

Final Report

Culture and Creative Industries in Germany

Defining the Common Characteristics of the Heterogeneous Core Branches of the "Cultural Industries" from a Macro-economic Perspective

On behalf of



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Summary

Culture and Creative Industries - a Macro-Economic Perspective

Introduction

In recent years, the discussion on culture and creative industries has attained a high level of public attention in Germany. Culture and creative industries have grown to be more than just an image factor; they are now perceived as an economic branch of its own standing, a permanently established growth industry.

Culture and creative industries are part of a knowledge and content-oriented society and play a ground-breaking role in Germany's way towards a knowledge-based economy.

Future-oriented models of work and business, e.g. hybrid work forms, have prevailed in the culture and creative industries from the start. Furthermore, it is an exceedingly innovative sector, and an important source of genuinely innovative ideas. It mainly produces prototypes, individual works, small scale series and immaterial products. Production and development work is very often project-specific. Almost all companies in the culture and creative industries use modern technologies, especially information and communication technologies. They are not just passive users of technology, but keep providing important impulses for the development of new technological variants for technology producers and developers.

Economic policy geared towards strengthening innovation and economic development in Germany therefore has to include the development of the culture and creative industries as a cross-sectoral branch.

New Aspects in this Study

This study introduces **two important new focal points** to the discussion which were not included in earlier culture industries reports.

Internal segmentation is newly introduced as a basic element for the investigation of culture and creative industries. This means that the complex of branches is determined by the fundamentally different types of enterprises it contains and their specific structural characteristics. Internal segmentation breaks up branches into major companies, small and medium enterprises and micro enterprises or freelancers. Each of these actors is

analysed with respect to empirical data as well as to its structural characteristics.

Furthermore, this study presents **a harmonised basic model for the definition and classification** of the culture and creative industries. This basic model is in line with the stipulations of the Conference of Ministers of Economic Affairs of the German *Länder* and the results of the "Committee for the Enquiry of Culture in Germany" of the German Parliament. This provides a reliable empirical and quantitative framework for the analysis of the heterogeneous complex of branches that forms the culture and creative industries.

The fact that the three political levels - Federal Government, German Parliament and *Bundesländer* (federal states) - agreed on a common core and a harmonised definition of branches finally made it possible to overcome the previously ambiguous definitions of the culture and creative industries.

Definition

The culture and creative industries comprise of all cultural and creative enterprises that are mainly market-oriented and deal with the creation, production, distribution and/or dissemination through the media of cultural/creative goods and services.

The economic field of the culture and creative industries comprises of the following eleven core branches or market segments: music industry, book market, art market, film industry, broadcasting industry, performing arts market, design industry, architectural market, press market, advertising market and the software and games industry (for the detailed classification of economic activities see classification C. in the annex).

At the core of all cultural and creative activity, there is a creative act ("schöpferischer Akt"). It comprises all the artistic, literary, cultural, musical, architectural or creative content, works, products, productions or services that form the relevant core of the eleven core branches.

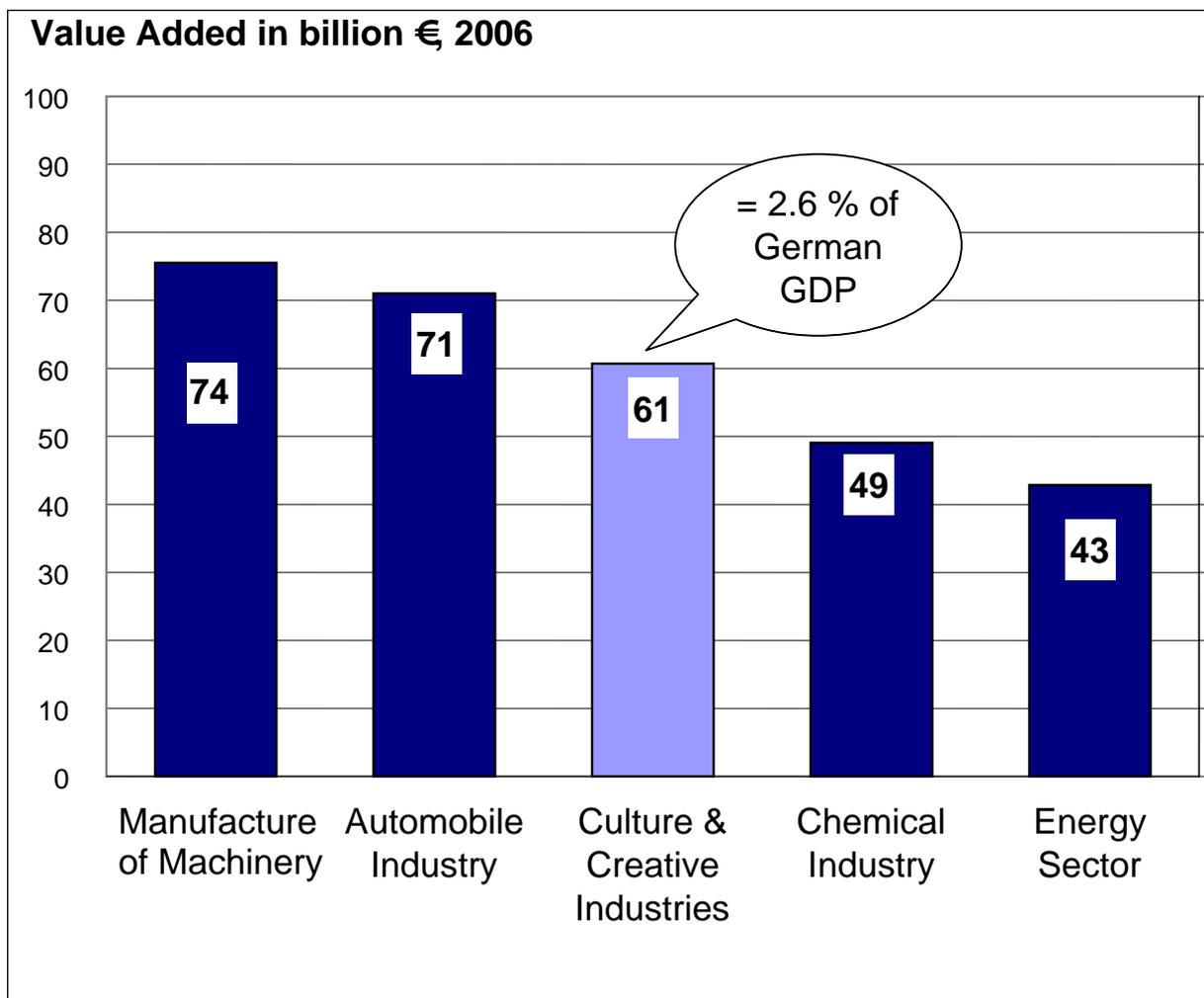
The German classification is compatible with the European core classification of the European Commission as well as with the British concept of creative industries, which has become a globally accepted reference model.

Economic Facts and Trends

Share in Value Added

The share of the culture and creative industries in the overall value added in Germany in 2006 amounts to 61 billion Euros. This corresponds to a share of 2.6% in the gross domestic product. Compared to selected traditional economic branches, e.g. the automotive or the chemical industries, the culture and creative industries occupy a middle range. The automotive industry achieved a gross value added of 71 billion Euros and a share of 3.1% in 2006, the chemical industry 49 billion Euros and a share of 2.1%. Based on the positive development of employment in the culture and creative industries between 2006 and 2008, conservative estimates come up with a figure of 63 billion Euros of value added in 2008.

Contribution of culture and creative industries towards value added, comparison of branches 2006



Note: Estimates for the culture and creative industries are based on national accounting figures, in current prices.

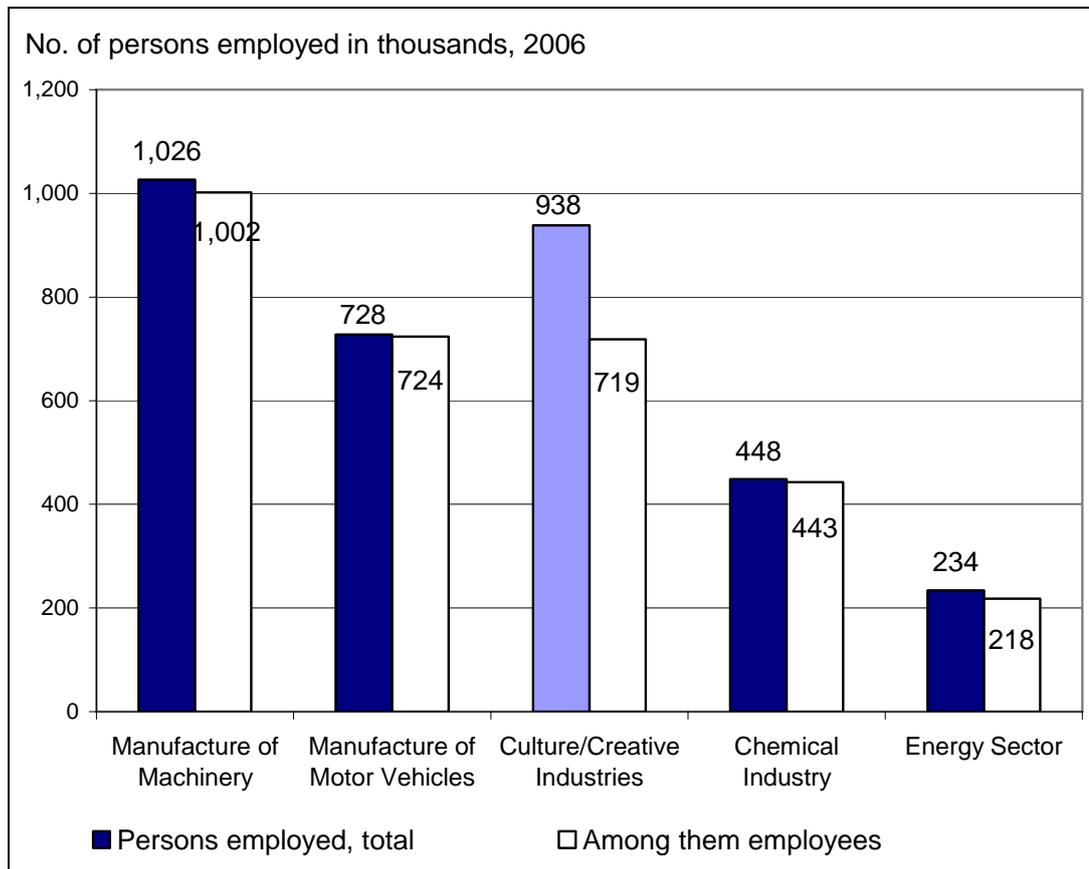
Source: Forschungsgutachten Kultur- und Kreativwirtschaft der Bundesregierung 2009 [Research Report on Culture and Creative Industries of the German Federal Government, 2009]

Employment

The number of persons employed in the culture and creative industries amounted to 938,000 in 2006 (self-employed persons and employees). This figure rose by more than 30,000 to almost 970,000 in 2007 and continued at the same rate in 2008, reaching a new record level of more than one million persons employed. This means that 3.3% of all persons employed in the overall economy work in the culture and creative industries.

If numbers of employees liable to social insurance deductions are compared, the culture and creative industries take an excellent middle range and, with 719,000 persons employed, almost draw level with the automobile industry with 724,000 employees in 2006. The chemical industry at 448,000 and the energy sector at 234,000 employees show significantly lower absolute figures than the culture and creative industries.

Employment in the culture and creative industries, comparison by sectors, 2006



Note: Persons employed include self-employed persons according to VAT statistics and employees liable to social insurance deductions according to employment statistics; marginally employed persons are not included.

Source: Forschungsgutachten Kultur- und Kreativwirtschaft der Bundesregierung 2009 [Research Report on Culture and Creative Industries of the German Federal Government, 2009]

Freelance Artists

Without the works and achievements of writers, composers, musicians, performing artists, film makers and/or visual artists there would be no culture and creative industries. They are the authors, genuine producers and service providers; without their works, film companies, music corporations, publishing houses and art galleries would have nothing to exploit or disseminate.

Last but not least, self-employed artists live and act in artistic, cultural or creative environments that are characterised by multiple forms of production. This diversity is formed by professionals, semi-professionals and amateurs, outdoing each other in tough, often cut-throat competition.

The diversity of forms of production is constantly expanded by the use of new technologies, digitisation and the Internet. Freelance arts professions are therefore situated within a complicated economic field and need more attention by economic and cultural policies in the future.

Share of Women

The culture and creative industries are characterised by an above-average share of female employees. There are more women than men in almost all core branches of the cultural and creative branches. Only the software and games industry shows just one quarter of female work places so far.

The share of women in the group of self-employed persons varies between 40 and 44%. This share is also very high compared to the share of women employed in the overall economy: here the share of women registered as self-employed amounts to a mere 7%.

Summary of Empirical Findings

In **2008**, there were **238,000 enterprises and self-employed persons** in the culture and creative industries. Together they produced a **total turnover of 132 billion Euros**, providing about **763,400 full- or part-time work places liable to social insurance deductions**. Including self-employed persons, the culture and creative industries in Germany **employ about one million persons**. The overall contribution of the culture and creative industries towards **value added in 2008 is estimated at about 63 billion Euros**.

Economic importance of culture and creative industries - key data, 2008

Culture and creative	Absolute figures	Share in overall	Change against
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industries		economy	previous year
Enterprises	238,300	7.4%	4.3%
Turnover in billion €	131.7	2.5%	1.8%
Persons employed	1,001,700	3.3%	3.4%
Persons employed liable to social insurance deductions	763,400	2.8%	3.1%

Note: All key data are based on preliminary figures and estimates of VAT and employment statistics and national accounting

Source: Forschungsgutachten Kultur- und Kreativwirtschaft der Bundesregierung 2009 [Research Report on Culture and Creative Industries of the German Federal Government, 2009]

Core branches where **major companies** prevail include the broadcasting industry and the book and press market. Micro enterprises play only a minor role in the press market and in the broadcasting industry.

The most important markets for **micro enterprises** are the art market, the performing art market, the design industry and the architectural market. These are areas where a high proportion of turnover is produced by a great number of micro enterprises, either one-person-enterprises or freelance professionals with average annual turnovers of between 100,000 and 200,000 Euros.

The software and games and the film industry are **balanced core branches**, showing more or less the same turnover shares in all categories of enterprise size.

Core branches with the most dynamic growth trends over the last years include the software and games industry, the design industry, the performing art market and the art market.

For more detailed data on the eleven core branches see the annex.

Analysis of Context for Support and Recommendations for Action

Analysis of Context for Support to the Culture and Creative Industries on the Level of the Federal Government

The relational analysis of existing support programmes for the development of actors in the culture and creative industries on the side of the Federal Government and the identified need for support to the actors in the culture and creative industries show a differentiated result. There are significant differences in the needs structure as well as in the identified support measures between the individual actors in the heterogeneous size classes of enterprises in the culture and creative industries.

Until now, the various branches of the culture and creative industries are addressed quite divergently by the existing support programmes. While technology-oriented branches, notwithstanding their size, are adequately targeted by specific support programmes, this is not sufficiently the case for non-technology-oriented branches of the culture and creative industries.

The gaps in the support structure of the heterogeneous branches of the culture and creative industries must therefore be addressed from the point of view of the different target groups. In order to develop the economic potential of the culture and creative industries in Germany, strategies to address the gaps in the support structure and the existing need for support must be developed on the background of existing support on the level of municipalities, federal states (*Bundesländer*) and other European countries.

Micro enterprises and freelance professionals in the culture and creative industries benefit very strongly from individual, personalised support. At present, improved professionalism is neither supported by market mechanisms nor by support programmes. Due to the great number of these enterprises, an enormous economic potential is left insufficiently exploited. Existing support programmes are often not geared towards the specific characteristics and diverging problems of the culture and creative industries and do therefore not offer the support needed. Lack of information and other barriers often prevent full participation in these support programmes.

Despite a great number of financial support programmes it has to be stated that the specific financing needs of culture and creative industries enterprises are not sufficiently met by existing federal

programmes. There are, for example, no support models on the federal level that provide adequate project financing or interim financing tailored to the needs of the culture and creative industries. The development of the economic potential of the culture and creative industries is therefore often hampered by the lack of financing for innovation and growth. Main reasons are to be found in difficulties of investment assessment on the side of the banks, but also on the side of economic support providers. Many economic support providers in Germany have not yet grown accustomed to dealing with enterprises in the culture and creative industries. The assessment of business ideas and the provision of adequate support mechanisms still pose problems and partly prevent the efficient use of existing support instruments.

Defining innovation in the culture and creative industries is another barrier for existing support programmes. The share of "hidden innovations" is particularly high in the creative industries and the service sector in general, which makes it difficult per se to assess innovation activities and effects of enterprises in the culture and creative industries. In many cases, the idea of innovation represented in the support programmes does not correspond to the modes of work and production prevailing in the culture and creative industries. Content-oriented innovation processes for immaterial products or services are often not acknowledged as innovation. A similar situation can be observed in the area of support to immaterial goods. The guidelines for support of the existing support programmes do not allow for the provision of adequate support to immaterial goods and expenses. These, however, are typical for the culture and creative industries.

A lack of sense of belonging, insufficient outside representation of the cross-sectoral branch and a lack of networking put limits to the development of the actors. The "Culture and Creative Industries Initiative" of the German Federal Government addresses these problems and provides new important approaches for the improved development of the industry.

A further field of action for the development of the actors in the culture and creative industries is to establish contacts between the different levels of responsibility on the side of municipalities, cities, federal states (*Bundesländer*) and the micro enterprises with regard to economic and cultural policy support. Considering the fact that the potential of the culture and creative industries for value added has until now scarcely been developed, the development of the economic potential of micro enterprises has increasingly been recognised as being of central importance. The analysis has shown that the optimal development of micro enterprises and their specific support needs requires a stronger guidance of micro enterprises towards the institutional level of the

supporting institutions through specific approaches and support programmes. The economic potential of culture industries innovations can be better unfolded through a combination of improving the qualifications of the actors and intermediating between the often hermetically closed structures of culture and economy.

The analysis of the current support measures provided by the Federal Government leads to the identification of three main starting-points:

- New ways and forms of specific support for the culture and creative industries have to be developed.
- There must be some form of intermediation between creative actors and the different support institution in order to render existing forms of support more efficient for the culture and creative industries.
- Existing support programmes of the Federal Government must be made accessible to the culture and creative industries; this refers to formal requirements as well as to content.

The analysis has shown that, from the point of view of the actors in the culture and creative industries, the general frame conditions are decisive factors for the optimal development of the culture and creative industries in Germany. In the framework of this basic study it was, however, not possible to carry out an in-depth analysis of the influences these highly complex frame conditions have on the actors. Future in-depth studies will have to deal with the more detailed discussion, assessment and development of recommendations for action. However, central topics for further research will certainly include education and training, especially training and study courses related to culture and creativity, taxation laws and copyright law. The increasing digitisation of products leads to the growing importance of copyright laws for the business activities and fair remuneration of the actors in vast areas of the culture and creative industries. The immense importance of the German artists' social insurance system has repeatedly been stressed by all actors involved.

Recommendations for Strategic Action

The culture and creative industries provide an above-average share of job opportunities for service providers, self-employed professionals and freelancers. The demand for art- and creativity-related content is on the increase. Project-related and networking work forms, which are typical for the culture and creative industries, gain more and more influence in other economic sectors as well, and show the function of the culture and creative

industries as a model for a modern form of economy. Based on these trends, the following measures to support the development of the culture and creative industries are recommended:

Make existing support programmes accessible to innovative enterprises from the culture and creative industries

The great importance of the culture and creative industries for the economy in general and its capacity for innovation in particular, as well as its inherent innovative activities demand a stronger inclusion of its enterprises in economic and technological policy programmes. It is recommended that the Federal Government should adapt the formal and content-related requirements of existing support programmes accordingly in order to improve the support to enterprises of the culture and creative industries.

Set up a network of experts to provide advice to actors of the culture and creative industries

The reviewers advise the Federal Government to initiate a network of experts. The task of this network should be to provide advice to the actors of the culture and creative industries. The network should also function as an intermediary for the support institutions at the various administrative levels in Germany. Experts of the network make their knowledge of the sector available to improve the professionalism of micro enterprises through "coaching on the job", for example in order to optimise production processes, tap new markets or develop marketing strategies. The combination of business consulting service and financial support instruments will further contribute to the improved professionalism of micro enterprises in particular.

