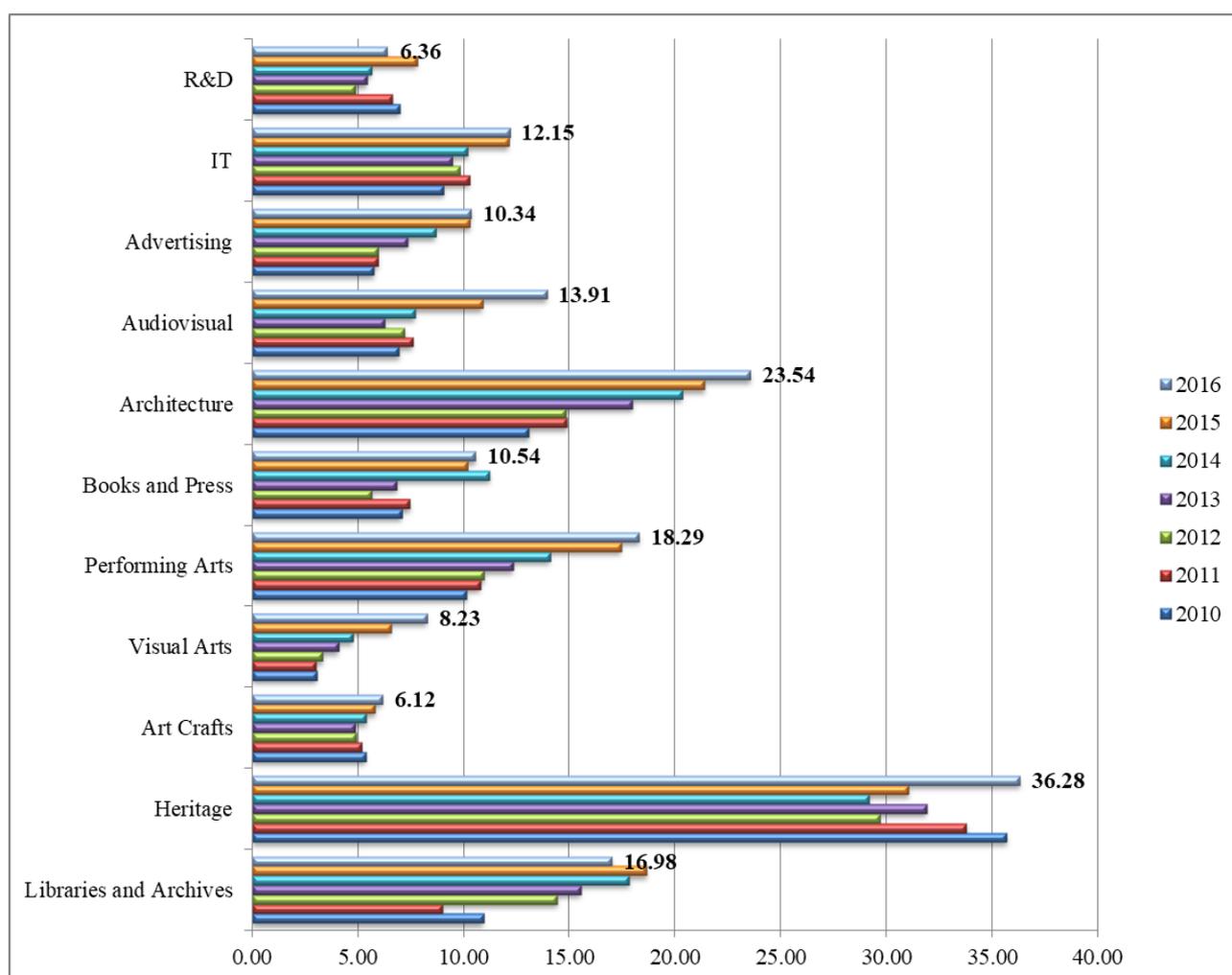


Figure 3. The net profit margin ratio in the creative and cultural industries of Romania during 2010 – 2016 (%)

Source: adapted from Borg Design (2018)

4. CONCLUSIONS

All economic activities imply a degree of creativity, but for the activities of the creative economy, creativity represents the main resource, the fuel. The cultural elements of the human activity often describe creativity, more exactly: aesthetic sense, imagination, inclination towards innovation. Together, these elements have potential in creating added - value.

The creative and cultural industries represent an economic engine capable to generate economic development, job creation, economic development of other sectors, social inclusion and diversity tolerance, and to promote traditions and social identity, as well. Thus, the advantages of the creative economy's development relate to economic, social and environmental impacts.

We noticed the dynamic evolution of the creative economy, which continually grew through the years following the economic crisis proving sustainability, and ability to adapt, offering goods and services needed also during difficult times; as the President of the Athens and Epidaurus Festival, Yorgos Laukos, said: "Art is great antidote to crisis, and enables creators to think differently while it gives people a real appetite and enthusiasm for culture" (EY, 2014, p. 53). Thus the creative economy's sustainable development could stimulate long-term perspectives, minding the capacity of the environment and its existing limitations, and so behavioural changes towards environmentally -friendly processes. As the natural resources deplete, according to Newbiggin (2010, p. 10): "the value of creativity is only going to go on rising. It will not just be a desirable element in economic activity – it will be the crucial factor in our ability to adapt and survive as a species".

All the creative and cultural industries created numerous jobs during the analysed period, proving a constant growing demand for creative products and services. Generally, the labour productivity had a positive evolution during 2010 – 2016 due to the increasing revenues generated. This fact was noticed also in the figures showing the earnings generated, as net profit and net profit margin ratio.

The industries of Art Crafts and IT generated the highest profits and the most jobs, but in relative terms, the situation is not the same. Advertising has the highest labour productivity and accordingly to the net profit margin rates calculations, Heritage is the most profitable cultural industry. The resources involved, as well as the earnings of the creative economy, prove its existing potential in Romania and make us wonder about the possible values that the creative industries could generate if they were given more attention.

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