Factors for Enabling the Creative Economy
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The creative economy is a vital and growing engine of growth and employment in many countries. It spans sectors such as advertising, broadcasting, architecture, arts, crafts, design, fashion, gastronomy, music, publishing, theatre and technology. They are becoming a key force in entrepreneurship and innovation, helping to boost social development and employment. According to UNESCO, the creative economy is “one of the most rapidly growing sectors of the world economy and a highly transformative one in terms of income generation, job creation and export earnings”.

As economies develop from agriculture and manufacturing, many are building new clusters of creative and artistic activities. These were considered in the past to be offshoots of economic activity — means of leisure rather than forms of work. But it is increasingly clear that they are not only significant and profitable industries in their own right but provide well-paid, satisfying jobs.

The creative economy includes large companies in sectors such as advertising and video games. But it also takes into account creative companies founded by entrepreneurs that blossom as small and medium-sized enterprises, from restaurants to design studios. Like craft industries in the past, they operate in clusters within cities and districts, which gives them critical mass and a talent base. Indeed, it is the city that is increasingly a country’s growth engine and – with the world’s top 100 cities estimated to account for 35% of global GDP growth between now and 2025 – the creative economy will play an increasingly important role in developing and sustaining progress.

Until now, the primary beneficiaries of technological progress have been the consumers in advanced economies who can afford and access the digital world, as well as the productivity gains it brings. But if the latest technological revolution continues at pace, the lines between work and leisure are likely to blur. People will seek alternative forms of employment that are more closely tied to their hobbies, passions and interests. According to one study, “Many advanced technologies can be replicated across the world using cheaper labor. But original artistic creation, innovative design and other higher-level creative work cannot be outsourced so easily.” These will be innovative, entrepreneurial endeavours that will grow the creative economy even further.

This is not to say that the creative economy is currently small change in the pocket of finance ministers. Rather, the size of some creative economies is already considerable. In 2015, for example, the United Kingdom’s creative economy was worth a staggering $14 million per hour to the overall economy, and made up almost 9% of Britain’s service exports and 5.6% of jobs. Cultural and creative sectors employ almost 7 million people in the European Union, equivalent to around 3% of total employment, while creative goods account for 4.3% of the EU-27’s external exports.
At the same time, traditional creative activities are finding new revenue streams with technology. Globally, digital subscription services in the music industry are expected to triple by 2019, while venture capital investment in food start-ups was $48 billion in 2014: the highest amount since 2000.

No single determining force drives success in the creative economy, but commonalities exist in many creative hubs. In studying the creative economy, the Global Agenda Council on the Creative Economy has identified five simple factors that policy-makers should take into account when aiming to stimulate creative economies in their countries. They can be considered a framework for maximizing the contribution of the creative economy to wider economic growth and development:

- **The local strengths**: Successful creative economies are found in close proximity to academic, research and cultural centres, allowing ideas and people to mingle.
- **The technological enablers**: Digital technology enables creative ventures to be launched from any location at scale, and successful creative entrepreneurs have been able to harness technology to their advantage.
- **The inspiring entrepreneurs**: The catalysts in creative hubs are successful individuals who demonstrate what is possible while inspiring and training other creative entrepreneurs.
- **The role of government**: By using regulation and incentives wisely, governments can help create the right conditions for creative economies to flourish.
- **The power of place**: Creative economies are in places where people want to live due to location and amenities – and the most successful have established themselves as international hubs.
The Local Strengths

Many successful creative economies are found in close proximity to academic, research, technology and cultural centres, allowing them to easily build on local skills and resources. Not only do these establishments provide a steady stream of diverse, highly-skilled workers, they often partner with industry to accelerate the pace of research. When other assets are also present, especially venture capital and willing investors, a promising cocktail of vision, knowledge and drive offers great potential for growth. London, for example, has been cited as a leader for its “efficiency and access to capital and information”, as well as for its “reputation as an urban gateway”.