Define a concept of innovation for the culture and creative industries

The economic development of the culture and creative industries is not only driven by technological innovations; ideas, creative content and non-technological innovations also influence the speed of economic development. All instruments of innovation strategy will be important here in the future. Restricting support to technological innovation will leave a great potential for value added unexploited. The European Commission has launched the European Year of Creativity and Innovation to sensitise for the importance of innovation. This is the implementation of a plan for an "EU Innovation Strategy" which was already discussed and concluded at the summit of heads of states and governments on 15 December 2006. The German Federal Government should consider and use this plan especially with respect to the support to non-technological innovation for the culture and creative industries.

Set up a nation-wide sector platform for the culture and creative industries

The Federal Government should extend the existing "Initiative Culture and Creative Industries" to form a sector platform for the culture and creative industries. This platform should be a central contact point for representatives of branches, regional clusters and providers of economic support as well as for the enterprises of the culture and creative industries. The tasks of this sector platform include initial consultation for the actors, provision of information and regular sector discussions and panels. The sector platform should offer initial consultation adapted to situations and locations for the actors of the culture and creative industries. Freelancers, enterprises and political representatives can request information about partners and contacts for advice on support measures. A special office will have to be established for this function.

Development of assessment criteria for banks and providers of economic support

In order to improve the financial situation of the culture and creative industries and in order to meet reservations between the creative sector and the banks, cooperation strategies for consultation have to be developed. The Federal Government should, in cooperation with consultants, banks and providers of economic support, develop a manual for the improved inclusion of the culture and creative industries. This manual should address actors at the institutional level who are not yet sensitised. It should provide rules for assessment and recommendations for the special characteristics of business activities in the respective branches of the culture and creative industries.

Extension of federal awards

A further measure should be the extension of federal awards to branches of the culture and creative industries that were previously not included. Alongside the strong marketing and expansion of the companies supported by the federal awards, the Federal Government could further extend existing major support measures to develop markets for the actors of the culture and creative industries.

Extension of support for trade and industry fairs

As an additional measure for systematic support to internationalisation it is recommended to adapt the existing support to trade and industry fairs to the requirements of the culture and creative industries. To provide efficient support to the culture and creative industries, the expenditures eligible for

support in the support programmes for trade and industry fairs abroad and the participation of young innovative enterprises in leading international fairs should be adapted. It should, for example, be possible to support the travel activities of artists to perform at trade and industry fairs abroad in the same way that the shipment of material exhibits is supported. It should also be checked whether there are any fairs within the existing programmes that might be relevant for the culture and creative industries.

Further development of programmes with small scale financial support

The Federal Government should adapt existing support programmes of small scale financial support measures, e.g. the KfW Start-Off Money, to the needs of the culture and creative industries. In Germany, a company has to be affiliated to one main bank ("house-bank-principle"), and the requirements of the support programmes resulting from this principle often prevent the participation of culture and creative industries firms. It is therefore recommended that the Federal Government does not insist on this principle any more.

The unbureaucratic allocation of small scale loans of up to 5,000 Euros, for example via the Internet, without the involvement of a main bank, could be another suitable method. The allocation could be done according to an easy allocation procedure, by simply checking commissions, intentions or co-operations. This will simplify the allocation and reduce administrative effort. It would significantly improve the financial situation of micro enterprises in the culture and creative industries, which is mainly dependent on project financing.

Monitoring and continuation of quantitative analyses of the importance of the culture and creative industries

It should be one of the tasks of the Initiative Culture and Creative Industries to observe and document progress and change as well as the existing potential of the culture and creative industries. This sector knowledge is of paramount importance for the profile of a dialogue platform for the culture and creative industries. Analyses and statistical evaluations of national and international specificities of the sector provide important indicators for the way it is perceived. The continuous collection and publication of data on specific characteristics and strengths of the culture and creative industries will make it possible to draw the attention also of traditional economic sectors and of large parts of the general public towards its economic and social importance in Germany and beyond.

Further in-depth analyses to improve the general frame conditions

Within the limitations of this study it was not possible to carry out an in-depth analysis of the influencing factors forming the general frame conditions. The topics identified in this analysis should serve as proposals to be adopted by the Federal Government. However, due to the enormous complexity of the general frame conditions, the assessment of these topics requires further research.

Important topics in the area of general frame conditions to be further investigated include education/training and taxation policies as well as legal and judicial frame conditions, especially in the field of copyright law.

Annex

Table 1: Culture and creative industries 2006 und 2008, classified by core branches and economic activities

Core branch WZ-2003	Economic Activity	Enterprises (1)		Turnover (2)		Persons employed (3)	
		Number		in million €		Number	
		2006	2008	2006	2008	2006	2008
1. Music Industry							
92.31.5	Activities of own-account composer, arranging of music	2,337	2,407	244	249	2,471	2,565
92.31.2	Music and dance ensembles	1,859	1,785	214	214	7,368	7,166
22.14.0	Publishing of sound recordings and printed music	1,478	1,645	1,867	1,724	5,155	5,574
92.32.1	Organisation of theatre performances and concerts	1,268	1,416	1,301	1,388	7,046	6,998
92.32.2	Operation of opera houses, theatre and concert halls and similar facilities	207	213	334	327	3,347	3,436
92.32.5	Technical activities in support of cultural and entertaining services	1,358	1,711	381	460	3,677	4,835
52.45.3	Retail sale of musical instruments and scores	2,291	2,170	1,051	1,079	5,920	6,022
	Total	10,798	11,346	5,392	5,442	34,984	36,595
2. Book Market							
92.31.6	Activities of own-account writers	5,915	6,474	456	464	6,179	6,783
22.11.1	Publishing of books, except directories	2,674	2,723	10,294	10,824	43,136	39,850
52.47.2	Retail sale of books and technical journals	5,049	4,904	3,993	3,952	32,182	32,268
	Total	13,638	14,101	14,743	15,240	81,497	78,901
3. Art Market							
92.31.3	Activities of own-account artists	8,039	8,733	713	752	9,489	10,095
52.48.2	Retail sale of art (estimate)	2,003	1,864	588	573	3,670	3,549
92.52.1	Museum shops (estimate) and organisation of art exhibitions	943	1,031	466	603	2,090	2,184
	Total	10,985	11,628	1,767	1,928	15,249	15,827
4. Film Industry							
92.31.7	Activities of own-account stage, motion picture, radio and television artists	8,924	9,793	754	786	10,369	11,355
92.11.0	Motion picture and video productions	6,600	7,175	3,788	3,585	30,682	31,978
92.12.0	Motion picture and video distribution	1,145	1,049	1,621	1,753	3,641	3,779
92.13.0	Motion picture projection	985	981	1,446	1,512	9,158	9,126
	Total	17,654	18,998	7,609	7,637	53,850	56,238
5. Broadcasting Industry							
92.20.0	Radio and television activities	889	954	7,426	7,879	22,133	22,497
	Total	889	954	7,426	7,879	22,133	22,497
6. Performing Arts Market							
92.31.7	*Activities of own-account stage, motion picture, radio and television artists	8,924	9,793	754	786	10,369	11,355
92.31.8	Activities of own-account performers	531	609	36	37	626	710
92.31.1	Activities of theatre ensembles	108	121	41	44	1,233	1,234
92.32.1	*Organisation of theatre performances and concerts	1,268	1,416	1,301	1,388	7,046	6,998
92.32.2	*Operation of opera houses, theatre and concert halls and similar facilities	207	213	334	327	3,347	3,436
92.32.3	Operation of variety theatres and cabarets	203	209	74	75	807	937
92.32.5	Technical activities in support of cultural and entertaining services	1,358	1,711	381	460	3,677	4,835

Core branch WZ-2003	Economic Activity	Enterprises (1)		Turnover (2)		Persons employed (3)	
		Number		in million €		Number	
		2006	2008	2006	2008	2006	2008
92.34.1	Activities of dancing schools	1,522	1,640	198	209	3,020	3,398
92.34.2	Other entertainment activities (e.g. circus, acrobats, puppet theatres)	3,199	3,798	1,036	1,169	6,774	7,406
	Total	17,320	19,509	4,154	4,496	36,899	40,308
7. Design Industry							
74.20.6	Machinery and industrial plan design	3,455	4,248	680	821	8,683	10,032
74.87.4	Fashion design related to textiles, jewellery, furniture and the like	13,445	14,707	1,595	1,599	19,133	21,051
74.40.1	Activities of advertising consultants, window dressing	21,828	23,254	12,594	13,805	92,331	101,331
	Total	38,728	42,209	14,869	16,225	120,147	132,414
8. Architectural Market							
74.20.1	Consulting architectural activities in building construction and interior design	34,124	36,842	6,246	6,438	84,251	88,624
74.20.2	Consulting architectural activities in town, city and regional planning	3,132	3,621	626	698	9,425	10,111
74.20.3	Consulting architectural activities in landscape architecture	2,481	2,828	414	436	5,950	6,364
	Total	39,737	43,290	7,287	7,572	99,626	105,098
9. Press Market							
92.40.2	Activities of own-account journalists and press-photographers	16,615	19,792	1,197	1,309	18,174	21,372
92.40.1	News agencies activities	801	759	804	797	7,201	7,860
22.11.2	Publishing of directories	169	184	1,102	1,129	3,701	4,533
22.12.0	Publishing of newspapers	700	696	10,617	10,459	50,971	49,461
22.13.0	Publishing of journals and periodicals	1,732	1,708	10,172	9,832	36,759	37,718
22.15.0	Other publishing	2,900	2,890	3,419	3,463	7,554	7,692
	Total	22,917	26,029	27,312	26,990	124,360	128,636
10. Advertising Market							
74.40.1	*Activities of advertising consultants, window dressing	21,828	23,254	12,594	13,805	92,331	101,331
74.40.2	Dissemination of advertising media and activities of advertising agencies	17,679	17,266	13,203	13,487	49,690	50,382
	Market segment total	39,507	40,521	25,797	27,292	142,021	151,714
11. Software / Games Industry							
72.20.1	Publishing of software	641	696	751	610	1,090	1,373
72.20.2	Software consultancy	35,078	40,144	23,352	25,851	304,715	343,725
	Total	35,719	40,840	24,103	26,461	305,805	345,098
(-) Other activities							
92.31.4	Activities of own-account restorers	1,266	1,388	136	153	2,671	2,697
92.51.0	Library and archives activities	74	85	20	22	1,037	1,007
92.52.2	Preservation of historical sites and buildings	65	76	24	27	188	173
92.53.0	Botanical and zoological gardens and nature reserves activities	300	349	209	201	770	820
92.33.0	Fair and amusement park activities	3,364	3,317	894	922	13,576	11,604
	Total	5,069	5,215	1,283	1,325	18,242	16,301
	*Core branches with double count	252,961	274,642	141,742	148,486	1,054,813	1,129,629
	*Sum of economic activities with double count	33,585	36,386	15,364	16,767	116,770	127,954
Culture and creative industries overall (excluding double counts)		219,376	238,256	126,378	131,720	938,043	1,001,674
Share in overall economy		7.1%	7.4%	2.6%	2.5%	3.2%	3.3%

Notes: (*) Economic activities are allocated to several core branches. **Economic activity estimated at a share of 20%. (1) Taxable enterprises include all freelance and self-employed entrepreneurs with a taxable turnover of at least EUR 17,500 per annum. (3) Persons employed include all self-employed persons and employees liable to social insurance deductions; marginal employment is excluded.

Sources: Destatis, Federal Agency for Employment, Forschungsgutachten Kultur- und Kreativwirtschaft der Bundesregierung 2009 [Research Report on Culture and Creative Industries of the German Federal Government, 2009]

Table 2: Culture and Creative Industries 2006 Classified by statistical sub-groups
(Suitable for international or regional comparisons where a division into core branches is not possible)

	Enterprises (1)	Turnover (2)	Persons employed (3)	Employees (4)	Marginally employed (5)	Side jobs (6)
	Number	million €	Number	Number	Number	Number
	2006	2006	2006	2006	2006	2006
Group 1: Publishing / sound recording						
22.1 Publishing	9,653	37,472	147,276	137,623	62,433	19,646
Group 2: Film Industry						
92.1 Motion picture and video production and distribution; motion picture projection	8,730	6,855	43,481	34,751	12,643	5,822
Group 3: Broadcasting Industry						
92.1 Radio activities, production of Radio and TV programmes	889	7,426	22,133	21,244	586	353
Group 4: Artists' and other Groups						
92.3 Other culture and entertainment activities	40,100	6,812	78,653	38,553	14,698	6,924
Group 5: Journalists / News Agencies						
92.4 News agencies activities, activities of own-account journalists	17,416	2,000	25,375	7,959	2,163	964
Group 6: Museum Shops, arts exhibitions						
92.5 Library, archives, museums, botanical and zoological gardens	1,382	719	4,085	2,703	378	93
Group 7: Retail sale of cultural goods						
from 52.4 Other retail sale	9,343	5,632	41,772	32,429	12,323	3,005
Group 8: Architectural Market						
from 74.2: Architectural and engineering activities and related technical consultancy	39,737	7,287	99,626	59,889	13,858	5,594
Group 9: Design Industry						
from 74.8 Miscellaneous business activities	38,728	14,869	120,147	81,419	29,141	12,124
Group 10: Advertising Market*						
74.4 Advertising	39,507	25,797	142,021	102,514	80,907	25,003
Group 11: Manufacture of software/games						
72.2 Software consultancy and supply	35,719	24,103	305,805	270,086	20,372	10,960
Culture and Creative Industries	219,376	126,378	938,043	718,667	222,970	79,442
Share in Overall Economy	7.1%	2.6%	3.2%	2.7%	4.6%	4.2%

Notes: *Economic activity advertising design allocated twice, but only included once in total sum. Red figure calculated excluding public institutions and non-profit enterprises and originations. (1) taxable enterprises with (2) annual turnover of 17,500 Euros and more, (3) self-employed persons and employees liable to social insurance deductions, (4) employees liable to social insurance deductions, (5) excluding marginally employed persons, (6) marginally employed persons in side jobs

Sources: Destatis, Federal Agency for Employment, Forschungsgutachten Kultur- und Kreativwirtschaft der Bundesregierung 2009 [Research Report on Culture and Creative Industries of the German Federal Government, 2009]

A. Classification Model of the European Commission

Statistical Classification of the Cultural Sector in Europe. Classification of the European Commission according to the official European Classification of Economic Activities NACE Rev.1

NACE 2-digits	NACE 3 digits	Inclusion in the cultural field
22 – Publishing, printing and reproduction of recorded media	22.1 – Publishing	Yes
	22.2 – Printing and service activities related to printing	No
	22.3 – Reproduction of recorded media	No
92 – Recreational, cultural and sporting activities	92.1 – Motion picture and video activities	Yes
	92.2 – Radio and television activities	Yes
	92.3 – Other entertainment activities	Yes
	92.4 – News agency activities	Yes
	92.5 – Library, archive, museums and other cultural activities	Yes
	92.6 – Sporting activities	No
	92.7 – Other recreational activities	No
74 – Other business activities	74.1 – Legal, accounting, bookkeeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy; holdings	No
	74.2 – Architectural and engineering activities and related technical consultancy	Direct estimation*
	74.3 – Technical testing and analysis	No
	74.4 – Advertising	Yes
	74.5 – Labour recruitment and provision of personnel	No
	74.6 – Investigation and security activities	No
	74.7 – Industrial cleaning	No
	74.8 – Miscellaneous business activities not elsewhere classified.	Yes

Note: *As the NACE nomenclature doesn't allow isolating architectural activities from engineering activities and related technical consultancy, the DEPS used estimator calculated from professional sources. European definition of cultural sector without NACE-code 52.47 Retail sale of books, newspapers and stationery, code 36.3 Manufacture of musical instruments, 22.3 Reproduction of sound, video, computer media recording. NACE Rev.1 = "Nomenclature statistique des activités économiques dans la Communauté Européenne" – Statistical Classification of Economic Activities in the European Community).

Sources: European Commission, "The Economy of Culture in Europe", (Study, October 2006) acc. to: EU Cultural Statistics / Task Force Employment/ EUROSTAT and French Ministry of Culture/Research Department DEPS

B. Classification Model of the "Committee for the Enquiry of Culture in Germany" of the German Parliament

The basic model of the culture and creative industries according to the classification by statistical sub-groups and economic activities (NACE Rev.1, WZ 2003)

NACE Code 2 digits	NACE/WZ WZ-no. 3 digits	NACE/WZ WZ no. 4 digits (partly 5 digits)
22 - Publishing, printing and reproduction of recorded media	22.1 - Publishing	22.11 - Publishing of books 22.12 - Publishing of newspapers 22.13 - Publishing of journals and periodicals 22.14 - Publishing of sound recordings 22.15 - Other publishing
92 - Recreational, cultural and sporting activities	92.1 - Motion picture and video activities	92.11 - Motion picture and video productions 92.12 - Motion picture and video distribution 92.13 - Motion picture projection
	92.2 - Radio and television activities; Production of Radio and television programmes	92.20 - Radio and television activities; Production of Radio and television programmes
	92.3 - Other entertainment activities	92.31 - Artistic and literary creation and interpretation 92.32 - Operation of theatre, opera and musical houses, technical support to cultural activities 32.34 - Other entertainment activities n.e.c.
	92.4 - News agency activities; own-account journalists	92.40 - News agency activities; own-account journalists
	92.5 - Libraries, archives, botanical and zoological gardens	92.51 - Library and archives activities 9231 92.52 - Museums activities and preservation of historical sites and buildings
52 - Retail Trade	52.4 - Other retail sale	52.47 - Retail sale of books, newspapers and stationery 52.45.3 - Retail sale of musical instruments and scores 52.47.2 - Retail sale of books and technical journals 52.48.2 - Retail sale of art (excluding antiquities, carpets, stamps, coins and gifts)
74 - Other business activities	74.2 - Architectural and engineering activities and related technical consultancy	74.2x - Architectural activities 74.20.1 - Consulting architectural activities in building construction and interior design 74.20.2 - Consulting architectural activities in town, city and regional planning 74.20.3 - Consulting architectural activities in landscape architecture
	74.8 - Miscellaneous business activities n.e.c.	74.8x - Design activities 74.20.6 Machinery and industrial plan design 74.40.1 - Activities of advertising consultants, window dressing 74.87.4 - Fashion design related to textiles, jewellery, furniture and the like
	74.4 - Advertising	74.40.2 - Dissemination of advertising media (advertising consultancy included in design)
72 - Computer and related activity	72.2 - Software/Games	72.2 - Development and publishing of software
<p>Note: German definition of the cultural sector excluding WZ-no. 36.3 Manufacture of musical instruments, WZ-no 22.3 Reproduction of recorded media. WZ 2003 = German Classification of Economic Activities. Based on NACE Rev.1 = "Nomenclature statistique des Activités économiques de la Communauté Européenne" - Statistical Classification of Economic Activities in the European Community</p> <p>Source: Arbeitskreis Kulturstatistik</p>		

Source: Enquetekommission Kultur in Deutschland, Abschlussbericht, 2007, p. 376 [Committee for the Enquiry of Culture in Germany, Final Report, 2007, p. 376]

C. Classification model of the Research Report on Culture and Creative Industries of the German Federal Government and the Conference of Ministers of Economic Affairs - re-arrangement of statistical sub-groups by CORE BRANCHES (WZ 2003)

1. Music Industry

Share in %

92.31.5	Activities of own-account composers, arranging of music	
92.31.2	Activities of ballet-companies, orchestras, bands and choirs	
22.14.0	Publishing of sound recordings and printed music	
92.32.1	*Organisation of theatre performances and concerts	
92.32.2	*Operation of opera houses, theatre and concert halls and similar facilities	10% (SVB)
92.32.5	*Technical activities in support of cultural and entertaining services	
52.45.3	Retail sale of musical instruments and scores	
	Total market segment	

2. Book Market

92.31.6	Activities of own-account writers
22.11.1	Publishing of books, except directories
52.47.2	Retail sale of books and technical journals
	Total market segment

3. Art market

92.31.3	Activities of own-account artists	
52.48.2**	Retail sale of art (estimate)	20% (UST, SVB)
92.52.1	Museum shops (estimate) and organisation of art exhibitions	8% (SVB)
	Total market segment	

4. Film Industry

92.31.7	*Activities of own-account stage, motion picture, radio and television artists
92.11.0	Motion picture and video productions
92.12.0	Motion picture and video distribution
92.13.0	Motion picture projection
	Total market segment

5. Broadcasting Industry

92.20.0	Radio and television activities	35% (SVB)
	Total market segment	

6. Performing Art market

92.31.7	*Activities of own-account stage, motion picture, radio and television artists	
92.31.8	Activities of own-account performers	
92.31.1	Activities of theatre ensembles	10% (SVB)
92.32.1	*Organisation of theatre performances and concerts	
92.32.2	*Operation of opera houses, theatre and concert halls and similar facilities	10% (SVB)
92.32.3	Operation of variety theatres and cabarets	
92.32.5	*Technical activities in support of cultural and entertaining services	
92.34.1	Activities of dancing schools	
92.34.2	Other entertainment activities n.e.c. (circus, acrobats, puppet theatres)	
	Total market segment	

7. Design Industry

74.20.6	Machinery and industrial plan design
74.87.4	Fashion design related to textiles, jewellery, furniture and the like

74.40.1 *Activities of advertising consultants, window dressing
Total market segment

8. Architectural Market

74.20.1 Consulting architectural activities in building construction and interior design
 74.20.2 Consulting architectural activities in town, city and regional planning
 74.20.3 Consulting architectural activities in landscape architecture
Total market segment

9. Press Market

92.40.2 Activities of own-account journalists and press-photographers
 92.40.1 News agencies activities
 22.11.2 Publishing of directories
 22.12.0 Publishing of newspapers
 22.13.0 Publishing of journals and periodicals
 22.15.0 Other publishing
Total market segment

10. Advertising Market

74.40.1 *Activities of advertising consultants, window dressing
 74.40.2 Dissemination of advertising media and activities of advertising agencies
Total market segment

11. Manufacture of Software and Games

72.20.1 Publishing of software
 72.20.2 Software consultancy
Total market segment

(-) Other Activities

92.31.4	Activities of own-account restorers	
92.51.0	Library and archives activities	8% (SVB)
92.52.2	Preservation of historical sites and buildings	8% (SVB)
92.53.0	Botanical and zoological gardens and nature reserves activities	8% (SVB)
92.33.0	Fair and amusement park activities	
	Total market segment	

Notes: *Allocated to more than one market segment. %-share SVB = employment statistics, UST = turnover tax statistics

Source: Forschungsgutachten Kultur- und Kreativwirtschaft der Bundesregierung 2009 [Research Report on Culture and Creative Industries of the German Federal Government, 2009]

D. New Statistical Classification 2009 of the culture and creative industries in Germany according to the new classification of economic branches (WZ 2008) (or European NACE Rev.2)

(Valid for all data evaluation starting from 2009 as far as data and statistics are available in the new classification.)