This combination is particularly prevalent in mature and advanced economies, where universities and colleges are “anchor institutions” that attract talent and generate economic activity. Crucially, such hubs become “idea capitals”, which – when combined with financial and human resources – are able to generate the spark needed for creative economies to thrive.

Furthermore, many creative economies are steeped in traditions that can go back decades, or even centuries. Indonesia, for example, has a rich cultural heritage because of kingdoms and sultanates that drove stone and wood craftsmanship, from the construction of temples and palaces to small-scale artisan products. It is the existing and entrenched strengths of a locality, including its longstanding local customs and cultures, that make it ripe for creative development, but “a flourishing local creative economy augments the ‘buzz’ factor that contributes to the attractiveness of particular places”.

Beijing, People’s Republic of China

Beijing has been China’s political centre for much of the past eight centuries and is home to most of the country’s largest state-owned companies. It is also a major transport hub. The city is renowned for its plentiful palaces, temples, parks, gardens, tombs, walls and gates, and its art treasures and universities have made it a centre of culture in China. Now it has become a leading creative economy hub in Asia and the world.

Hong Kong and Shanghai are longer-standing cradles of the Chinese creative economy. But the Beijing creative economy was officially recognized in December 2005, when the Chinese government implemented a development policy. Its creative industries are now home to about 900,000 practitioners. The city has developed 30 creative clusters, covering 16 districts and 9 areas of cultural and creative industries. So far 21 creative clusters have been recognized as municipal-level complexes – including the now world-famous 798 Art Zone, and the creative village in Songzhuang, perhaps the world’s largest painters’ village, with nearly 1,000 artists from around the country.

Beijing’s creative economy generated RMB 240.6 billion ($37 billion) in 2013, an increase of 9.1% on the previous year, equating to 12.3% of GDP. Its cultural facilities include 47 public libraries, more than 170 museums and over 300 theatres. The city also has a great number of publishing agencies, and its TV and film production account for more than 50% of the nation’s total.

The city’s abundant resources are a clear advantage in the development of its creative industry. With many design schools and more than 30,000 students, Beijing is known for its vibrant design sector, which employs nearly 250,000 people, generating an estimated RMB 160 billion ($25 billion) in value. The metropolis holds the internationally recognized Beijing Design Week, China Red Star Design Award, Beijing Fashion Week, Beijing International Film Festival, Beijing International Cultural & Creative Industry Expo, and Beijing Science and Technology Exposition.

A word of caution: using the creative industry to drive GDP growth will be difficult to achieve in a short period. Moreover, some fear that certain creative activities cannot recoup their costs in the market. In other words, they consume more resources than they produce and may not be subsidized for long. There is also the risk that blindly constructing creative clusters may accelerate the formation of a real estate bubble, which would produce negative impacts on the economy and even threaten social stability.
The Technological Enablers

Being at the intersection of arts, business and technology, the creative economy is increasingly digital. This offers a speed of scale not seen in traditional enterprise, while the integration of culture and creativity into the value chains of high-end industries is creating demand for sophisticated consumer electronics and platform-based services.

The internet and new technologies have intensified competition by providing greater access to opportunities to engage in creativity and entrepreneurship. Technology has not only opened up access but has lowered the cost of launching new ventures and made creative entrepreneurship more inclusive. In addition, digital technology enables creative ventures to be managed from any location on any scale. Interestingly, consumers’ power to demand tailored products increases as scale in manufacturing and services becomes less important.

This means that the activities of creative entrepreneurs “increasingly resemble tech companies” in their use of data and content to scale their businesses. Currently, two of the top seven categories of goods and services purchased online are cultural, which holds great promise for creative entrepreneurs looking to scale up. The risk is that the revenue split between creators and internet platforms starts to tip in favour of the latter, raising questions over the sustainability of these models.

**San Francisco Bay Area, USA**

The creative economy in the San Francisco Bay Area is the result of a number of drivers. During the 1960s, 70s and 80s, technological innovation – at Stanford University, Hewlett Packard, Intel and others – and the rise of the venture capital industry provided the economic impetus for growth. At the same time, the beat generation and the hippie movement produced an alternative culture that was open to new creative ideas, including those of innovators like Stewart Brand (Whole Earth Catalog) and Kevin Kelly (Wired magazine). California cuisine arrived with Alice Waters’ restaurant Chez Panisse in 1971, followed in the early 1980s by European industrial designers, including Hartmut Esslinger (Frog) and Bill Moggridge (IDEO), who came to work on newly emerging personal and portable computers. George Lucas formed Industrial Light & Magic (ILM) in Marin in 1978, while Pixar was spun out of ILM in 1979.

Creative academic institutions grew to supplement the technical strengths of Berkeley and Stanford. Stanford University’s own product design programme grew into the d.school that currently has over 500 participating students per year, many of whom go on to found start-ups. Indeed, Silicon Valley is the most prolific innovation hub worldwide in terms of start-up creation, according to a 2009 World Economic Forum and McKinsey report. While these have mostly focused on technological innovation, the last decade has seen a shift towards creative innovation focused on the digital and user experience design of consumer-based services, such as Airbnb and Uber.

This generation of fast-growing companies, including Google, Twitter, Facebook, Salesforce.com and Pinterest, has had to attract talent beyond its traditional core of technical engineers. In response, many companies have either moved substantial parts of their operations from the Valley to San Francisco, or have based themselves in the city. San Francisco’s Mission district is one neighbourhood that has rapidly gentrified to accommodate incoming creative professionals and has become a base for a growing number of small creative businesses.

In addition, the Bay Area has a prolific food economy. San Francisco alone has a ratio of 39.3 restaurants per 10,000 households – more than 50% higher than any other American city. Other strengths of its creative economy are digital animation and special effects, and independent publishers. The Maker Movement started in the Bay Area with the publication of Make magazine in 2005 and the launch of Maker Faire in 2006, both by O’Reilly Media, which has helped cause a resurgence of local manufacturing in San Francisco, including clothes, bicycles and lifestyle products.

The combination of technological innovation and geography has resulted in a steady influx of talent over the last half century. The Bay Area’s population has risen from 4.6 million in 1970 to 8.5 million today. While other global cities may have stronger bases of cultural and creative activity, they cannot compete with both the innovation ecosystem and venture capital available for investing in start-ups.

One negative side effect is the cost of living in the Bay Area, which is one of the highest in the United States. Additionally, the region has never established a sufficiently broad base of traditional cultural industries, including music, theatre, film (beyond animation) and fine arts. Until now, tech entrepreneurs have focused their philanthropic attentions on non-arts based challenges, but the growing number of creative entrepreneurs may change that.
Evidence has shown that creative entrepreneurs running companies learn less from their colleagues than other employees, mostly due to time pressures and hierarchies. They are thus likely to gain significantly from mentoring by role models. In speaking with creative types and policymakers working with the creative economy, there is certainly demand for access to role models – stemming from the recognition that raising awareness about successful creative entrepreneurs, both locally and internationally, can help encourage others to engage in the creative economy. Ideally, awareness-raising would even extend to direct interaction. The catalysts in many creative hubs are successful individuals, who demonstrate what is possible while inspiring and training other creative entrepreneurs.

Encouraging contact between aspiring entrepreneurs and those who have “made it” creates a useful forum for skill-sharing and encouragement. The notion of mentorship is already strongly linked with start-up success. Its benefits are that the mentor’s “knowledge, experience and contacts” are able to “improve owner-managers’ leadership qualities and their overall outlook and capabilities”.

San Sebastián, Spain
San Sebastian, once a simple fishing village, is now renowned for being a culinary capital, with more Michelin stars per capita than anywhere else in the world. Despite the city’s small size, events such as the San Sebastián International Film Festival have helped stimulate the economy and give it an international dimension. Its creative economy began with a focus on food that has spilled over into other areas of culture, business and entrepreneurship, creating an ecosystem fuelled by intermediaries, such as successful creative people, incubators and universities.