Definition of the Arbeitskreis Kulturstatistik e.V. according to the official German classification of economic branches WZ2008)

WZ no. 2 digits	WZ no. 3 digits	WZ no. 4 digits (partly 5 digits)
Publishing sector		
58 - Publishing activities	58.1 - Publishing of books, periodicals and other publishing activities (excluding software)	58.11 - publishing of books 58.12 - Publishing of directories and mailing lists 58.13 - 58.13 - Publishing of newspapers 58.14 - Publishing of journals and periodicals 58.19 - Other publishing activities (excluding software)
Film industry		
59 - Motion picture, video and television programme production, sound recording and music publishing activities	59.1 - Motion picture, video and television programme production, sound recording and music publishing activities cinemas	59.11 - Motion picture, video and television programme production activities 59.12 - Motion picture, video and television programme post-production activities 59.13 - Motion picture, video and television programme distribution activities (excluding video rental stores) 59.14 Motion picture projection activities
Manufacture of sound storage media/publishing of music		
	59.2 - Sound recording and music publishing activities	59.20 Activities of sound-recording studios and production of taped radio programming, publishing of sound recordings and printed music 59.20.1 - Activities of sound-recording studios and production of taped radio programming 59.20.2 - Publishing of sound recordings 59.20.3 - Publishing of printed music
Broadcasting Industry		
60 – Programming and broadcasting activities	60.1 - Radio broadcasting 60.2 - Television programming and broadcasting activities	60.10 - Radio broadcasting 60.20 – Television programming and broadcasting activities

Cultural economic branches		
90- Creative, arts and entertainment activities	90.0 –Creative, arts and entertainment activities	90.01 –Performing arts 90.01.1 – Activities of theatre ensembles 90.01.2 – Activities of ballet companies, orchestras, bands and choirs 90.01.3 – Activities of own-account performers and circus groups 90.01.4 – Activities of own-account stage, motion picture, radio and television artists and other performing arts activities 90.02 – Support activities to performing arts 90.02.0 – Support activities to performing arts
		90.03 –Artistic Creation 90.03.1 – Activities of own-account composers, arranging of music 90.03.2 – Activities of own-account writers 90.03.3 – Activities of own-account visual artists 90.03.4 – Activities of own-account restorers 90.03.5 – Activities of own-account journalists and press photographers
		90.04 –Operation of arts facilities 90.04.1 – Organisation of theatre performances and concerts 90.04.2 – Operation of opera houses, theatre and concert halls and similar facilities 90.04.3 – Operation of variety theatres and cabarets
Libraries/ Museums		
91 –Libraries, archives, museums botanical and zoological gardens	91.0 –Libraries, archives, museums botanical and zoological gardens	91.01 –Libraries and archives activities 91.02 –Museum activities 91.03 –Operation of historical sites and buildings and similar visitor attractions
Trade of Cultural Goods		
47 - Retail trade, except of motor vehicles and motorcycles	47.6 - Retail trade of published products, sports equipment and toys	47.59.3 - Retail sale of musical instruments and scores 47.61 - Retail sale of books 47.62.1 - Retail sale of newspapers, journals and periodicals 47.63 - Retail sale of music and video recordings 47.78.3 - Retail sale of arts objects, paintings, craftworks (excluding stamps, coins and gift articles)
Architecture		
71 - Architectural and engineering activities; technical testing and analysis	71.1 - Architectural and engineering activities and related technical consultancy	71.11 - Architectural activities 71.11.1 - Consulting architectural activities in building construction 71.11.2 - Consulting architectural activities in interior design 71.11.3 - Consulting architectural activities in town, city and regional planning 71.11.4 -

		Consulting architectural activities in landscape architecture
Design		
74 - Other professional, scientific and technical activities	74.1 - Studios for textile, jewellery, graphic and related design	74.10 Activities of textile, jewellery, graphic and related design 74.10.1 - Activities of industrial, product and fashion design 74.10.2 - Activities of graphics and communications designers 74.10.3 - Activities of interior decorators 71.12.2 - Engineering activities for projects in specific technical fields and engineering design (partly)
Advertising		
73 - Advertising and market research	73.1 - Advertising	73.11 - Advertising agencies 73.12 - Media representation
Software/Games		
	58.2 - Publishing of software	58.21 - Publishing of computer games 58.29 - Publishing of other software
	62.0 - Computer programming, consultancy and related activities	62.01 - Computer programming activities 62.01.1 – Web-page design and programming 62.01.9 - Other software development

Notes: WZ 2008 = German classification of economic branches, based on European NACE Rev.2 = "Nomenclature statistique des Activités économiques dans la Communauté Européenne" – Statistical classification of economic activities in the European Community, 2008 edition
Source: Arbeitskreis Kulturstatistik e.V.

1. Introduction

1.1 Relevance of Culture and Creative Industries

The discussion on culture and creative industries in Germany has meanwhile attained a high level of public attention. Most federal states (*Bundesländer*) have their own culture industries report, each with their own focal points. In France and the UK, but also in Canada, terms like industries culturelles, creative industries or arts and culture industries have been in use for many years. Austria and Switzerland make great efforts to develop their creative industries.

What are the reasons for this rising interest in culture and creative industries?

Firstly, there has been a rapid increase of cultural goods and services on the global level. According to the latest UNCTAD¹ figures, the world market for goods and services in culture and creative industries has almost doubled between 1996 and 2005. The market volume grew from 227.4 billion to 424.4 billion USD. This is equal to a share of 3.4% of the overall world trade.

Secondly, there have been **economic upheavals caused by technological change**,² which gain more and more influence on the cultural and creative branches. Technological changes, from the use of computer technology, to digitisation, to the steadily increasing online economy, have had positive as well as negative effects on culture and creative industries. Technology is seen as the most important economic driver for the production of cultural and creative content.

A third explanation lies in a newly emerging perception that **increasingly sees the production of cultural and creative content as an independent field**. It becomes more and more obvious that technological products and infrastructures cannot achieve optimal economic effects without content-related goods and services. The production of content gains a life of its own; it becomes an independent economic factor.³ Furthermore, great hopes for innovation and success are pinned on the production of cultural and creative content.

The global trend of a strongly growing production of cultural and creative goods and culture and creative industries driven by

¹ UNCTAD (2008): Creative Economy Report 2008, Geneva

² OECD (2008): Information Technology Outlook 2008, Paris

³ Anderson, C. (2007): The Long Tail. Der lange Schwanz. Nischenprodukte statt Massenmarkt. Das Geschäft der Zukunft, München

technological progress are, of course, also observed in Europe and in Germany as the largest national cultural market.

- In the European Union, a total of 4.9 million persons are employed in the cultural and creative sector.⁴ **Germany is at the top of the range with about one million persons employed, followed by the UK with 870,000 and France with 490,000.** The labour force employed in the German culture and creative industries produced a turnover of approximately 132 million Euros in 2008.
- The European Commission⁵ found that the culture and creative industries contribute a share of 2.6% towards gross value added in the European Union. **Recent German estimates also assume a share of 2.6% in value added.**

Such economic potentials of the culture and creative industries lead to a heightened awareness of this sector. However, in the background of the global development of cultural and creative markets and the increasing attention it receives from national governments, it should not be assumed that culture and creative industries are just another trendy topic, soon to be forgotten again.

1.2 The Research Commission

Further to the recommendations of the Committee for the Enquiry of Culture in Germany, the Federal Government commissioned a research study to investigate the typical, across-the-board characteristics of the various fields of culture and creative industries.

The study presented here has elaborated an **overall concept of the entire complex of branches that form the culture and creative industries**. This concept is compatible with the international and European state of research and able to adequately describe the special national situation in Germany. The research has been carefully harmonised with the definitions and concepts developed by the German Conference of Ministers of Economic Affairs.⁶ This creates a generally binding basis for the future development of economic and cultural policies for the culture and creative industries.

The research study will also look at **existing frame conditions, in particular in the fields of support to medium enterprises and regional support measures by the EU**, with regard to possible

⁴ Eurostat (2007): Cultural Statistics 2007, Luxembourg

⁵ European Commission (2006): The Economy of Culture in Europe, Brussels, DG Culture

⁶ Wirtschaftsministerkonferenz (2008): Gutachten zur Erstellung eines Leitfadens für die statistische Erfassung der Kultur- und Kreativwirtschaft, im Auftrag der WMK federführend durch die Senatsverwaltung für Wirtschaft, Technologie und Frauen des Landes Berlin

barriers for cultural and creative professionals in tapping new national or international markets.

A final research module **develops economic scenarios and subsequent recommendations of action for the German Federal Government**, to be used internally in cooperation with the economic actors involved as well as externally for the positioning of Germany on the European and international level.

The following focal points will be investigated in detail:

1. Analysis and description of the typical, across-the-board defining characteristics of the various fields forming the culture and creative industries as a prerequisite for a comparative analysis on the national and international level and for the macro economic analysis of the sector.
 - One focal point should be to establish the essential characteristics of the culture and creative industries against the background of their heterogeneous structure and content.
 - Possible variables of an overall definition to create meaningful scenarios of action should be indicated.
 - Alternative models of definition are presented and the terms commonly used in the international discussion and in continental Europe shall be emphasised with respect to the German situation, especially their statistical specificities.
2. **Situational analysis** of the culture and creative industries in Germany from a **macroeconomic perspective** with special regard to new technologies (in particular digitisation as an important driver of development).
 - Macroeconomic overview
 - Economic definition of the various sectors
3. Analysis of existing frame conditions, in particular in the fields of support to medium enterprises and regional support by the EU, with respect to the barriers creative professionals might encounter when tapping new markets at home and abroad.
4. Development of economic scenarios and deduction of possible recommendations for action for the German Federal Government to be used internally in cooperation with the economic actors involved as well as externally for the positioning of Germany on the European and international level.

The following section analyses international research approaches according to three basic directions and investigates their applicability for the present study.

1.3 International and National Status of Research

1.3.1 International Status of Research

Despite heightened international awareness and growing national appreciation of its importance, the field of culture and creative industries remains a complex topic.

The use of the term culture and creative industries in the international debate is unclear and, structurally as well as empirically, difficult to grasp. This introductory part describes basic points of departure to clarify the various dimensions of the topic for strategic discussion.⁷

As a fundamental rule it can be said that existing studies on culture and creative industries are not, or only to a very limited degree, comparable on a national or international level as they adhere to a variety of differing specific approaches. This is due to the fact that the delineations and characteristics of culture and creative industries could not yet be mapped satisfactorily. The problem begins with the question: to which of the different economic sectors do they belong? While book publishing houses and the production of sound recording media have always been allocated to the production sector, galleries and arts auctions, as the traditional cultural markets, belong to the trade sector. Huge branches like broadcasting or the film industry are usually listed at the end of the service sector by the relevant economic classification systems.

Due to this heterogeneity and allotment to various economic sectors, culture and creative industries have been characterised as a complex of branches that cut across the board. Culture and creative industries share this feature with related branches, for example the media industries, which have similar definition problems.

⁷ International experts have discussed the concept of cultural industries under various aspects for several decades. See for example: Girard, A. (1978): Industries Culturelles, in: Futuribles, 17, Paris, pp. 597-605; European Commission (1998): Culture, the Cultural Industries and Employment, DG Employment and Culture, Brussels; Department of Culture, Media and Sports (DCMS) (1998): Creative Industries. Mapping Document, London, 2nd revised editions 2001; European Commission (2003): Exploitation and Development of the Job Potential in the Cultural Sector in the Age of Digitalisation. European Commission, Directorate General Employment and Social Affairs. Brussels; Weckerle, C./ Gerig, M./ Söndermann, M. (2008): Kreativwirtschaft Schweiz. Daten. Modelle. Szenen. Basel; English version: Weckerle, Christoph; Gerig, Manfred; Söndermann, Michael (2008): Creative Industries Switzerland. Facts - Models - Culture, Basel

Despite the heterogeneous character of culture and creative industries, the relevant research approaches can be grouped into three principle ways of addressing the topic:

The first research approach assumes that culture and creative industries have to be classified by branches, using specific related characteristics to investigate their interior effects (example: OECD studies).⁸ This is the most frequently used approach in national and international expert debates because it classifies the culture and creative industries according to the accustomed market segments, e.g. music industry, book market or (more recently) design industry. This approach has the advantage of combining issues of economic policy and cultural importance with a sectoral approach. This makes it possible to develop sector-specific policies. However, the limitation to selected defined branches is also a disadvantage because it neglects all creative industries activities outside of these branches.

A second group of researchers, for example the well-known studies of Richard Florida,⁹ depart from the professional structure of the thematic field. **Florida deems the traditional economic model, which is centred on industrial production, to be obsolete. The interaction of technological, innovative and creative components has to be understood** in order to come to an understanding of the new determinants of economic growth and international competitiveness. Technology, talent and tolerance, the three Ts, are no longer united in an economic branch in the traditional sense, but form a so-called “creative class” summarized in a new complex of professional groups. According to Florida, the region that manages to attach this creative class to itself will be able to generate the crucial dynamics of growth in the global competition.

The driving force of technology and the fostering of talent (development of patents) are not new to traditional economic research. Florida’s newly introduced term of “tolerance,” however, goes beyond conventional economic concepts. It means that creativity can only develop through openness towards ethnic minorities, diversity of population groups, or generally through pro-active tolerance. Only the combination of the two conventional components of technology and talent and the new social or cultural component creates economic prosperity.

Florida’s arguments have provided a lot of thought-provoking impulses in the international, as well as in the German context. Nevertheless, his empirical concept of the “creative class” is not suitable for the purposes of the present study, because his concept of professional structure goes far beyond the artistic, cultural and

⁸ The OECD Study is an example in this context: OECD (2007): International Measurement of the Economic and Social Importance of Culture, (STD/NAFS(2007)1)

⁹ Florida, Richard (2002): The Rise of the Creative Class, New York, and subsequent studies on the creative class

creative professional groups. Next to the artists in the narrower sense, Florida includes, for example, mathematicians, natural scientists, teachers, and jurists into the creative class and regularly comes to a share of 30% or more of the creative class in the working population of a country. The study presented here will, unlike Richard Florida, focus on the artistic, cultural and creative core activities.

A third group of researchers (John Howkins¹⁰ et al.) acknowledges neither branches nor professions as the basic structural elements of any definition of culture and creative industries. **They assume that the phenomenon of “creativity” unfolds across the entire economy as a complex formation.** Digitisation and small- scale production structures drive a mechanism of value creation that cannot be described adequately by traditional conceptions. The term “creative economy” brings together goods and services based on creative achievements from across the entire economy.¹¹

This broad approach to creative activities across all economic fields is legitimate. However, the difficulties of collecting empirical data on such immanent creative impulses from all economic branches would be enormous.

All three research approaches are widely accepted in different regions of the world. **For pragmatic reasons this study chooses the first approach of structuring according to sectors, because it is compatible with important models used in Europe in a number of ways.** On the one hand, the European Commission uses the sector approach in its concept of EU cultural statistics,¹² which again is a reference model for the French government. The sector approach also provides a compatible interface with the study “Creative Industries Mapping Document” presented in 2001 by the British government for the UK. This study has met with the widest acceptance within the scientific community and will therefore remain a relevant point of reference for the international debate in the years to come.

1.3.2 Current Status of National Research

Almost all German Ministries of Economic Affairs and or Ministries of Culture at the German *Länder*¹³ level have meanwhile addressed the topic of culture and creative industries. The first culture industries report was commissioned by the Land of North Rhine-Westphalia in

¹⁰ Howkins, J. (2001): *The Creative Economy: How People Make Money from Ideas*, New York; *Understanding the Engine of Creativity in a Creative Economy*: Donna Ghelfi (WIPO) in an interview with John Howkins, http://www.wipo.int/sme/en/documents/cr_interview_howkins.html [20.07.2008]

¹¹ WIPO (2003): *Guide on Surveying the Economic Contribution of the Copyright-based Industries*, Genf

¹² Eurostat (2001): *LEG Cultural Statistics*, Task force on Cultural Employment, Luxemburg

¹³ See annex for a list of culture industries reports of the *Länder* that are currently available or under preparation

1989 and was published in 1992. The most recent report was presented by the Land of Berlin in January 2009.

All culture industries reports address the question of the economic potential culture industries sectors have for their respective regions. The basic function of these reports is to serve as planning instruments for the ministries.

The economic policy goals aim at the contribution of the culture and creative industries towards growth and employment. Cultural policy goals are mostly directed towards the cautious widening of the scope of action of the cultural field. More recently, urban and regional planning goals were added to these basic goals (see the Berlin report of 2009 in particular) to launch particularly suitable locations as crystallisation cores of cultural industries. Through business location policies, regional economic support policies gain access to this "novel" economic field.

Cultural policy reports had the important function of introducing culture and creative industries into expert debates. In other economic fields, this function was usually fulfilled by expert associations or sector organisations, but in culture and creative industries there were no across-the-board organisations of that type. Therefore, ministries and administrations had to take over this role in the past.

However, many relevant professional associations and organisations and other important networking actors in culture and creative industries were aroused by the numerous culture industries reports of the *Länder* and the intensive international debate. More and more economic prospects are now opened by culture and creative industries.

The cultural industries reports have introduced a great variety of definitions and classifications into the discussion, but in spite of the differences in empirical findings, they have produced surprisingly similar results.

Culture and creative industries are characterised by micro enterprises. They are under-capitalised and, therefore, a high-risk area, and they are able to absorb technological and non-technological innovations very swiftly and develop more and more into a "project economy," moving away from traditional working place structures.

Besides the much-needed work of defining culture and creative industries, all culture industries reports have again and again formulated a myriad of recommendations for action to guide the ministries. Astonishingly, many of these recommendations could not be realised, for the field of culture and creative industries was often seen as a competitor to other working fields in the ministries and administrations. Maybe there was a lack of adequate supporting organisations and actors from culture and creative industries, which

are indeed characterised by a rather weak degree of organisation. However, it is also possible that other deficiencies have been at the bottom of the great reluctance to implement these recommendations in the past.

- All existing culture industries reports of the *Länder* have more or less ignored support mechanisms already existing in the relevant ministries.
- None of these reports include evaluations of the measures carried out in the *Länder*, so far.

Future culture industries reports should remedy these analytical deficiencies.