Gastronomy sets San Sebastián apart, with famous international chefs or “culinary artists”, including Juan Mari Arzak, Pedro Subijana and Martín Berasategui. Three of the world’s seven Michelin 3-star restaurants are in San Sebastián. The culture of gastronomy cannot be fully explained without giving significance to pintxos (the local name for tapas), increasingly considered to be “small pieces of art”. A growing number of restaurants specialize in making these delicate and complex “creative creations”. Historically, people ate pintxos as an appetizer before the actual meal. Nowadays, they have become the centre of gastronomy competitions and a major draw for tourists and locals alike.

San Sebastián is the home of the world’s first faculty of gastronomy, the Basque Culinary Center, which houses a food incubator, DIG EAT ALL, established in collaboration with Telefonica. It is an accelerator where start-ups enjoy interaction with industry experts, food technologists, top chefs, entrepreneurs and successful foodies and techies.

The city also hosts the universities of Navarra, País Vasco, Deusto and Mondragón, which have had an increasing impact on the social, cultural, technological and economic levels of the city and surroundings. Deusto University is active in entrepreneurship and has an incubator, DeustoKabi. Its objective is to support entrepreneurs and the business projects that emerge in the university environment, encouraging the transfer and application of the technology, knowledge and advanced services generated at the university to the world of business.

Events ranging from traditional city festivals to music and cinema take place all year round. San Sebastián’s Jazz Festival (Jazzaldia) is the longest, continuously running jazz festival in Europe and is held each July. It is followed by the Musical Fortnight in August, featuring classical music concerts. In September, the San Sebastián International Film Festival, established in 1953, comes to the spotlight. Other rising and popular events include the Horror and Fantasy Festival in October and the Surfilm Festibal, a cinema festival featuring surfing footage.
The public sector has clear incentives to invest in the creative economy. Aside from the sector’s direct impact, its ancillary benefits are significant. To cite one example, Europe’s cultural heritage sector is estimated to produce 26.7 indirect jobs for every direct job – the equivalent figure for its car industry is 6.3. This includes a wide range of jobs and skills ranging from construction, repair and maintenance, tourism, start-ups and marketing. In addition, creative activities generate harder-to-measure benefits in equal degree, including well-being, social cohesion and intellectual stimulation.

Governments can help create the right conditions for creative economies to flourish using the right mix of regulatory tools for creative entrepreneurs to start and grow their businesses. These can include intellectual property, copyright, trademarks and geographic indicators. In addition, governments can provide incentives for creative entrepreneurs, for instance in the form of tax incentives, vouchers and subsidized working spaces. Some of these stimuli not only ease access to finance but can also help to attract private funders, whether philanthropists or investors.

That said, competition between and within regions and countries is fierce. When the Government of Quebec offered a 37.5% tax break for video-game developers, the province’s employment in that industry rose 33% in two years. Europe is often cited for lagging behind the United States in terms of start-up creation – a fact not helped by effects its creative economy has suffered after EU-28 spending on cultural services dropped in the aftermath of the financial crisis of 2008.

Beyond regulation and incentives, governments can actively support the creative economy by investing in their national infrastructure more generally. Funding universities builds local capacity; expanding internet access helps open new markets for goods and services; and pursuing trade and investment, both at home and abroad, showcases the offerings that a creative economy has to offer.

Buenos Aires, Argentina

Throughout its history, Buenos Aires has been one of the cultural capitals of Latin America. Its rich history of European and regional immigration manifests itself in the city’s architecture, cultural heritage and creative scene. The celebrated Teatro Colón, tango, a wide array of museums and vibrant independent theatre combine to form a network of cultural festivals and contemporary visual arts.

The creative industries account for 9.3% of the city’s GDP and employ almost 150,000 people, representing 9.1% of the city’s workforce. More recently, programmes that cater to fashion and design, publishing, music, video games, tech companies and other creative start-ups have been introduced to boost these figures. The Creative Districts Initiative, established in 2008, combines urban regeneration and tax incentives to attract creative business to rundown areas within the city. Such policies are already showing promising results.

Each year in Buenos Aires, between 12,000 and 14,000 enterprises are born. As a result, entrepreneurs are at the cornerstone of the city’s initiatives. Buenos Aires is already ranked among the top entrepreneurial cities in the world, according to the Global Entrepreneurship Monitor, and in 2014 the local government launched an Innovation and Creativity Roundtable aiming to identify disruptive educational policies, develop a smart city agenda and promote social innovation.

The positive effect of Buenos Aires’ creative economy is that, while the creative industries have grown and are very important to attracting businesses, investment and tourism, their promotion is also part of a broader regeneration plan to boost strategic sectors in clustered geographical zones, making them more inclusive of local communities and workers.

Nevertheless, so far the creative economy’s promise of a clear and positive impact in creating new opportunities for less favoured citizens remains only partially fulfilled. More work is required to help bridge the inequality gap among local citizens.
The Power of Place

Successful creative hubs are connected internationally, attracting people from other cities and countries because their sense of excitement and intrigue combine harmoniously with their liveability or affordability. In most cases, they are the peculiar result of historical or geographical characteristics that are difficult to replicate – such as London’s straddling of time zones or San Francisco’s pleasant climate – but create the conditions for creative economies to thrive.

Some of these advantages can be built. Access to infrastructure, physical or digital, and strong governance structures are all important features. Many creative economies have pockets of affordable working and living space with room for expansion, which is frequently where the creative classes take root. Increasingly, the creative economy is found in urban centres, even more so as cities gradually power up a country’s growth engine. In the United States, creative economies are manifesting themselves in “denser, more talent-driven, more diverse and innovative metros”, rather than more isolated, suburban areas. In fact, urban areas in America account for between 50% and 80% of venture capital investment, compared with below 20% in most suburban districts.

Put simply, creative economies are places where people want to live because they are well located, have diverse communities and good local amenities – even the weather or quality of restaurants can make a difference. Once a creative hub has begun to build a critical mass, it becomes more attractive to similar companies. A study in Portugal shows that creative firms “tend to locate where other creative and knowledge-based activities are clustered in order to benefit from local input sharing, interdependencies and local networking.”

London, United Kingdom

At over 8.5 million people, London is the largest city in the EU, with more than twice the population of Berlin and more than three times that of Paris. It is still expanding rapidly, with the population expected to reach 10 million by 2030. It is one of the most ethnically diverse cities in the world, with more than 300 languages spoken, and it has high levels of immigration, with many skilled citizens attracted by employment and education opportunities. London’s dominance of the UK economy has grown at the same time as its prominence as a hub for creative industries has flourished.

London built a base in the creative industries, particularly in publishing, broadcasting and advertising, in the post-war years. But the sector was regarded as less important to the capital than financial and business services until the mid-1990s, when the first dotcom boom coincided with a resurgence in British music and fashion – a period dubbed “Cool Britannia”. At the same time, London became a more international capital, and the industries grew strongly – adding 110,000 jobs between 1995 and 2000. Despite a slump at the turn of the century, the shift in the city’s economy away from financial services and towards technology and media was accentuated by the 2007-08 financial crisis.

As a result, the city has an unusual depth of creative industries and skilled workers. It is this, rather than strength in a single sector, that singles it out from other hubs. This makes it highly attractive as a place to live and work for different artists and specialists, and provides opportunities for start-ups in a range of sectors. The largest industry sectors in terms of jobs are now advertising (86,000), music and performing arts (83,400), publishing (86,800), radio and television (66,400), and software (169,500). More recently, London has become a hub for technology start-ups, with 23,700 software companies and a strong venture capital base.