All in all, the culture industries reports have contributed to the fact that culture and creative industries can no longer be dismissed as just a trendy topic, but have to be seen as a stable growth sector. Culture and creative industries are not a mere image factor, but an economic field that is urgently needed for the further development of our overall economy.

1.4 The Debate on Economic and Cultural Policies

The topic of culture and creative industries has been developed in the 1990's, mainly from an economic and employment-related point of view. Consequently, ministries of economic affairs were dealing with it, and cultural policy questions only came up more recently.

1.4.1 Economic Policy

With the background of long-term economic structural changes in the 1970's, North Rhine-Westphalia was the first federal state to address culture and creative industries at the beginning of the 1990's. There was the hope that the development of new employment structures would, at least partly, replace the jobs that had been lost in the traditional industries.

The strategic orientation towards culture and creative industries, however, did not start until the beginning of the new century, in the context of the European debate. More recently, there have also been international attempts on various levels towards economic policies for culture and creative industries.

The OECD discovers culture and creative industries as a potential for employment.

For a long time, the OECD regarded the cultural sector as a so-called non-market-economy-sector, which contributed only marginally towards the creation of value added. Meanwhile, the OECD member states have been advised to take stronger notice of the employment potentials of the creative branches. Goods and services of culture and creative industries form an important development potential for entire regions. Culture and creative industries require specific factors of production that can be developed through education and training, creating distribution networks or copyright regulations.¹⁴

EU: The Lisbon Strategy incorporates culture and creative industries.

Within the European Union, the issue of culture and creative industries has meanwhile also entered the debate on the Lisbon Strategy. The Lisbon Strategy¹⁵ aims at making the EU “the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.” Knowledge and information are seen as the main drivers for sustainable growth. Empirical data presented by the EU study, “The Economy of Culture in Europe”, have provided striking evidence of the contributions of culture and creative industries towards economy and employment. This debate caused a number of Directorates General in the EU to take a closer look at culture and creative industries in order to fully exploit their potential for the creation of growth and employment.

European Parliament: Committee for Industry, Research and Energy of the European Parliament recommends support to culture and creative industries in Europe.

The Committee has developed a great number of proposals¹⁶ for the development of culture and creative industries, some of which are listed here:

- As creative talent is of particular importance, innovative kinds of life-long learning suitable to develop creative talents should be supported.
- As the innovative potential of culture and creative industries has been recognised, all member states should provide sufficient funds.
- As the transition from analogue to digital TV has opened up enormous opportunities, it needs its own regulatory framework.

¹⁴ See OECD (2006): International Measurement of the Economic and Social Importance of Culture, Paris; OECD (2005): Culture and Local Development, Paris

¹⁵ Quoted according to European Commission DG Culture (2006): The Economy of Culture in Europe, Brussels, p. 25

¹⁶ In: European Parliament (2008): Report on Cultural Industries, Brussels (A6-0063/2008)

- As efficient protection of intellectual property has been recognised as a key factor for the competitiveness of culture and creative industries, strategies for its protection should be developed.
- As micro enterprises are important actors in culture and creative industries, the importance of the i2i goals of the European Investment Bank for the financing of the start-up and development of small and medium enterprises in the cultural and creative area should be investigated.

The economic policy actors listed above (OECD, European Commission, European Parliament) are perceived with great attention in Germany. Their proposals and ideas have already been included in relevant working papers at different levels of the federal (Federal Government and Parliament) and on the *Länder* level (Ministries of Economic Affairs, Ministries of Culture, *Länder* Parliaments). The Culture and Creative Industries Initiative of the Federal Government formulates its economic policy goals in the following way:

Objectives of the Culture and Creative Industries Initiative of the German Federal Government: 'Within this initiative, the Federal Government intends to concentrate on the market potentials of culture and creative industries without neglecting the publicly supported cultural area, which is an important basis for a great part of the market-oriented culture and creative industries. Based on the results of the Committee for the Enquiry of Culture in Germany, the Federal Government aims at further raising public awareness of the importance of the sector and acknowledge it in its economic and employment policies in the same way as the established economic sectors. Achievements and efficiency of the German culture and creative industries should also be made more visible on the international level. This requires showing the potentials, challenges and development trends of this area and its sub-sectors. Providing material support to the culture and creative industries, in areas the Federal Government deems necessary and useful, should be another goal. Therefore, the Federal Government, in co-operation with all branches of the sector, will identify existing barriers and develop solutions for the further optimisation of the frame conditions.'¹⁷

1.4.2 Cultural Policy

Cultural policy has only more recently started to address the topic of culture and creative industries¹⁸ and at once started to raise questions. Traditionally, cultural policy is more oriented towards 'providing support to things that do not easily thrive in the market.'

¹⁷ Initiative Kultur- und Kreativwirtschaft der Bundesregierung, Berlin, 7. Mai 2008

¹⁸ Das Parlament (2006): Kulturwirtschaft, in: Beilage Aus Politik und Zeitgeschichte Nr. 34-35/21.08.2006

Cultural goods, services or other activities that are easily marketable are not traditionally the object of cultural policy. Cultural projects with an economic motivation or the clear perspective of economic success would rather tend to be excluded from support by the cultural policy departments of municipalities, *Länder* or the Federal Government.

However, there are at least three reasons in favour of the inclusion of culture and creative industries into the portfolio of cultural policy, which clearly go beyond the usual scope of justification:

- **Through the support to and development of cultural infrastructure, cultural policies contribute significantly to the development of cultural productions and achievements.** These can subsequently be integrated into the culture and creative industries and commercially exploited. Furthermore, institutions of arts education and intermediation educate recipients of culture who are the final customers and consumers needed by the actors in the culture and creative industries. Therefore, cultural policies provide two important infrastructural pre-conditions for the cultural industries.

- **Artists and creative workers are the genuine producers.** In the development of arts and culture, with respect to content and expertise, the central task of cultural policy has to assume a special responsibility for arts and cultural professions. Artists or creative workers are the genuine producers of art and culture. They are the “creative human capital,” and cultural policies must develop a holistic perspective for them. The Artists’ Report of 1975 described the mixed working relationships of artists, who work in public cultural institutions as well as in not-for-profit organisations and in private cultural businesses.¹⁹ The trend towards self-employment has rapidly increased since then. Therefore, artistic and creative experiments develop more and more often in the free market and not exclusively in publicly financed cultural institutions.

- **Cultural policy is per se oriented towards the development conditions of cultural production in its entirety.** Cultural policy will only be able to re-orient its fields of responsibility if it becomes able to assume the perspective that artistic and creative production takes place in all cultural sectors, including public and non-for-profit as well as business-oriented cultural institutions, organisations and enterprises. Only then will it be able to refer to the most diverse effects of cultural production, be they of an aesthetic, social or business

¹⁹ Fohrbeck, K./Wiesand, J.A. (1975): Künstlerreport, München

nature. As cultural policy perceives cultural production as a "value per se," it is able to see the development conditions of culture from all possible perspectives, including from a business perspective.

Up-to-date cultural policy considerations cannot be restricted to publicly supported or publicly financed cultural infrastructure. Private business cultural activities must also be included. The cultural sector is a capillary system where public, not-for-profit and business activities complement each other or confront each other. Cultural policies are able to provide an overview²⁰ of this entirety.

1.4.3 Final Assessment

Finally we want to stress that culture and creative industries are not opposed to the producing economy, neither from the point of view of economics nor from the point of view of cultural policies.

Concentrating on culture and creative industries does not necessarily mean that traditional industrial sectors are neglected. On the contrary: **it becomes more and more obvious that cultural and creative economic branches have grown into a much-needed addition in modern economic infrastructures.** Adequate approaches to culture and creative industries do not regard them as a normal complex of branches but as a "laboratory market for new ideas," indicating valuable trends for overall economic development.

Cultural and creative branches are widely regarded as future markets for new visions, perspectives and ideas for action through the combination of economic, artistic and creative activities. Culture and creative industries have also been described as a "specific economy,"²¹ creating not only traditional job places, but also a growing number of freelance and self-employed jobs characterised by the innovative modes of production that are typical for the culture industries. Culture and creative industries is a complex of branches characterised to a very large extent by micro enterprises.

Even though cultural policy will hopefully be able to develop a wider perspective of the cultural sector in its entirety, it will always remain the "little sister" of its "big brother" economic policy - if only because its resources are much more limited. However, cultural policy will be able to make extremely valuable contributions, especially concerning the arts and cultural professions. In this respect, the government of

²⁰ A comprehensive survey of the current cultural policy discussions on cultural industries is available in: Jahrbuch für Kulturpolitik 2008 (2008): Thema: Kulturwirtschaft und kreative Stadt, hrsg. vom Institut für Kulturpolitik der Kulturpolitischen Gesellschaft, Bonn; Zimmermann, O./ Schulz, G./ Ernst, S. (2009): Zukunft Kulturwirtschaft. Zwischen Künstlertum und Kreativwirtschaft, Essen

²¹ Ministerium für Wirtschaft, Mittelstand und Energie (o.J.): Create. NRW. Gesucht: Die besten Ideen für Kultur- und Kreativwirtschaft, Düsseldorf, p. 7

the federal state of North Rhine-Westphalia, through its cultural department at the Prime Minister's Office, has taken an important initiative. It is conceptualising comprehensive strategies for the development and broadening of individual support measures for artists that may lead to a real improvement of the economic situation of the arts and cultural professions.

Eventually, it will be of paramount importance how the development of genuine and unmistakable products and services can be facilitated. It will be exactly these products that make all the difference in competitiveness.

2. Systematic Definition of Culture and Creative Industries

The following section describes the most important defining criteria and dimensions of culture and creative industries. The explanations are based on important preliminary work on culture and creative industries²² by the Committee for the Enquiry of Culture in Germany.” The resolutions of the Conference of German Ministers for Cultural Affairs of the *Länder* on culture and creative industries²³ were another important basis for the definitions.

2.1 Review of the Defining Criteria

The defining criteria for the systematic classification of culture and creative industries are structured and explained based on the following dimension:

Classification of Culture and Creative Industries

The placement of culture and creative industries within a wider sector structure is very important due to regulatory reasons, as market oriented and publicly financed cultural goods and services are measured by a different yardstick and largely justified according to the respective political principles. The loss of awareness for the different forms of private, public and not-for-profit activities, as everything is valued under market criteria, would create a great danger for the entire cultural sector. Tasks, criteria and problems should remain clearly discernible also in the future. The three-sector-model provides adequate orientation.

Defining Criteria

The structure of culture and creative industries is described using the criteria business enterprise, sectoral definition, artist/creative worker and internal segmentation. The criteria describe the static elements of the model of culture and creative industries.

- The defining criteria describe the core of the culture and creative industries, with the business enterprise as the centre of the culture and creative industries.

²² Enquetekommission (2007): Enquetekommission des Deutschen Bundestages „Kultur in Deutschland“, Kapitel Thema Kultur- und Kreativwirtschaft, pp. 333-376, Drucksache 16/7000 Deutscher Bundestag – 16. Wahlperiode

²³ Wirtschaftsministerkonferenz (2008): Beschluss der Wirtschaftsministerkonferenz am 09./10. Juni 2008 in Regensburg zu Top 5 „Kreativwirtschaft - Verbesserung der Rahmenbedingungen für eine Wachstumsbranche“

- The field of culture and creative industries consists of a complex of eleven core branches or market segments. This structure of branches has a high acceptance among the German Ministries of Economic Affairs and Ministries of Culture (the eleven market segments are sometimes merged into seven to nine groups).
- The identification of the eleven core branches is done through the introduction of the concept of the “creative act“ as the core of the complex of branches forming the culture and creative industries. The concept is based on a proposal of the Committee for the Enquiry of Culture in Germany.
- The concept of the “creative act“ is an ideal construction; its material expression can either be the “work“ or the “creator/author“. For empirical and practical reasons, the artist or creative worker is seen as the originator of the creative act in this context.
- The economic actors in the culture and creative industries are fundamentally different from each other depending on their size. The different size categories cannot be steered adequately by the same structural policies. Therefore, an internal segmentation is introduced to allow for specific economic and cultural policy measures for the respective types.

Structures of Value Added

The structures of value added in culture and creative industries show specific features in each market segment. They can typically be represented as value chains or as simple pragmatic structures of value added. They serve to describe the dynamic elements of the culture and creative industries model.

- The “cultural value chain“ divides the process of value creation into its successive steps, making it possible to look more deeply into the way people and/or enterprises are integrated into the production of a cultural good.
- The 5-Layer-Model of the UK government captures the economic activities of culture and creative industries along the official classification of economic activities, thus facilitating a connection to the empirical-quantitative analysis.
- The **Basis-Model** differentiates between two actors in the value chain: the authors/ genuine producers/ performers on the one hand, and the exploiters/ service providers on the other, thus reducing the empirical basis to the core economic branches of the culture and creative industries as they have also been agreed upon by the stipulation of the German Conference of Ministers of Economic Affairs.

The models of the structures of value added presented here each represent a different approach to the complex system of culture and creative industries.

2.2 Concepts of the Committee for the Enquiry of Culture in Germany and the Conference of Ministers of Economic Affairs

The Committee for the Enquiry of Culture in Germany had already recommended a harmonised concept of culture and creative industries in its final report of 2007. It appealed to the Federal Government and the *Länder* governments to come to an agreement on the harmonised statistical representation of culture and creative industries. It requested a clarification in which the economic activities and sub-activities of the economic statistics were able to capture culture and creative industries adequately, and it also requested that the statistical classification should be as compatible as possible with approaches developed on the European level. A third aspect concerns the statistical inclusion of the economic dimension of civil society and the public sector.

In January 2008, the Conference of Ministers of Economic Affairs started another initiative, which led to a harmonised statistical definition of culture and creative industries on a working level. In June 2008 the Ministers of Economic Affairs of all 16 federal states agreed upon a harmonised definition of culture and creative industries.²⁴

The Conference of Ministers of Economic Affairs was the first institution in Germany to come to a consensus on the representation of culture and creative industries. It already fulfils two of the requirements formulated by the Committee for the Enquiry of Culture in Germany. In connection with the definition of the concept of culture and creative industries, the Conference of Ministers of Economic Affairs has also determined a core area of the statistical classification. Furthermore, this statistical classification is largely compatible with the current European classification of the cultural sector²⁵, with the only exception being the games sector.

The third recommendation of the Committee for the Enquiry of Culture in Germany, aiming at the inclusion of the economic dimensions of civil society and public sector, was also taken up by the Conference of Ministers of Economic Affairs as it commissioned a scientific study on

²⁴ Wirtschaftsministerkonferenz (2008): Beschluss der Wirtschaftsministerkonferenz der Länder am 09./10. Juni 2008 in Regensburg zu Top 5 „Kreativwirtschaft - Verbesserung der Rahmenbedingungen für eine Wachstumsbranche“

²⁵ EUROSTAT (2007): The Cultural Economy and Cultural Activities in the EU27, News 146/2007

this topic (Wirtschaftsministerkonferenz 2008). It will be discussed below in the context of the 3-Sector-Model.

2.3 Classification of Culture and Creative Industries

The structural differentiation of three sectors is applicable almost anywhere in Europe. The three-pronged sector structure is constitutive for Europe and has led to the development of a wide, diverse and multi-coloured cultural landscape.

The 3-sector-structure functions like a "capillary system." This metaphor illustrates that one and the same player may be active in several sectors at the same time or change between the sectors. An artist or creative worker can have commissions from all three sectors, working, for example, for a not-for-profit association, a municipal opera house and a private company.

It is therefore of great importance that private, public and informal programmes, along with their different tasks, criteria and problems, stay clearly distinguishable also in the future and should even be more strongly checked. If this does not sufficiently happen, some programmes could soon be jeopardized because of their lack of "distinctiveness" and a still existing cultural diversity could be damaged.²⁶

²⁶ Wiesand, A. J. (2008): Götterdämmerung der Kulturpolitik? Anmerkungen zur Karriere der „Creative Industries“, in: Institut für Kulturpolitik der Kulturpolitischen Gesellschaft (Hrsg.) (2008): Jahrbuch für Kulturpolitik 2008, Essen; vgl. auch Debatte in: Ertel, R./ Gaulhofer, M./ Haselbach, D. (2007): Kulturwirtschaftsbericht Niedersachsen 2007. Ein ökonomischer Blick auf den Kultur- und Musiksektor, Berlin/Hannover

Table 1: Classification of cultural sector in Europe by sector segments

Sector segments	Public and intermediate cultural area (Non-profit area)	Artists and arts professions (Non-profit and commercial area)	Private cultural business area (Commercial area)
1. Music sector	Opera house, orchestra, music school (not for profit), festival, choir, amateur music, music scene	Composer, musician, music teacher, sound technician, singer, music ensemble	Manufacture of musical instruments, agency, publishing of music, production of sound storage media, music retail store, event organiser, club, musical, festival, scene, commercial music school, online/digital music
2. Literature, book and press sector	House of literature, library, archive, competition, literature scene	Writer, author, journalist, producer of words	Book publishing house, intermediate book trade, book trade, agency, newspaper publishing house, newspaper trade, press archives, online/digital publishing
3. Visual arts sector	Art museum, art exhibition, competition, artist scene	Visual artist, restorer, art teacher	Gallery, art trade, museum shop, commercial art exhibition, artist scene
4. Performing arts sector	Theatre, theatre pedagogic, cultural house, socio-culture, cabaret, dance scene	Performing artist, acrobat, dancer, cabaret performer	Commercial theatre, musical, agency, variety show, cabaret scene, dancing school, comedy, cabaret, boulevard theatre, touring theatre
5. Film/video sector	Film archive, film museum, competition, film scene	Script writer, movie actor, film producer	Film/TV production company, cinema, film distribution, competition, online video, digital film production
6. Design sector	Design exhibition, design museum, museum for applied art	Designer, applied artist, decorator	Office for industrial design, product design, fashion design, graphic design, visual design, advertising design, competition, design scene
7. Architectural sector	Architectural museum, competition	Architect, landscape architect	Offices for building construction, interior design, landscape architecture, competition
8. Cultural heritage sector	Conservation of historical sites, museum, museum pedagogic	Museum and conservation professions	Museum shop, commercial arts exhibition, other trade in cultural goods
9. Broadcasting sector	Radio and TV corporations (public and public law)	Moderator, announcer, producer	Commercial radio and TV companies, online radio, digital broadcasting
10. Advertising sector	-	Advertising copy writer, advertising agent	Offices for advertising design, advertising agencies, dissemination of advertising, online advertising
For Information: Software/Games	Computer museum	Software- Games-developer	Software publisher, consultancy, development, programming company, agency, online games

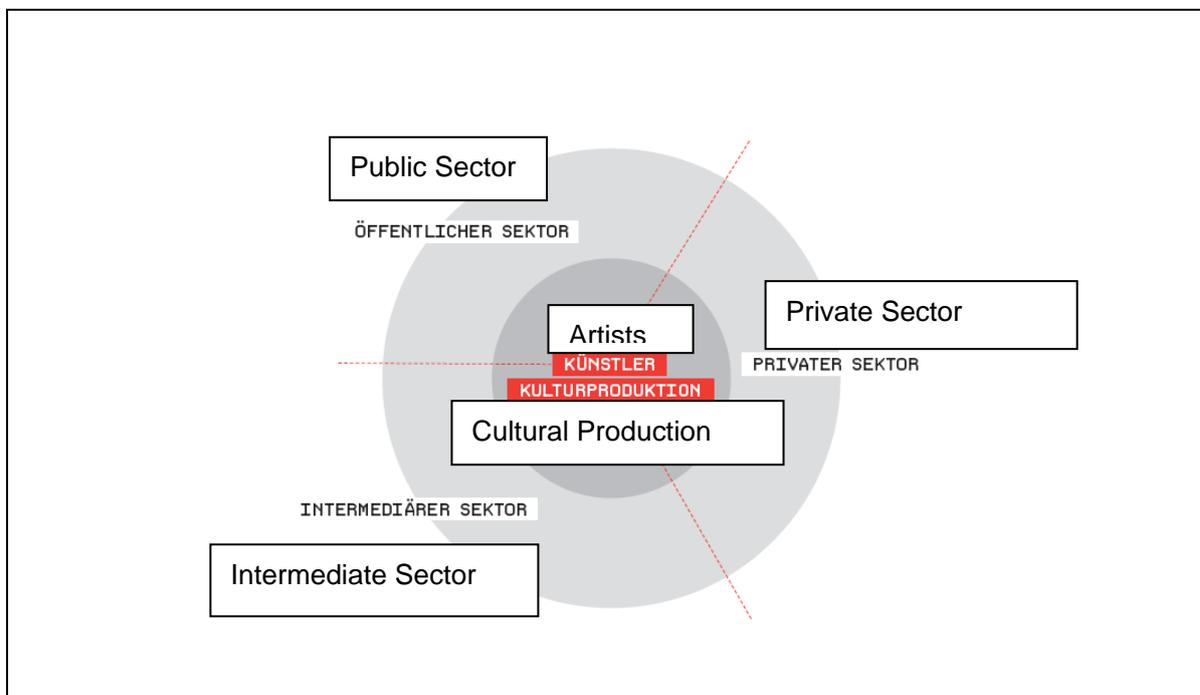
Note: Classification following studies of the European Commission, UNESCO/UIS, Council of Europe/ERICarts

2.3.1 The Three-sector-model

Culture and creative industries are interrelated with other functional fields or segments of the cultural sector. Our model divides the cultural and creative sectors into a public, an intermediate and a private sector.²⁷

Culture and creative industries are the market-oriented part of the cultural sector. All enterprises and economic activities of the profit-oriented sector are located here. The two non-market-oriented sector segments – the private and the intermediate areas – include all not-for-profit institutions and organisations and non-commercial activities.

Figure 1: Three-sector-model of the cultural and creative sector



Source: Erster Kulturwirtschaftsbericht Schweiz 2003 [First Culture Industries Report Switzerland 2003]

²⁷ Weckerle, C./Söndermann, M. (2003): Erster Kulturwirtschaftsbericht Schweiz, Zürich, p. 7

2.4 Defining Criteria

2.4.1 Core Definition

The Conference of German Ministers of Economic Affairs has defined culture and creative industries in the following way:

Culture and creative industries comprise of all cultural and creative enterprises that are mainly market-oriented and deal with the creation, production, distribution and/or dissemination through the media of cultural/creative goods and services.

The most important defining criterion is the market-orientation of the enterprises. This set of enterprises includes all market-oriented companies that are financed through the market, liable to pay turnover taxes or simply all those that want to earn money with art, culture and creativity.

This set does not include those enterprises, organisations or other forms of association whose financing is not mainly secured via the market, but through public funds or fees, or which are supported by not-for-profit funds or private donors.

Due to reasons of regulatory and steering policies, this differentiation between commercial or market-oriented enterprises and non-market-oriented forms is of special importance for the situation in Germany.

Finally, it should be emphasised once more that the clear reference to the commercial type of enterprise is of central importance for the overall understanding of the field of culture and creative industries.

2.4.2 Orientation Towards Core Economic Branches

The Conference of German Ministers of Economic Affairs has also listed the core branches of culture and creative industries:

The nine market segments, music industry, book market, art market, film industry, broadcasting industry, performing arts market, design industry, architectural market and press market, are called the “culture industries”. The two market segments, advertising and software/ games industry, are included in the concept as so-called creative branches. Therefore, the economic field of the culture and creative industries is defined by eleven core branches.

Table 2: Core branches of the culture and creative industries

Sector structure of the culture and creative industries	
11 core branches	
I. Culture industries	
1.	Music industry
2.	Book market
3.	Art market
4.	Film industry
5.	Broadcasting industry
6.	Performing arts market
7.	Design industry
8.	Architectural market
9.	Press market
II. Creative branches	
10.	Advertising
11.	Software/ Games industry
I. + II. Culture and creative industries	
Note: The statistical classification used later in this study also includes the additional category "Other". It serves specific statistical purposes or makes it possible to include new economic branches	

The Conference of Ministers of Economic Affairs has opted for a classification of the culture and creative industries according to economic branches or market segments. The classification by branches is the most widely used form of defining the economic area in culture and creative industries research²⁸.

There are, however, alternative approaches towards the structuring of the economic field. An example is the British-Australian approach²⁹, which does not classify by branches, but by occupational groups. The core classification structure departs from the differentiation of arts, culture and creative professions as the researchers think that the "creative core" is more adequately represented by occupational activities than by economic activities or economic branches.

Another well-known approach is represented by the UNCTAD Creative Economy Report of 2008.³⁰ The authors of the UNCTAD Report note that in the international discussion there is a strong heterogeneity in the classification of sector segments and therefore opt for the general orientation of the economic field towards goods and services. Thanks to its access to the data of the world trade statistics, UNCTAD is actually able to carry out empirical research into the economic potentials of most countries.

²⁸ All German cultural industries reports available so far are structured according to core branches or market segments.

²⁹ Higgs, P./Cunningham, S./Bakhshi, H. (2008): Beyond the Creative Industries. Mapping the Creative Economy. NESTA, London

³⁰ UNCTAD (2008): Creative Economy Report, Geneva

An often-repeated argument against classifying the culture and creative industries according to market segments states that here the most divergent market segments are combined, many of which are not connected by any economic activity. What are the characteristics shared by the art market and the film industry? What connects an architect and a book dealer? The complex of branches of culture and creative industries indeed includes economic fields and market segments that are partly connected to each other and partly exist next to each other without any connection.

Culture and creative industries share this conceptual deficit with other related complexes of branches. The media industries, for example, list together electronic and print media of the most different kinds, among which there is no stringent economic connection.

The great variety of terms denoting the media industries, e.g. Information and Communication Technology, Information Technology, TIME [Telecommunications, Information Technology, Media and Electronics] and ICT-market show how difficult it is to understand and capture that complex of branches consistently. In a similar way, culture and creative industries have to put up with a booming terminology, including terms from "creative economy" to "creative class,"

The present study applies the concept of classifying according to economic branches, because this ensures a pragmatic orientation towards existing market structures.

2.4.3 Creative Act ("schöpferischer Akt")

Although the list of eleven core branches prepared by the Conference of Ministers of Economic Affairs has captured the economic field, it has not identified a connecting element for the perception of the complex of branches as a unity.

At this point, the Committee for the Enquiry of Culture in Germany proposes the introduction of the concept of "creative act" ("schöpferischer Akt").³¹ The authors of the chapter on culture industries developed the following formulation: "It should be emphasised that it is not the profession as such that forms the core of the culture industry, but its execution, that is the creative act of the artist or creative worker .." The emphasis of the creative act as the focal point of culture and creative industries is plausible and leads to the following description:

The connecting element of all cultural and creative industries activity is the creative act, creating artistic, literary, cultural,

³¹ Enquetekommission (2007): Enquetekommission des Deutschen Bundestages „Kultur in Deutschland“, Kapitel Thema Kultur- und Kreativwirtschaft, p. 348, Drucksache 16/7000 Deutscher Bundestag – 16. Wahlperiode

musical, architectural or creative content, works, products, productions or services.

Culture and creative industries activities include all creative acts, whether they result in unique analogue items, live performances or serial or digital productions or services. The creative acts may be copyright protected in the widest sense (patent, intellectual property, brand name, design rights). They may, as well, be non-copyright related (e.g. for performing artists).

These descriptions of the creative act refer only to content or creative productions with an aesthetic core or reference. Without this aesthetic connection the core of the culture and creative industries becomes interminable, as in the case of the "creative class" or "creative economy."

On the other hand, the creative act in the concept of culture and creative industries has to be understood as an economic category. The production of aesthetic content has to be part of an economic process or lead towards it.

The concept of a general production of content or idea, which is used in Richard Florida's "creative class"³² and which lists mathematicians, engineers and other natural scientists in the first line, has to be reduced again to the aesthetic elements when applied to the concept of culture and creative industries.

In a similar way, the new economic policy vision of "creative economy" pursued by the government of North Rhine-Westphalia is a concept that is mainly suitable to push industrial sectors like the automobile, chemical or plastic industry and the energy sector towards new developments. At least the culture and creative industries are also included in these new guiding sectors in North Rhine-Westphalia.

Defining culture and creative industries through the creative act of aesthetic quality also aims at further narrowing down the field. Mainly technology-oriented productions, especially in the areas of IT and multi-media, are not included in the core area of the culture and creative industries. This does, however, not mean that the technological sector is supposed to be of no relevance for the substance and the development of culture and creative industries. On the contrary, it is strongly emphasised that technological development has been and will continue to be an essential driver for the development of many products and services of the cultural industries.

³² Florida, R. (2002): The Rise of the Creative Class, New York

Finally assessing the concept of the "creative act," it must be admitted that it is a difficult one. As a key concept for culture and creative industries it is, of course, but an abstract, ideal type of category that is very difficult to capture in a concrete way. It does not have a physical presence like, for example, the key term "car" for the automobile industry. "Creative act" is a non-haptic term, part of an immaterial economy that, in spite of its immaterial character, is getting ready to produce increasingly larger shares of gross value added and which, by the way, also renders valuable immaterial services to the automobile industry.

2.4.4 Special Focus on the Artist

Even though the Committee for the Enquiry of Culture in Germany places the term "creative act" (with emphasis on the concept of work and not the artist) at the centre of the culture and creative industries, the practical empirical analysis keeps recurring to artistic, cultural and creative professions as a point of reference. This is because the category of artistic, cultural and creative professions has at least four different aspects that are all extremely suitable for capturing the culture and creative industries.

- Artistic, cultural and creative professions carry out, as described above, the creative act, which is the connecting element for all sector segments of the culture and creative industries.
- As an occupational category, artistic, cultural and creative professions can be used in a sociological sense as well as in the classification of occupations.
- As an economic category, artistic, cultural and creative professions empirically capture freelance professionals, self-employed persons or entrepreneurs in classification systems of economic activities.
- Artistic, cultural and creative professions are usually genuine producers or authors of works or creative acts with a crucial relationship towards their collecting societies. The relationship between originator and collecting society is probably the most decisive issue for the overall development of the culture and creative industries.

The image of the visual artist incorporates all of these aspects: visual artists are the creators of work; they work in a profession and own an artist studio as entrepreneurs. They either sell their work to gallery owners or art dealers who then become holders of their exploitation rights or they act themselves as exploiters in the market.

The concept of the "creative act" is an ideal construction that cannot be concretised empirically through the "work" or the "creator/author." For empirical and pragmatic reasons, this

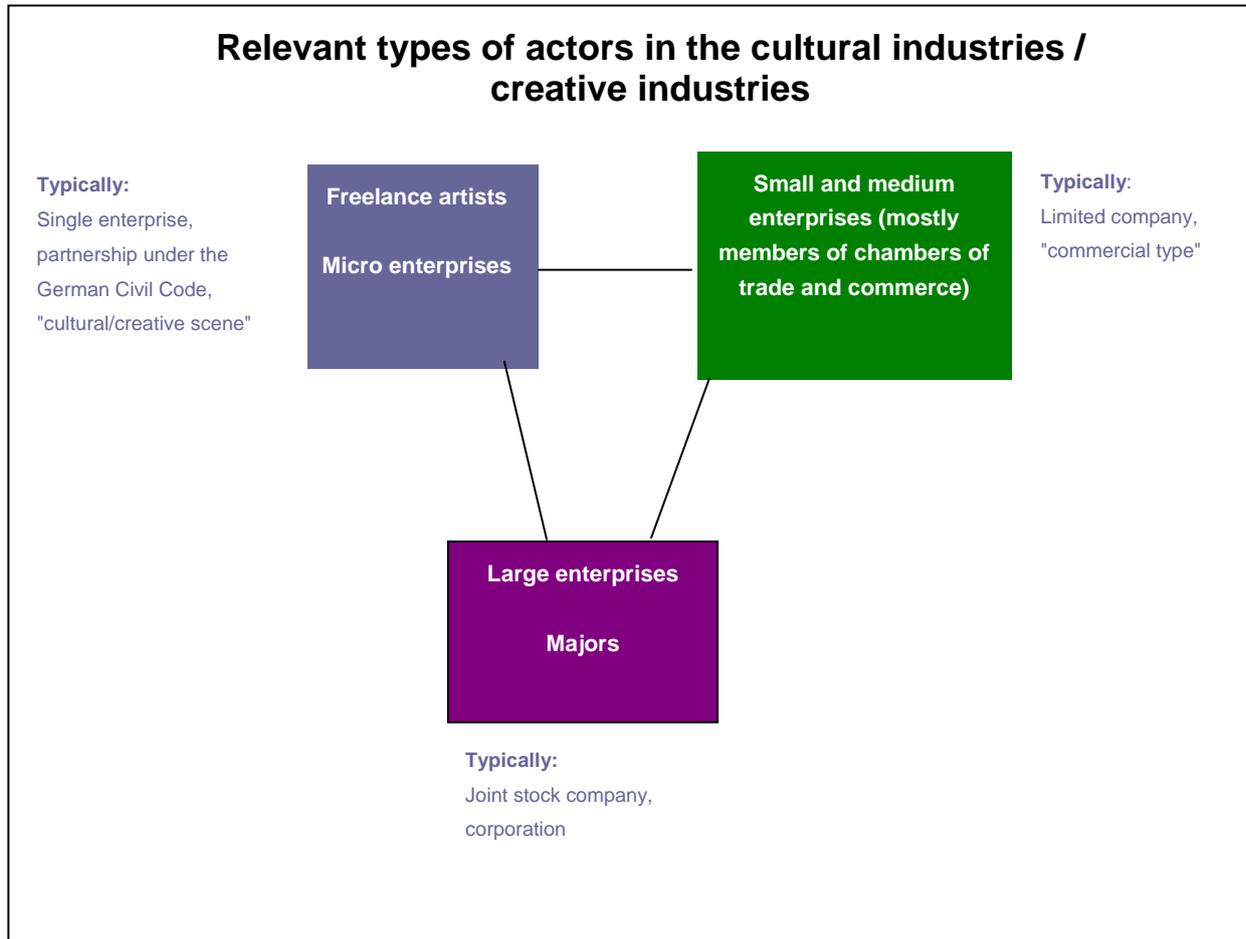
study introduces the artist or creative worker as the executor of the creative act.

2.4.5 Internal Segmentation

Following the concept developed by the Swiss research on creative industries,³³ different actors of types of enterprises may be identified for all sub-sectors of the culture and creative industries. This internal segmentation, according to a typology of enterprises, differentiates between three types of enterprises: micro enterprises, small and medium enterprises and major companies.

³³ Forschungsgruppe Research Unit Culture & Creative Industries (RUCI) an der Zürcher Hochschule der Künste (ZHdK)

Figure 2: Internal segmentation of the culture and creative industries



Source: Kulturwirtschaftsbericht Köln [Culture Industries Report Cologne]³⁴

Micro enterprises: Among the micro enterprises are the freelance artists, cultural and creative professions and entrepreneurs. Offices, studios, agencies or small enterprises are usually organised as individual enterprises, partnerships under the Civil Code or as loose networks. In culture and creative industries they no longer act as mere suppliers, as they usually do in the media industries. Micro enterprises are the first important type of actor, which is regarded as equally important as the other two types of enterprises.

Small and medium enterprises: The small and medium enterprises are the backbone of the culture and creative industries. They are mainly commercially organised as limited companies and members of the chambers of trade and commerce. They are mostly firmly

³⁴ Fesel, B./Söndermann, M. (2008): Kulturwirtschaftsbericht Köln 2007, Hrsg. RheinEnergieStiftung Kultur, Köln

established, and their production and communication processes largely follow standardised procedures. Business principles like stability, long-term perspective or reliability have greater importance here than among actors of the first type. Reasonable products and services replace experiments and the development of prototypes.³⁵ Small and medium enterprises are the main producers of value added and providers of job places in the culture and creative industries.

Major companies: The third type of actors comprises the so-called majors (major companies), who absorb the output of the cultural industries and market them globally, thus gaining purchasing and dissemination power. They are well-established large or very large companies of the culture and creative industries, following traditional business models, creating reproductions based on standards and disseminating them globally. Compared to the two previously mentioned types of enterprises, refinancing strategies play a much greater role here.

The fact that the culture and creative industries are high-risk business areas with extremely fluctuating markets affects all three types of actors. This applies to global players in culture and creative industries as well as to local cultural and creative studios or regionally acting small and medium enterprises. The detailed knowledge of the functional structures and development conditions of each of the three types of enterprises is therefore of paramount importance. Successful economic policy will only be able to tap new economic potentials if it gains exact and differentiated knowledge about structures and processes.

2.5 Structures of Value added

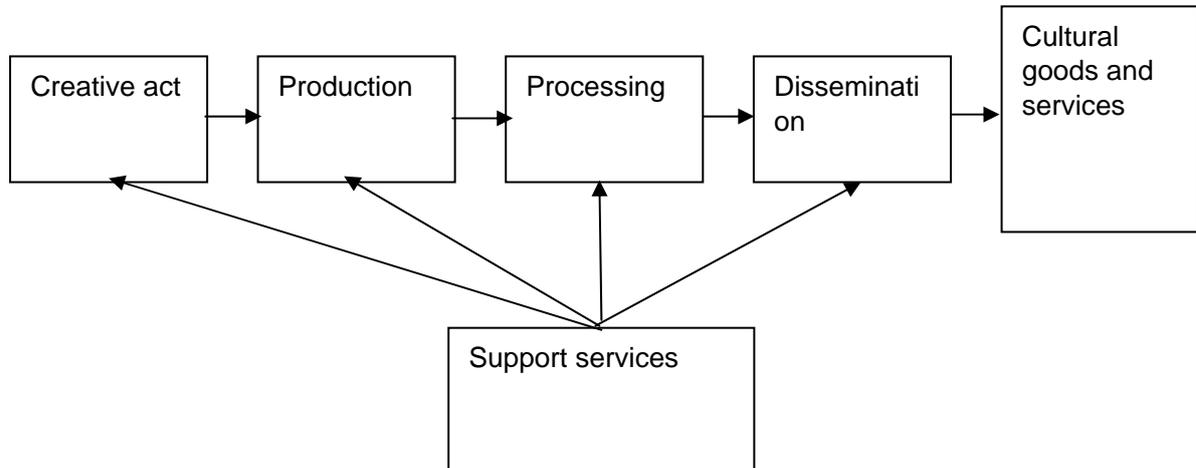
2.5.1 Cultural Value Chain

The Committee for the Enquiry of Culture in Germany has unambiguously opted for the so-called value chain as a structuring principle for the process of value added. The cultural value chain shows the "value added by cultural activities from the creative act (or activities prior to this) up to the reception by audience and critique."³⁶

Figure 3: The cultural value chain

³⁵ Vgl. Weckerle, C./Gerig, M./Söndermann, M. (2008): Kreativwirtschaft Schweiz. Daten. Modelle. Szenen. Basel, p. 31

³⁶ Enquetekommission (2007): Enquetekommission des Deutschen Bundestages „Kultur in Deutschland“, Kapitel Thema Kultur- und Kreativwirtschaft, p. 347, Drucksache 16/7000 Deutscher Bundestag – 16. Wahlperiode



Source: Enquetekommission, 2007 [Committee for the Enquiry of Culture in Germany, 2007]

According to the Committee for the Enquiry of Culture in Germany, this model of value added makes it possible to "break down the process of value added into its individual steps and come to a more in-depth analysis of the way different persons and/or enterprises are integrated into the development of a cultural product."³⁷

However, it is not possible to use this theoretical model for the differentiated empirical analysis of the interaction of the actors involved with the degree of differentiation required. Statistical classifications of economic sectors and activities do not - even on the national level - provide a detailed breakdown fitting the value chain model. To give an example: the steps of value added in the film industry, i.e. performing artist, film maker, film production, film distribution and cinema are all captured in the service sector by the official statistics. Book production, however, is part of the production sector, while book trade belongs to the trade sector and authors/writers belong to the service sector.