In the past 20 years, most of the fastest growing sectors have been the creative industries: advertising and marketing; architecture; crafts; fashion and design; film, TV, video, radio and photography; technology; museums, galleries and libraries; and music, and the performing and visual arts. Some 697,000 people – one in six jobs in London – are employed in creative industries, with an output of £21 billion ($31 billion). According to recent data, the growth (gross value added) of the sector in 2012 was 9.4% – nearly six times faster than the rest of the economy. As these industries have expanded, they have shifted the axis of the city to the east – partly driven by lower rents – reviving formerly rundown districts such as Hoxton, Shoreditch and Dalston. The unveiling in 2011 of Tech City, a government-backed initiative to promote tech start-ups, helped to give the area a reputation for entrepreneurship that crosses industry boundaries.

On the negative side, the clustering effect by which many start-ups want to work in close proximity to others has pushed up prices both for workspaces and homes across the capital. This has created social strains, with districts such as Hackney undergoing rapid gentrification, making it hard for older residents to afford to stay. The high education levels required in many creative industries makes it hard for people without university educations or specialist skills to participate. Failing to address these issues may threaten London’s position as a global creative hub.
Conclusion

The economic significance of the creative economy is indisputable; however, its impact is broader than can be measured simply by economic output. It is a mechanism to rebuild the fabric of cities and offer employment and social inclusion. Creative companies rely mainly on skills and artistry, and are not capital-intensive. They expand in areas where industrial spaces are vacant and workspaces are affordable. Unlike financial and professional services, they are open to artisans and those with craft skills, building social inclusion.

This paper contains guiding principles for those looking to scale up their creative economies. The role of government is to stimulate the development of the cultural ecosystem, rather than to try to impose top-down development. It requires working with artistic, cultural and educational institutions to make the most of their potential. Encouraging and facilitating an overall ecosystem is necessary; leveraging existing creative and cultural assets can be its own catalyst. In addition, promoting investment and activity through regulatory frameworks, protections and incentives is equally important. All these actions can create the conditions for creative economies to thrive.

The proposals made in this paper will continue to be discussed through the Forum’s knowledge platform, including in the next edition of its Global Future Councils, and it is our hope the material will be of use to anyone working in and with the creative economy.

Endnotes

15 Startups, “Why a mentor is crucial to start-up success”. http://startups.co.uk/why-a-mentor-is-crucial-to-start-up-success/.
Factors for Enabling the Creative Economy

Contributors

Global Agenda Council on the Creative Economy
Tim Brown, Chief Executive Officer, IDEO, USA (Council Chair)
Francis Gurry, Director-General, World Intellectual Property Organization (WIPO), Geneva (Council Vice-Chair)
Enrique Avogadro, Secretary of Culture and Creativity of Argentina
Richard Florida, Professor of Business and Creativity, Joseph L. Rotman School of Management, University of Toronto, Canada
John Gapper, Columnist, Financial Times, United Kingdom
Mathieu Jaton, Chief Executive Officer, Montreux Jazz Festival, Switzerland
Kerstin Jorna, Director, Intellectual Property Directorate, European Commission, Brussels
Mauricio Macri, President of Argentina
Daniel Miller, Chief Executive Officer, Human After All, United Kingdom
Mari Elka Pangestu, Minister of Tourism and Creative Economy of Indonesia (2011-2014); Professor of International Economics, University of Indonesia, Indonesia
Jon Ratcliffe, Chief Executive Officer, Africa, Mofilm, South Africa
René Redzepi, Founder and Chef, Noma, Denmark
Joan Roca, Chef, El Celler de Can Roca, Spain
Lorrana Scarpioni, Chief Executive Officer, Bliive, Brazil
Nansun Shi, Executive Director, Film Workshop, Hong Kong SAR
Clare Stewart, Director, London Film Festival, British Film Institute, United Kingdom
Wang Min, Dean, School of Design, Central Academy of Fine Arts (CAFA), People's Republic of China
Karen E. Wilson, Senior Fellow, Bruegel, Switzerland
Yoon Jong-Lok, President, National IT Industry Promotion Agency, Republic of Korea

World Economic Forum
Stefan Hall, Project Specialist and Council Manager, World Economic Forum

19 Ibid.


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