The value chain model is useful for the presentation of the ideal course of linear economic processes. For empirical-quantitative analyses it is of only limited value as the classifications of economic sectors and activities used worldwide are constructed according to differing principles. This is especially true for culture and creative industries where the core branches have to

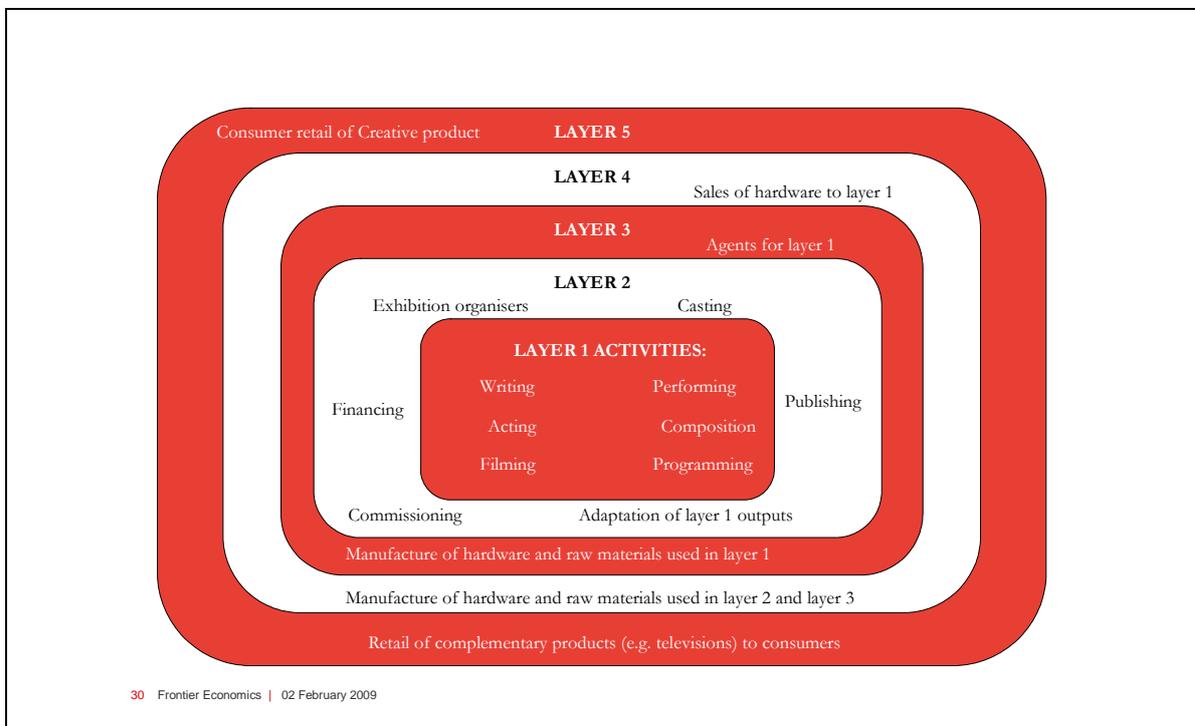
³⁷ Enquetekommission (2007): Enquetekommission des Deutschen Bundestages „Kultur in Deutschland“, Kapitel Thema Kultur- und Kreativwirtschaft, p. 347, Drucksache 16/7000 Deutscher Bundestag – 16. Wahlperiode

be synthesised according to their respective individual field structures.

2.5.2 Five-layer-model

As the data provided by the official statistics do not allow for the differentiation required by the Committee for the Enquiry of Culture in Germany, the problem has to be solved in a pragmatic way. The British government has presented a five-layer-model for the classification of economic activities that is in line with the official standard classifications. It was developed by the research agency, Frontier Economics.³⁸

Figure 4: Five-Layer-Model of the UK government



Source: Frontier Economics, 2008

The five-layer-model sorts economic activities depending on their importance for the creative act or the creative core.

The core or first layer captures the artistic, cultural and creative activities.

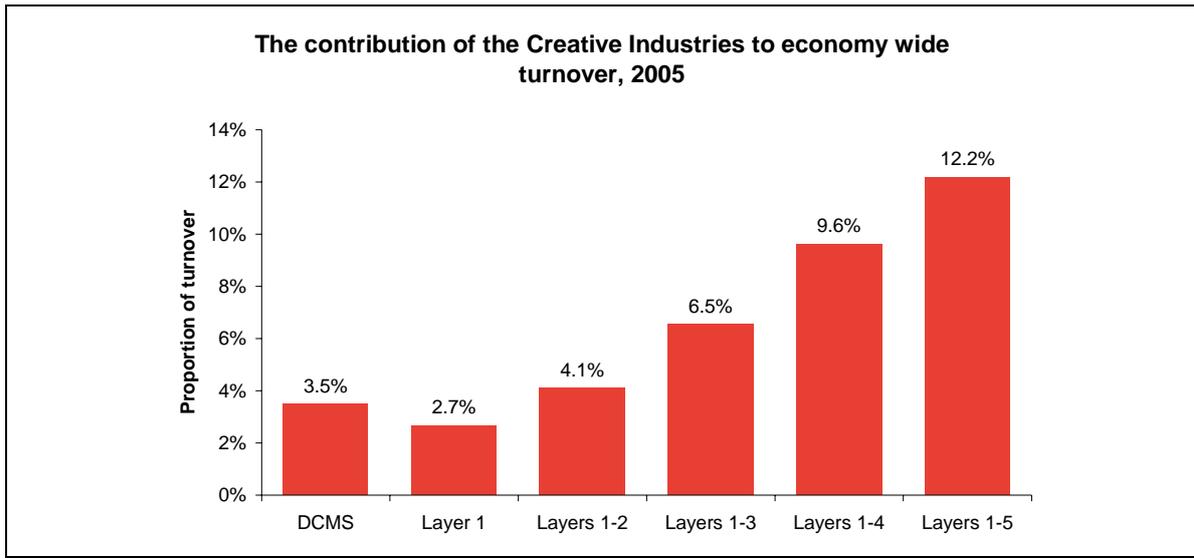
In the second layer, the exploiters of the activities of the first layer enter and develop marketable products and services.

³⁸ Frontier Economics Ltd. (2008): Creative Industry Performance. A statistical analysis for the DCMS, London, commissioned by the Department for Culture, Media and Sports of the British government (DCMS)

The third and fourth layers capture all previous or upstream activities, especially hardware-relevant activities.

The fifth and last layer relates to retail sale activities that bring the products and services to the end user market.

Figure 5: The contribution of the creative industries to economy-wide turnover in the UK, 2005 (in per cent)



*Note: Creative industries are often connected with up- or downstream steps (up to five layers). However, in the future, only layer 1 and 2 shall be considered as belonging to the core of the British creative industries in order to be able to represent the core processes of value added more adequately.
Source: Frontier Economics, 2008*

The research of Frontier Economics leads to the conclusion that the important creative processes relevant for economic policy steering measures only take place in layer 1 and 2. Therefore, Frontier Economics concentrates its empirical analyses in all market segments, according to the British model on these two layers.

2.5.3 Simple Basic Model of Value added Structures

Two pragmatic reasons speak in favour of adopting the British model developed by Frontier Economics for the research study presented here. One reason is that the model is easily connectible to the empirical-statistical data model in Germany. It is necessary to render the complexity of the cultural industries sector more manageable by simplifying the structures of value added. The structures of value added have two levels of analysis:

- Creative act
(originator, genuine production, performing artists, arts/culture/creative professions)

- Production and distribution
(exploiter, serial production, distribution and dissemination, cultural and creative enterprises)

The differentiation and presentation of value added structures according to core branches leads to the following structure:

Figure 6: Culture and creative industries according to eleven core branches and two levels of value added

<p>1. Music Industry</p> <ul style="list-style-type: none"> - Composer, musician, music teacher, sound technician, singer, music ensemble - Manufacture of musical instruments, agency, publishing of music, production of sound storage media, music retail store, event organiser, club, musical, festival, scene, commercial music school, online/digital music
<p>2. Book Market</p> <ul style="list-style-type: none"> - Writer, author - Book publishing, intermediate book trade, book trade, agency
<p>3. Art Market</p> <ul style="list-style-type: none"> - Visual artist, art teacher - Gallery, art trade, museum shop, commercial art exhibition
<p>4. Film Industry</p> <ul style="list-style-type: none"> - Script writer, movie actor, film producer - Film/TV production company, film distribution, cinema
<p>5. Broadcasting Industry</p> <ul style="list-style-type: none"> - Moderator, announcer, producer - Commercial radio and television companies
<p>6. Performing Arts Market</p> <ul style="list-style-type: none"> - Playwright, performing artist, acrobat, dancer, cabaret artist - Commercial theatre, musical, agency, variety show, cabaret
<p>7. Design Industry</p> <ul style="list-style-type: none"> - Designer, decorator, applied artist - Offices for industrial, product, graphic, visual and web design
<p>8. Architectural Market</p> <ul style="list-style-type: none"> - Architect, landscape and garden architect
<p>9. Press Market</p> <ul style="list-style-type: none"> - Journalist, word producer - Newspaper publishing, newspaper trade, newspaper archive
<p>The cultural industries are formed by the core branches nos. 1-9</p>
<p>10. Advertising Market</p> <ul style="list-style-type: none"> - Advertising copy writer - Offices for advertising design, advertising agencies, dissemination of advertising
<p>11. Software-/Games Industry</p> <ul style="list-style-type: none"> - Games developer, web developer - Software, consultancy, development, publishing, programming company, agency
<p>The creative branches are composed of the core branches nos. 10-11</p>
<p>Culture and creative industries encompass the core branches nos. 1-11</p>

The simple basic model differentiates between two kinds of actors in the area of value added: authors/ genuine producers/ practising artists on the one hand, and exploiters/ service providers on the other, thus empirically capturing the core economic branches of the culture and creative industries according to the stipulation of the Conference of German Ministers of Economic Affairs.

2.6 Summary and Assessment of Determinants

The central determinants for the selected model of culture and creative industries can be summarised as follows:

In the case of Germany, it is essential to determine the culture and creative industries by their market orientation. It serves to distinguish them from non-commercial and not-for-profit enterprises and organisations, which are not financed via the market, but through public funds or private support. This commercial orientation is undisputed in economic policy considerations. From the point of view of cultural policy, culture industries can only be seen as part of a broader cultural infrastructure.

As the importance of the individual cultural and creative core branches does not become obvious when they are analysed separately, it is a great step forward that they are now seen in their entirety as an independent complex of branches of culture and creative industries. By combining the eleven core branches, it becomes possible to delineate the culture and creative industries against the media industries and even against the IT industries. These related cross-sectoral branches have their own core terms like "media" or "IT technologies." The culture and creative industries are grouped around the content-related concept of the "creative act." This concept plays only a secondary or no role at all in the media and IT industries.

It must be acknowledged that the 'creative act' basic category is not easy to grasp. While cars, refrigerators, or IT technologies are immediately plausible as physical cores of the respective industries, it is less reasonable for an immaterial or non-haptic core like the creative act. There remains the task of further thematising its concrete manifestations for each core branch. Those who do not wish to deal with the content-related and aesthetic basic forms of culture and creative industries as drivers and points of departure of economic opportunities and perspectives in an independent manner, will probably have to leave the field of "content industries" to other countries.

The crosscutting sector of culture and creative industries shows all the characteristics of a modern economic field. This internal segmentation is characterised by micro and small enterprises, as well as by medium and large companies. A previous central importance of large companies (majors) for the overall development of the respective core branches has decreased significantly. Today the overall turnovers and job places provided by micro and small enterprises are almost as important as those of the majors. Optimal support to culture and creative industries, therefore, requires a clear focus on the different types of enterprises. Directing economic policies at business start-ups alone leads to a shortened perspective. However, seeing only the needs of major companies also involves one-sidedness and a dangerous narrowing down of development chances.

Culture and creative industries cannot be comprehended without the artistic and creative professions, as they form the substantial core. Artistic, cultural and creative professions are not providers situated outside of the economic field. On the contrary, they are the authors and executing artists, without whose work and achievements the "industries" and exploiting markets would not exist. They have to be included in the economic process as sovereign actors with equal rights, even though it is not always easy to recognise them as economic subjects, given their appearances and experimental forms. Artistic, cultural and creative production in Germany depends on the artists working on the front lines and in the cultural and creative professions. The focus on their opportunities and development conditions is one of the central tasks of a future economic policy for culture and creative industries.

Exploiters and disseminators of these achievements are connected to the artistic, cultural and creative professions. These value added structures are central and should take the first place in an economic policy for the culture and creative industries. Other models of value added, which capture the entire process of a work or product, are useful ideal type models. However, varieties of new business models with the most diverse relationships of value added have developed within the respective core branches. Digitisation and the Internet economy lead to a rapid and continuous restructuring of business models and value added structures. Therefore the focus must be on the most important actors - the authors/original producers/executing artists and their direct exploiters and disseminators.

The rapid progress of digitisation, the globalisation of cultural and creative markets and the widening of the Internet economy are of fundamental importance for all kinds of research into the culture and creative industries. Meanwhile, this is true for almost all economic fields of our national economy.

Paying attention to the determinants mentioned above may lead to a process that will open up a variety of perspectives to the economic

field of culture and creative industries. This economic field is not yet clearly defined and traditional, but it may develop into a valuable field for the overall economy, if it is given the right opportunities.

3. Culture and Creative Industries in a Macro-Economic Perspective

Subsequent to the definition of culture and creative industries, Chapter 3 will now present selected structural and development data on culture and creative industries.

The first section presents the breakdown of culture and creative industries into eleven core branches and eleven sub-groups. Section 2 provides an overview of the overall economic importance of culture and creative industries. It highlights:

- The contribution of culture and creative industries towards value added in the overall economy,
- Employment and the different labour markets in culture and creative industries,
- Whether culture and creative industries will be able to achieve significant export effects, and
- The importance of the different types of enterprises within culture and creative industries.

The section is rounded off by notes on the **situation of women** in culture and creative industries.

The third section focuses on the detailed analysis of the eleven core branches. This includes:

- The structure of each core branch according to the indicators, enterprises, turnover, employment and labour market according to the structure of economic activities,
- And development trends of the core sector for the years 2003 - 2008.

Section 4 provides:

- A summary and assessment of the empirical findings,
- A description of the situation of freelance artist professions in culture and creative industries, including journalists,

- A special focus on the cultural sector and its complementary sector segments of public and intermediate cultural institutions and organisations,
- And a short outlook on the perspectives of culture and creative industries from a macro-economic point of view as a transition to the following chapters.

3.1 Statistical Definition

Although the statistical data- base in Germany is excellent compared to most European neighbouring countries, and the relevant economic activities are available in a sufficiently detailed breakdown, the empirical and quantitative comparison of data from the local or regional level up to the European level is still subject to special conditions.

Concerning the comparability of empirical data, this study refers to the work of the Committee for the Enquiry of Culture in Germany of the German Parliament and to the definitions of the Culture Industries Working Group of the Conference of German Ministers of Economic Affairs. The following presentation is also compatible with previous work of the EU cultural statistics (especially that of the Working Group Cultural Employment).

The research group will also monitor future methodological developments of culture and creative industries on the EU level and feed them into the national and regional research discussion.

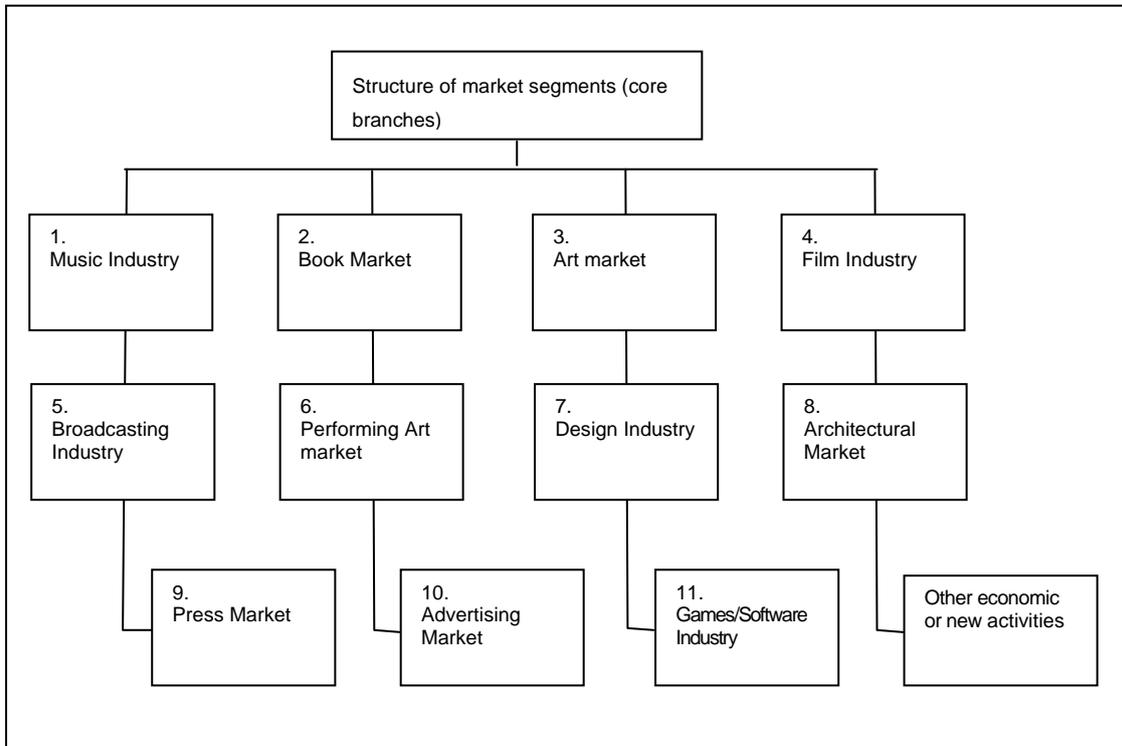
This section aims at developing a consistent scheme to capture the statistical data on culture and creative industries, which will allow for comparative analyses from the local micro level up to the European macro level.

3.1.1 Classification According to Core Branches

The structure of the culture and creative industries in Germany is often classified according to market segments or core branches, determined by selecting adequate economic activities. The selection of market segments or branches is largely undisputed and applied rather consistently in all culture industries reports presented by the *Länder*.

The currently used selection of eleven core branches is composed of the core branches of the culture industries (market segments no. 1-9) and the core branches of the creative industries (market segments no. 10-11).

Figure 7: The eleven core branches of culture and creative industries



Source: KWF, 2009

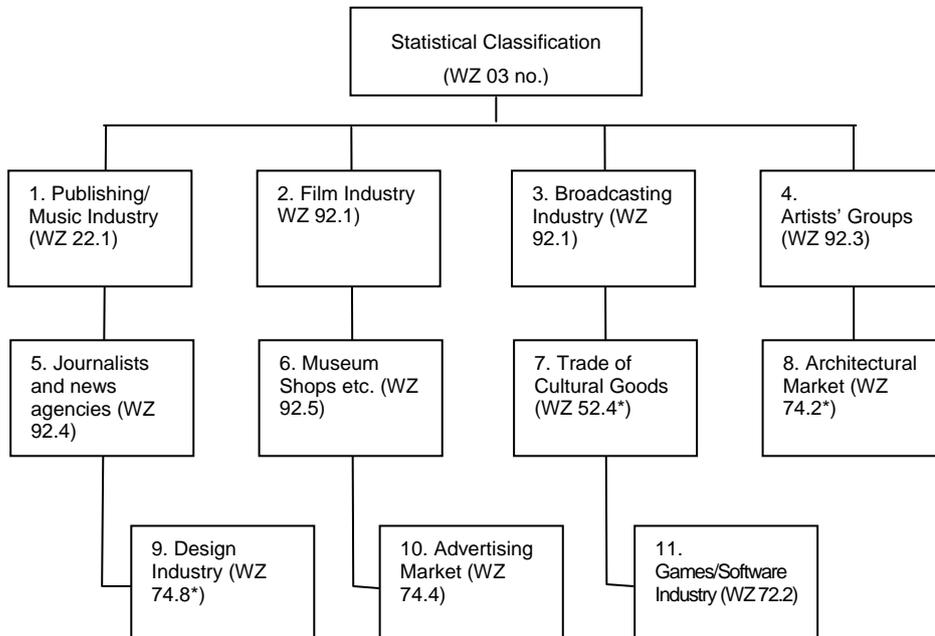
As the culture and creative industries are constantly and dynamically changing, the classificatory model should be kept open for the inclusion of new markets and economic activities. Digitisation and the diffusion of the cultural and creative markets by the Internet, for example, do not only change the economic structure of established core branches. It is foreseeable that new market segments or “hybrid” market segments will develop, either alongside existing core markets or even replacing them. A structural model must be flexible enough to accommodate them.

Against this background, the selection of relevant economic activities is not an easy task. The Conference of German Ministers of Economic Affairs has come to an agreement on the level of the federal countries (*Länder*) and subsequently stipulated eleven economic core branches.

This statistical classification is the point of departure for the detailed structure of the culture and creative industries according to core branches.

3.1.2 Classification According to Statistical Sub-groups

Figure 8: Structure of the culture and creative industries according to statistical sub-groups



Source: KWF, 2009

This structure was deduced from the classification of economic activities and arranged according to so-called economic groups (3-digit-level). The publishing industry (3-digit-no 22.1) encompasses the economic branches book publishing, newspaper publishing, music publishing, publishing of recorded music and other publishing.

For historical reasons, the individual economic activities in this area, as in most of the other economic groups mentioned, are not combined according to criteria inherent to each branch, but according to other reasons. This applies especially to group 4 (Artists' groups) with the 3-digit-number 92.3, where the most important groups of artists, from visual artists to writers, musicians and composers are assembled.

Therefore it makes sense to break down these statistical economic groups by economic activities and newly assign them to the eleven core branches. This re-sorting or "re-classification" creates useful topical units or market segments which subsequently facilitate the analysis according to specific branches.

The economic groups marked by an asterisk require a more differentiated analysis. It has to be based on the 5-digit breakdown of economic activities instead of the 3-digit-level, because otherwise there will be many activities included that do not refer to the culture and creative industries. WZ group no. 74.2*, for example, includes not only architectural offices, but also economic activities of engineers.

Therefore, only the three architectural activities, 74.20.1, 74.20.2 and 74.20.3, are included. In other economic groups, the procedure was similar.

The re-classification of the statistical sub-groups leads to a re-organisation of the economic activities, which are subsequently assigned to the core branches according to plausible categories.

In addition to the classification according to core branches, the two-layer-model described in Chapter 2 is also applied. This means that each core branch is preceded by the respective group of artistic, cultural and creative professions. They stand for the genuine producers, authors, performing artists or are the representatives of the creative point of departure within a core branch.

In some core branches – for example in the design industry or in the architectural market – the functions of authors or originators and exploiters or producers cannot be separated, at least not within the schematic classification of economic activities.

The eleven core branches of the culture and creative industries with their respective levels of value added: A) originator/author, executing artist and B) exploiter/ disseminator, and allocation to economic activities following the definition of the Conference of German Ministers of Economic Affairs

Table 3: Core branches of culture and creative industries according to eleven core branches and allocation to economic activities

Core Branches of the Cultural and Creative Industries	
No – WZ 2003	Economic activity
1. Music Industry	
Composer, musician, music teacher, sound engineer, singer, performer, music ensemble	
92.31.5	Freelance musicians, composers
92.31.2	Music and dance ensembles
B) Music publishing, production of sound recording media, event organiser, agency	
22.14.0	Publishing of sound recordings and printed music
92.32.1	*Organisation of theatre performances and concerts
92.32.2	*Operation of opera houses, theatre and concert halls and similar facilities
92.32.5	*Technical activities in support of cultural and entertaining services
52.45.3	Retail sale of musical instruments and scores
2. Book Market	
A) Writer, author	
92.31.6	Freelance writers
B) Book Publishing, Intermediate Book Trade, Book Trade, Agency	
22.11. 1	Book publishing
52.47.2	Book retail trade
3. Art Market	
A) Visual artist, art teacher	
92.31.3	Freelance visual artists
B) Art gallery, art trade, museum shop, commercial art exhibition	
52.48.2**	Art trade (estimate)
92.52.1	Museum shops and commercial art exhibitions
4. Film Industry	
A) Script writers, movie actors, film makers, film producers	
92.31.7	*Freelance stage artists
B) Film/TV production company, film distribution/dissemination, cinema	
92.11.0	Motion picture/TV and video production
92.12.0	Motion picture and video distribution
92.13.0	Cinemas
5. Broadcasting Industry	
92.20.0	Broadcasting providers, production of radio and TV programmes
6. Performing Arts Market	
A) Playwright, performing artist, acrobat, dancer, cabaret performer	

92.31.7	*Freelance stage artists
92.31.8	Freelance acrobats
B) Commercial theatre, musical, agency, variety theatres, cabaret	
92.31.1	Theatre ensembles
92.32.1	*Organisation of theatre performances and concerts
92.32.2	*Operation of opera houses, theatre and concert halls and similar facilities
92.32.3	Operation of variety theatres and cabarets
92.32.5	*Technical activities in support of cultural and entertaining services
92.34.1	Dancing schools
92.34.2	Other entertainment activities n.e.c. (circus, acrobats, puppet theatres)
7. Design Industry	
74.20.6	Industrial design
74.87.4	Product/fashion/graphic design
74.40.1	*Advertising /communication design
8. Architectural Market	
74.20.1	Consulting architectural activities in building construction and interior design
74.20.2	Consulting architectural activities in town, city and regional planning
74.20.3	Consulting architectural activities in landscape architecture
9. Press Market	
A) Journalist, word producer	
92.40.2	Freelance journalists
B) Newspaper publishing, other publishing	
92.40.1	Correspondence and news agencies
22.11.2	Publishing of directories
22.12.0	Newspaper publishing
22.13.0	Publishing of journals and periodicals
22.15.0	Other publishing
10. Advertising Market	
74.40.1	*Advertising/ communication design
74.40.2	Dissemination of advertising media and activities of advertising agencies
11. Software/ Games Industry	
72.21.0	Publishing of Software / Games
72.22.0	Software consultancy and development
(-) Other Activities	
92.31.4	Freelance restorers
92.51.0	Libraries/archives
92.52.2	Organisation of historical sites and buildings
92.33.0	Fairground entertainment and entertainment parks
92.53.0	Botanical and zoological garden and nature reserves
Culture and Creative Industries nos. 1-11 plus Other activities	

Notes: *The following five economic branches were allocated to two core branches: *Organisation of theatre performances and concerts (music and performing arts) (92.32.1) *Operation of opera houses, theatre and concert halls and similar facilities etc (music and performing arts) (92.32.2) *Technical activities in support of cultural and entertaining services (music and performing arts) (92.32.5) *Freelance stage artists (Film and performing arts) (92.31.7) *Advertising/communication design (design and advertising) (74.40.1). **Art trade is only partly to be included at a rate of 20%.

The market segmentation, according to 5 digits, can be done for all statistical sources that have a sufficiently detailed structure. Included in the official economic and employment statistics, are the turnover tax and the employment statistics. Other sources, for example, the directory of enterprises or the Micro Census, are only broken down to a 3-digit level. In these cases, the statistical sub-groups provide an additional point of reference. For data protection reasons, it is not always possible to get sufficiently detailed regional or local data. In these cases it is also necessary to recur to statistical sub-groups.

However, the combination of both structuring models allows for a consistent analysis and the establishment of identical key figures as the totals of the empirical evaluations must basically be the same.

The following section takes a look at the overall situation before it applies the statistical classification model. The detailed description, according to the detailed model of the core markets explained earlier, is then applied in the sub-chapters for each core branch.

3.2 Macro-Economic Importance – an Overview

3.2.1 Key Data on the Culture and Creative Industries in Germany

The following figures for the culture and creative industries were gained from the statistical analysis:

Absolute Reference Values

It is estimated that in **2008, about 238,000 enterprises** were active in culture and creative industries. They achieved a total **turnover volume of EUR 132 billion** and provided full time or part time jobs to about **763,000 employees**. Including self-employed persons, about **one million persons** worked in the culture and creative industries in Germany. Altogether, the culture and creative industries contributed an estimated **63 billion Euros towards value added**.

Percentage Shares

The share of culture and creative industries **enterprises** in the overall economy amounts to almost **7.4% of all enterprises, 2.5% of turnovers, 2.8% of employees** and **3.3% of overall employment** (including self-employment). Its share in **gross value added** amounted to **2.6%** of the gross domestic product (GDB) in 2006 and 2007 and **2.5%** in 2008.

Data evaluations are based on national accounting, the turnover tax statistics of the National Statistical Office and the employment statistics of the Federal Agency for Employment.

Data on enterprises and turnovers for 2007 and 2008 are estimates, because turnover statistics were only available up to 2006 when this study went to press. Employment data are based on the preliminary data of the Federal Agency for Employment for 2007 (cut-off date 30-06-2007) and 2008 (cut-off date 30-03-2008). Employment data are a combination of turnover tax and employment statistics and, therefore, also preliminary. Value added data were estimated based on national accounting.

All data on employment and employees include the so-called core set of employment, i.e. jobs liable to social insurance deductions and freelance professionals/ entrepreneurs registered with the tax authorities as actors of the culture and creative industries. "Mini-jobs" and marginal employment are usually stated separately in the following figures.

The overall **short-term development** of the culture and creative industries was positive throughout all categories in the most recent reference year.

- Comparing 2007 and 2008, the number of self-employed persons and enterprises increased by an estimated 4.3%. The corporate landscape grows steadily, as shown by the change rates of the previous years: 2006: 4.1%; 2007: 4%. On average the culture and creative industries absorb about 4% new enterprises and self-employed persons per year.
- The economic development of the culture and creative industries also shows a continued growth of turnover volumes: turnover volumes increased by almost 2% in 2008 compared to 2007. However, the growth rates of the two previous years of 2.4% and 2.5% could no longer be achieved. The current overall economic situation at the turn of the years 2008/2009 will probably also lead to a more moderate growth rate in the culture and creative industries.
- Compared to the overall economic situation, the **labour market** presents an astoundingly positive picture. From 2006 to 2007, the number of persons employed increased by 3.3%, which is over-proportionate for the 3-year-period under review. Based on the preliminary data for 2008, a further increase of 3.4% may be expected.

Reasons for the positive development in the employment sector are the steadily growing numbers of individual enterprises or enterprises in sole proprietorship creating their own work place. However, there is also a clear increase of 3.1% in the number of employees liable to social insurance deductions in 2007 as well as in 2008.

This pleasant result shows that small enterprises in the culture and creative industries increasingly trust in the positive market

development of the culture and creative industries. Small and medium enterprises employ more permanent staff and create jobs that are liable to social insurance deductions. However, the impact of the current economic development on this trend is not yet foreseeable.

It may be stated, however, that the situation in the employment market of the culture and creative industries has been developing much more positively than the employment in the overall economy, which grew by 1.9% in 2007 and 1.5% in 2008, thus staying clearly behind the culture and creative industries.

The **key figures on the culture and creative industries** reconfirm that this complex of branches is characterized by a **high share of micro and small enterprises**. The turnover per enterprise amounts to EUR 553,000 in 2008; this is just one third of the average turnover per enterprise in the overall economy (EUR 1,619,000).

Figure 9: Key figures on culture and creative industries in Germany, 2006-2008

Key figures on culture and creative industries in Germany, 2006-2008

State: 30-01-2009

Category	2006	2007*	2008*	Change in %		
				2006/05	2007/06	2008/07
Number of enterprises (1)						
- Culture and creative industries (CCI)	219,376	228,504	238,256	4.1%	4.2%	4.3%
- Share of CCI in overall economy	7.1%	7.2%	7.4%	-	-	-
Turnover in million €						
- Culture and creative industries (CCI)	126,378	129,383	131,720	2.5%	2.4%	1.8%
- Share of CCI in overall economy	2.6%	2.5%	2.5%	-	-	-
No. of employees liable to social insurance deductions (svB) (2)						
- Culture and creative industries (CCI)	718,667	740,624	763,419	1.0%	3.1%	3.1%
- Share of CCI in overall economy	2.7%	2.8%	2.8%	-	-	-
No. of persons employed (3)						
- Culture and creative industries (CCI)	938,043	969,128	1,001,674	1.7%	3.3%	3.4%
- Share of CCI in overall economy	3.2%	3.2%	3.3%	-	-	-
Value added in billion €(5)						
- Culture and creative industries (CCI)	60.7	62.0	63.4	-	2.2%	2.2%
- Share of CCI in overall economy	2.6%	2.6%	2.5%	-	-	-

Key figures on culture and creative industries

Turnover per enterprise (in thous. €)	576	566	553	-1.5%	-1.7%	-2.4%
Turnover per employee (in thous. €)	176	175	173	1.4%	-0.7%	-1.2%
Turnover per person employed (in thous. €)	135	134	131	0.7%	-0.9%	-1.5%
Employees per enterprise	3.3	3.2	3.2	-2.9%	-1.1%	-1.1%
Persons employed per enterprise	4.3	4.2	4.2	-2.2%	-0.8%	-0.9%
Gross value added per person employed (in thous. €)	64.7	64.0	63.3	-	-1.1%	-1.1%

Note * Enterprises and turnovers 2007 and 2008 estimated; employees liable to social insurance deductions (svB) for 2007 and 2008: preliminary data of the Federal Agency for Employment

2008. (1) Taxable enterprises/entrepreneurs with annual turnover of EUR 17,500 and above. (2) Employees liable to social insurance deductions (svB) working part time or full time, but not including marginal employment or side jobs. (3) Employed persons include: Taxable persons and employees liable to social insurance deductions (svB). Statistical data indicate a minimum of 300,000 marginally employed persons employed in the culture and creative industries. (4) Only taxable persons of EUR 17,500 and above plus employees liable to social insurance deductions (svB), excluding marginal employment. (5) Estimate of gross value added for 2006 based on data of national accounting (VGR), extrapolation for 2007 and 2008 based on conservative change rate of 2.2%, half of the rate for GDP of 4.4%. Differences due to rounded figures.
Source: Destatis 2008; Bundesagentur für Arbeit 2008 [Federal Agency for Employment 2008]; calculations by Michael Söndermann/Arbeitsgemeinschaft Kultur- und Kreativwirtschaft 2008

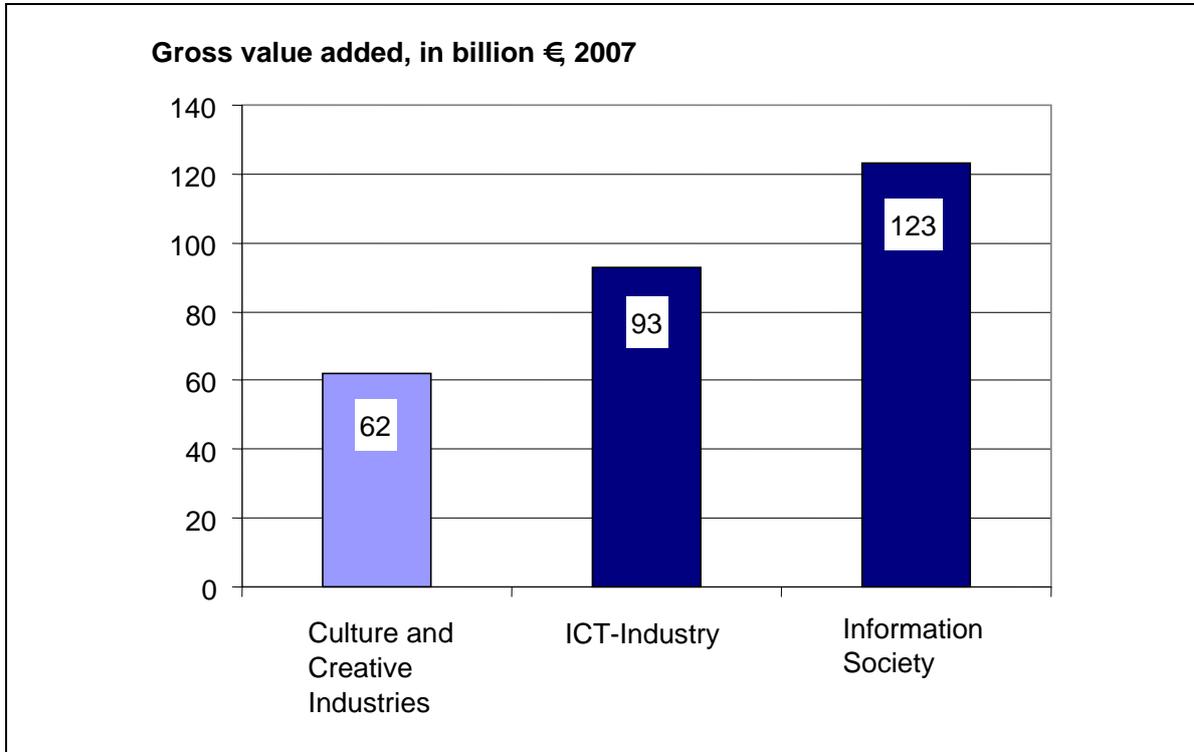
Comparative figures for previous years show that the turnover per cultural/ creative enterprise has further decreased. Therefore the trends towards a micro enterprise structure in culture and creative industries still continues. Labour market and employment figures confirm this trend. On average, each enterprise in the culture and creative industries provides 3.2 work places liable to social insurance deductions. This figure goes up to 4.2 job places when self-employed persons are included.

3.2.2 Share in Value added

In 2006, culture and creative industries contributed an estimated amount of about EUR 61 billion towards gross value added. Seen against the statistically proven increase of employment, it may be assumed that the gross value added continued to increase in the two following years, reaching a nominal value of more than EUR 63 billion in 2008. In 2006, as well as in 2007, culture and creative industries had a share of 2.6% in the Gross Domestic Product.

National accounting figures do not present culture and creative industries as a separate economic field. They are a cross-cutting sector reaching deeply into other economic areas.

Figure 10: Gross value added of the culture and creative industries compared to related cross-cutting sectors, 2007

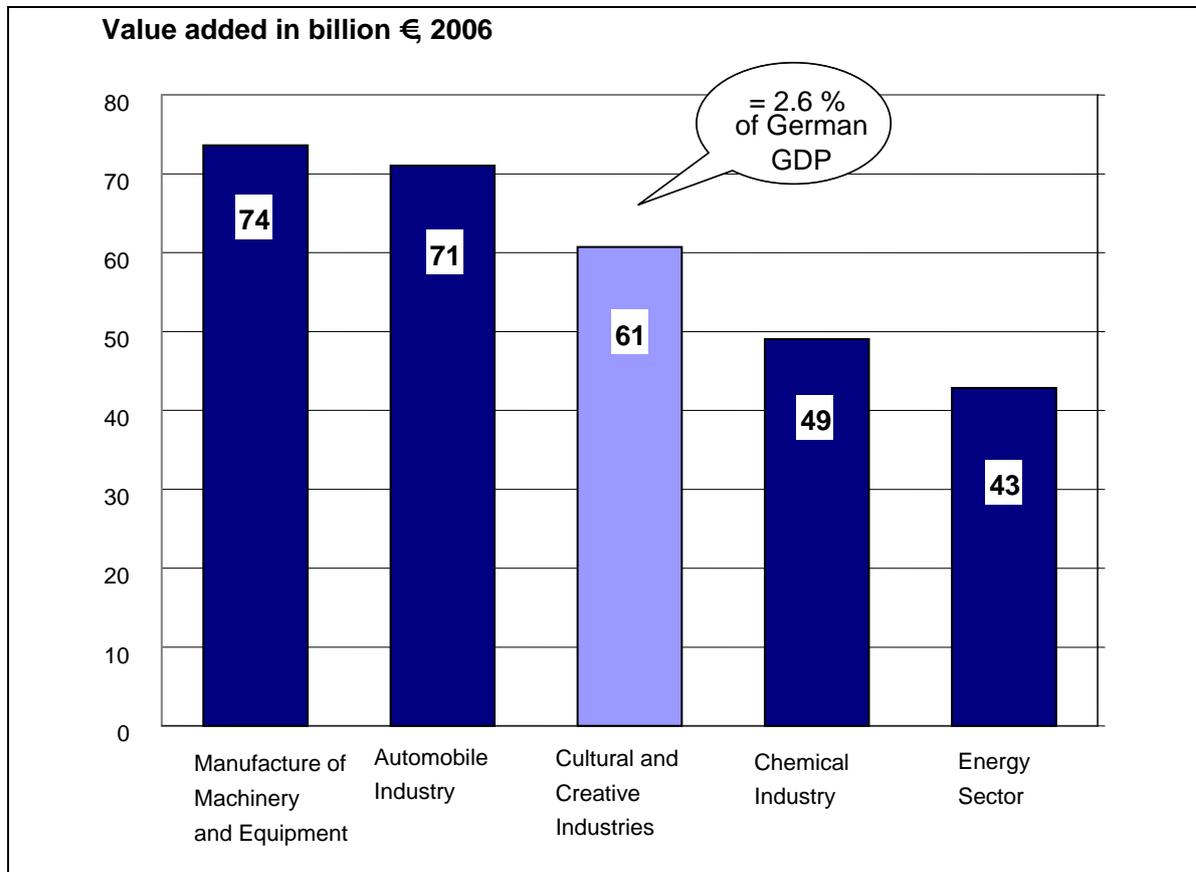


Notes: For the definition and classification of the ICT-Industry (Information and Communication Technology) and the Information Society by Destatis see their press communication of 27-02-2008; see also Destatis publication: *Entwicklung der Informationsgesellschaft. IKT in Deutschland, Ausgabe 2007* [Development of the information society, ICT in Germany, 2007 edition].
Source: National accounting, Destatis 2008; calculation by Michael Söndermann/ AG Kultur- und Kreativwirtschaft 2008

The Information and Communication Technologies industry (ICT), which is a cross-cutting sector similar to the culture and creative industries - although much larger, focuses on goods and services like telecommunication services, the production of computers, communication technologies, audio and video players etc. According to the figures of the German Federal Statistical Office, the ICT industry accounted for about EUR 93 billion towards value added in 2007.

In a synthesising overview of ICT industry and content production like radio, film and TV productions, production of recorded media etc., the German Federal Statistical Office (Destatis) explains the concept of Information Society and estimates that the entire area produced value added to the amount of EUR 123 billion in 2007. Therefore, the Information Society accounts for 5.7% of the overall value added in Germany.

Figure 11: Contribution of the culture and creative industries towards value added, compared by economic branches, 2006



Notes: Estimates for the culture and creative industries based on national accounting figures, in current prices.

Source: Volkswirtschaftliche Gesamtrechnung, Detailergebnisse 2006 zum Stand 5.9.2008, Destatis 2008 [National Accounting, detailed results 2006, state 05-09-2008, Destatis 2008]; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008.

In 2006, the culture and creative industries achieved a growth rate of 4.7% against the year 2004. However, the growth rates in the branches compared here were significantly higher. The chemical industry registered a plus of 6.8% between 2004 and 2006, while the energy sector, the automobile industry and the manufacture of machinery had growth rates between 8.7% and 9.4% during the same period. Although the culture and creative industries did not remain stagnant, they were not able to keep up with the dynamic growth of the top industrial branches.

The British government³⁹ has recently published the latest data on the development of the **culture and creative industries in the United Kingdom**. According to these figures, the creative industries in the UK contributed almost EUR 65 billion towards value added in 2006

³⁹ DCMS (2009): Creative Industries Economic Estimates. Statistical Bulletin January 2009

(GBP 57.3). This equates to 6.4% of the overall value added. The growth rate over the 2-year period since 2004 amounted to 6.9%.

Gross value added by the British creative industries is 4 billion Euros higher than that of the German culture and creative industries. The rather considerable difference in the respective share of 2.6% for Germany and 6.4% for the UK is probably explained by the fact that traditional industries like the automobile, chemical or other producing industries have a significantly higher weight in the German national economy than the respective industrial branches in the UK economy.

3.2.3 Employment

The good economic results of recent years enabled the culture and creative industries to come up again with positive figures in the creation of employment. The number of persons employed increased by 3.4% in 2008 compared to the previous year, leading to a new record level of 1,001,700. Subsequently, the share of the culture and creative industries in overall employment rose to 3.3%.

The positive trend was caused by the steady increase of self-employed persons, as well as by a surprising increase of employees within the culture and creative industries. While the number of self-employed persons has been steadily growing by more than 4% per annum over the last years, the number of employees underwent a significant decrease from 2000 to 2003, stagnated until 2005, and has been growing at a rate of 1 to 3.1% per annum since then.

The growing number of employees is an interesting phenomenon, as here only employees liable to social insurance deductions are captured. Their number includes all part-time and full-time work places, but not marginally employed persons or other kinds of “mini-jobs”. Jobs liable to social insurance deductions, in the culture and creative industries, were for a long time seen as so-called existential work places, even if they were part-time work places of 20 or more hours per week. However, these work places have been steadily reduced for years and replaced by flexible and project-oriented jobs and a growing number of freelance professionals.

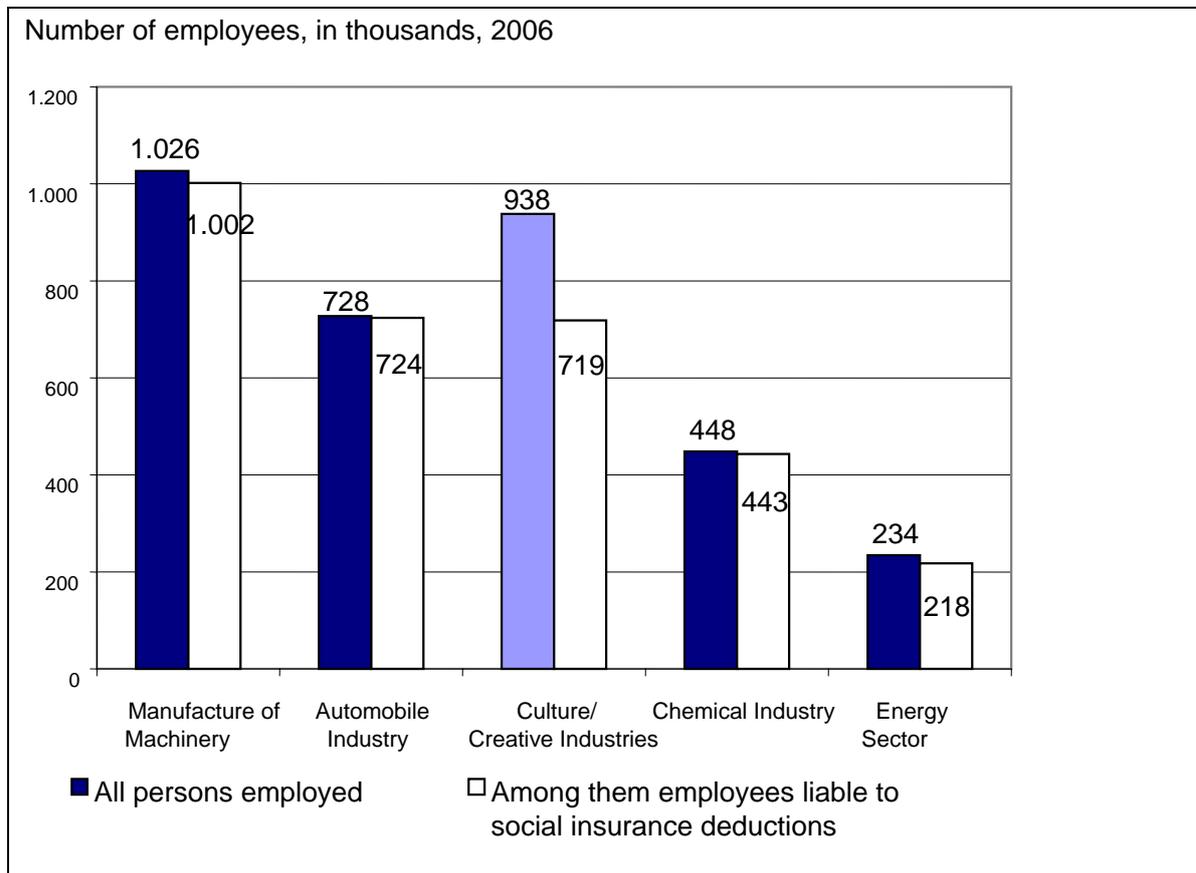
The growing project-orientation of the culture and creative industries is also reflected in the steady increase of freelance workers and self-employed persons, usually one-person-businesses.

The number of about **one million persons employed, forms a statistically verifiable core area of the culture and creative industries**. The self-employed persons and freelance professionals comprised in this number consist of persons with a minimum turnover per annum of EUR 17,500 who are registered by the tax authorities. The number of regular employees liable to social insurance

deductions is established in quarterly intervals through a full census. Therefore, this core area is suitable for a comparison of the culture and creative industries against traditional industrial branches.

Compared to the top German industrial branches in 2006, the culture and creative industries, with an employment volume of 938,000 persons, ranged behind the manufacture of machinery (1,026,000 persons employed) (2006 data), thus taking rank 2 of the selected branches. If employees liable to social insurance deductions are compared, the culture and creative industries still occupy an excellent middle position, with the number of employees of 719,000 almost equal to that of the automobile industry of 728,000 (2006 data). The chemical industry and the energy sector score significantly lower total figures with 448,000 and 234,000 employees respectively.

Figure 12: Employees in the culture and creative industries, compared by economic branches, 2006



Notes: Persons employed include self-employed persons registered by the turnover tax statistics plus employees liable to social insurance deductions according to employment statistics, but excluding marginal employment.

Source: Turnover Tax Statistics, Destatis 2008; Employment Statistics, Federal Agency for Employment; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

The comparison shows that the labour market in the traditional industrial branches is almost entirely characterised by employees

liable to social insurance deductions – as a rule working in a small number of large or medium enterprises. The significant difference between the number of persons employed and the number of employees liable to social insurance deductions in the culture and creative industries points to a high share of self-employment, which amounted to 219,000 in 2006. The average number of persons employed per business amounts to just 4.3. The culture and creative industries are an economic sector where micro enterprises are predominant.

In addition to the core area of regular employment, there are a great number of marginally employed persons working in the culture and creative industries. Statistical data provided by the Federal Agency for Employment and the Micro Census of the Federal Office for Statistics provide the following figures:

In 2006, about 223,000 persons in the culture and creative industries were marginally employed. These were holders of “mini-jobs”, i.e. these employees did not have any side jobs. In addition, there were 79,400 marginally employed persons with side jobs. These persons had a main job inside or outside of the culture and creative industries, besides their marginal employment.

Furthermore, there are a great number of freelance workers or other project-related workers, some of which are captured by the Micro Census and can be allocated to the culture and creative industries. Hence, there were **about 162,000 freelance workers or persons with side jobs** whose turnover remained below EUR 17,500 per year, working in the culture and creative industries.

The various statistical sources result in a total employment volume of 1.4 million persons for the year 2006.

Figure 13: Structure of employment in the culture and creative industries and in the overall economy, 2006

	Culture and Total industries		Overall economy	
	Anzahl	% share	Total	% share
Core Area				
I. Persons Employed				
Freelance and self-employed (from 17,500 € annual turnover) (1)	219,376	16	3,099,493	8
Employees liable to (social insurance deductions (2))	718,667	51	26,354,336	71
Persons employed excluding marginal employment	938,043	67	29,453,829	79
In addition				
II. marginally employed (3)				
marginal employment only	222,970	16	4,853,596	13
marginally employed in side job	79,442	6	1,897,296	5
Total marginally employed	302,413	22	6,750,892	18
In addition				
III. Micro Census (4)	162,000	12	1,031,500	3
I.-III. Total	1,402,456	100	37,236,221	100

Notes: (1) Figures from turnover tax statistics. Additional figures mention a total of 151,400 freelance artists registered with the Artists Social Insurance (Künstlersozialkasse) in 2006. (2) Figures from employment statistics. (3) Figures from marginal employment data. (4) Figures from Micro Census, self-employed persons with annual turnovers of less than EUR 17,500. The overall number of employed persons amounts to 37,344,000 according to the Micro Census; divergences result from the use of different data sources. Differences due to rounded figures.
Source: Turnover Tax Statistics, Micro Census, Destatis 2008; Employment statistics, Federal Agency for Employment 2008; calculations by Michael Söndermann /AG Kultur- und Kreativwirtschaft 2008.

The comparison of employment structures in the culture and creative industries, and in the overall economy, shows the following differences:

16% of all persons employed in the core area of the culture and creative industries (a total of 219,376 persons) are self-employed. If the number of marginally employed persons (at least 12% or 162,000 persons, according to Micro Census data) is added to this number, the share of **self-employed persons increases to almost 28% of all persons employed in the culture and creative industries.**

In comparison, the overall economic structure shows the following composition: 8% of all persons employed (3.1 million) in comparable core areas are self-employed. Another 3% (1.0 million persons) may

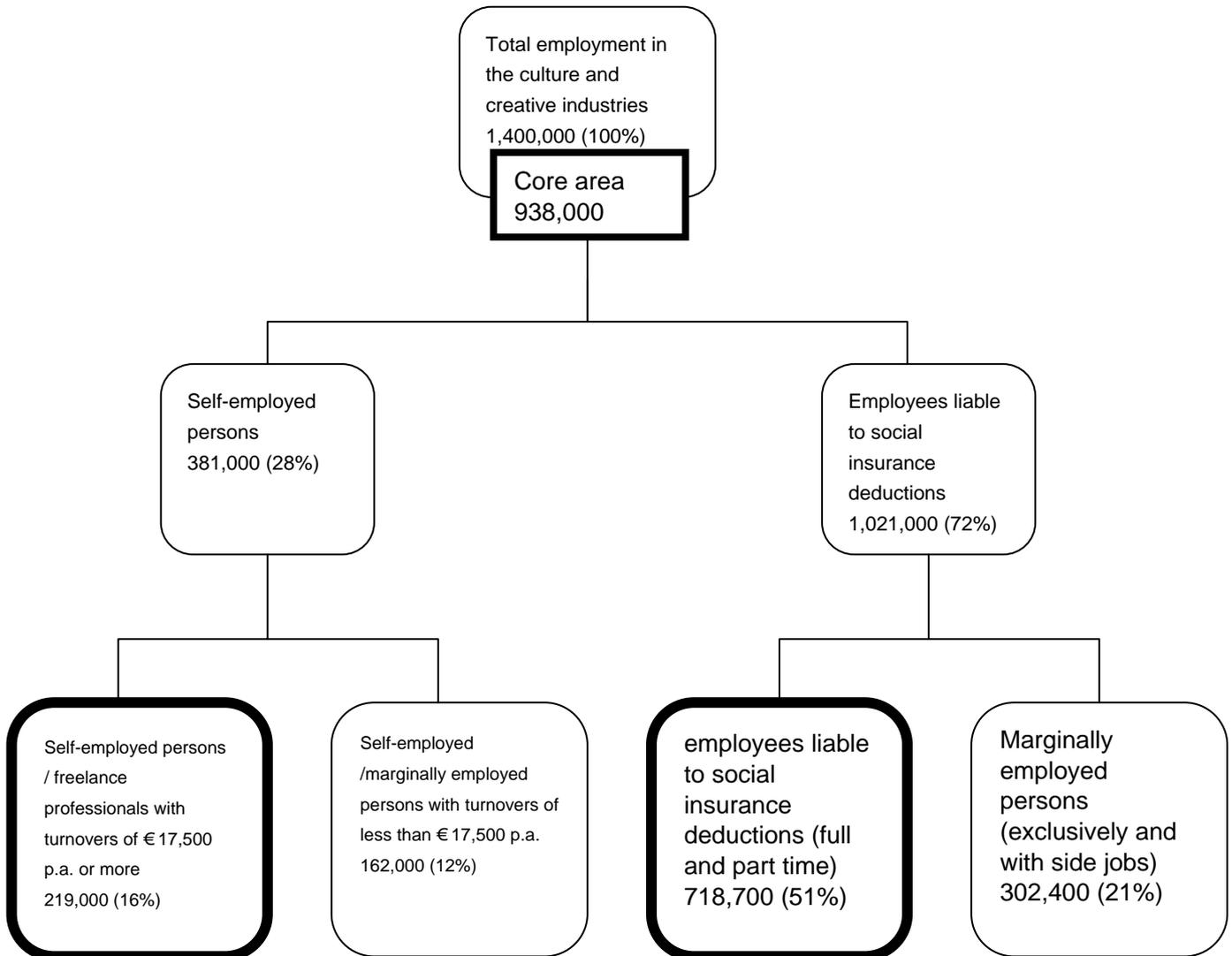
be added as marginally employed, according to the Micro Census.

The total share of self-employed persons in the overall economy amounts to approximately 11%. The share of self-employed persons in the culture and creative industries is therefore three times higher than in the overall economy.

51% (718,667) of all persons employed in the culture and creative industries are employees liable to social insurance deductions; the corresponding share in the overall economy amounts to 71% (26.4 million persons). **The share of job places, with so-called living wages, is significantly higher in the overall economy.**

For the **marginally employed**, these relations are reversed: 16% of those working in the culture and creative industries (222,970) exist exclusively on marginal employment and 6% have a side job. Together they account for **22% of those employed in the culture and creative industries;** the corresponding share of marginally employed persons in the **overall economy is 18%** (6.8 million persons). The share of marginally employed persons is, therefore, slightly higher in the culture and creative industries than in the overall economy.

Figure 14: Employment structure in the culture and creative industries, 2006



Notes: Overview of the statistically verifiable sub-groups of employed persons in the culture and creative industries. The complementary public and not-for-profit sector provides another 125,000 work places liable to social insurance deductions and marginal jobs. In addition, there is a large number of project-related jobs or temporary freelance workers who are not statistically captured at present. The DIW institute estimates that there are 1.5 temporary work places for each work place liable to social insurance deductions. The boldly framed sub-groups are regarded as the core area of the culture and creative industries in this study as these groups allow coming to important conclusions for economic trends.

Source: Turnover Tax Statistics, Micro Census, Destatis 2008; employment statistics, Federal Agency for Employment; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008.

As expected, the employment market in the culture and creative industries, with its core area and additional marginal employment and activities, shows a more fragmented picture than the overall economy. In addition to the statistically verifiable figures, there are still other forms of employment which are, however, very difficult to estimate.

In the further course of this study, we will refer to the core area of the culture and creative industries in order to achieve the highest possible degree of harmonisation when describing the eleven core branches (see section 3.3) and their economic and employment-related activities.

3.2.4 Export

According to the latest Industry Report⁴⁰ of the German Ministry of Economic Affairs, Germany remained the strongest merchandise-exporting nation worldwide in 2007. The value of German merchandise exports rose to a total of 984.7 billion Euros in 2007. Industries had a share of 87% of the overall German export volume, with the automobile industry, the manufacture of machinery and equipment and the chemical industry taking the largest shares.

The service sector accounts for the remaining 13% of the overall German export volume, which therefore remains far behind countries like the USA or the UK, where it accounts for a share of 30%.⁴¹ According to the service sector report of the German Ministry of Economics and Technology, this indicates unused potentials in the international trade of services.

This assessment is especially true for the situation in the culture and creative industries, which are now able to present the following key data on exports, thanks to a new special evaluation of turnover tax data by the Federal Statistical Office:

According to this data, the culture and creative industries achieved a **total turnover of EUR 126.5 billion and an export-relevant turnover of EUR 5.2 billion in 2006. This equates to an export ratio of only 4%**. The evaluation is based on turnover tax data, which probably does not represent all export-relevant services adequately. Turnovers resulting from services rendered to clients abroad are often handled through agencies in the respective country, unless merchandise exports are involved.

Therefore, it is interesting to see that the economic branches usually exporting merchandise, account for the highest export ratio. The

⁴⁰ BMWi (2008): Exportstarke Industrie, <http://lexikon.bmw.de/BMWi/Navigation/Wirtschaft/Industrie/exportstarke-industrie.html> [27.12.2008]

⁴¹ BMWi (2008): <http://lexikon.bmw.de/BMWi/Navigation/Wirtschaft/dienstleistungswirtschaft.html> [accessed 27-12-2008]

following economic branches have above-average export shares in their total turnovers:

The field is headed by the production of recorded media, including music publishing (22%), followed by the art trade (14%) and the industrial designer (export ratio of 14%). Book publishing and music retail trade follow with 10% each.

At the bottom of the range are the architectural offices, the broadcasting industry and the journalists' offices, which realise just 1% of their turnovers abroad, as far as the turnover tax data are able to provide a realistic picture in this respect.

In spite of the limited database, it may be assumed that exports play a very minor role in many economic activities. This is because culture and creative industries are largely characterised by micro enterprises, whose scope of action is usually limited to local, regional, cross-regional or inner-German activities. Cross-border services are connected with disproportionate efforts, which most of these micro enterprises are not able or willing to render.

Figure 15: Exports in the culture and creative industries, 2006. Total turnover and export ratio according to statistical sub-groups

WZ-2003	Classification acc. to statistical sub-groups and economic activities (positions below (2))	Total turnover volume	Tax free turnover after deduction of input tax	Export ratio (1)
		Billion EUR	Billion EUR	
22.1	Publishing industry	37,472	2,433	6%
22.11	Publishing of books	11,396	1,181	10%
22.13	Publishing of journals/periodicals	10,172	525	5%
22.14	Publishing of recorded media and printed music	1,867	412	22%
52.4*	Retail trade of cultural goods	5,632	274	5%
52.45.3	Retail sale of musical instruments and scores	1,051	110	10%
52.47.2	Retail sale of books and technical journals	3,993	80	2%
52.48.2	Retail sale of art	588	83	14%
72.2	Software/Games industry	24,103	1,315	5%
74.2*	Architectural market	7,287	59	1%
74.8*	Design industry	12,224	331	3%
74.20.6	Offices for industrial design	680	98	14%
74.4	Advertising	15,855	365	2%
92.1	Film industry	6,855	144	2%
92.2	Broadcasting industry	7,426	43	1%
92.3	Artists' groups etc.	6,812	128	2%
92.4	Journalist offices	2,001	15	1%

92.5	Museum shops, exhibitions	719	55	8%
	Culture and creative industries	126,385	5,161	4%

Notes: (1) Export ratio: Ration of tax-free turnover after deduction of input VAT to overall turnover in per cent. Differences due to rounded figures. (2) Items below are a selection of the economic branches.

Source: income tax statistics, Destatis 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

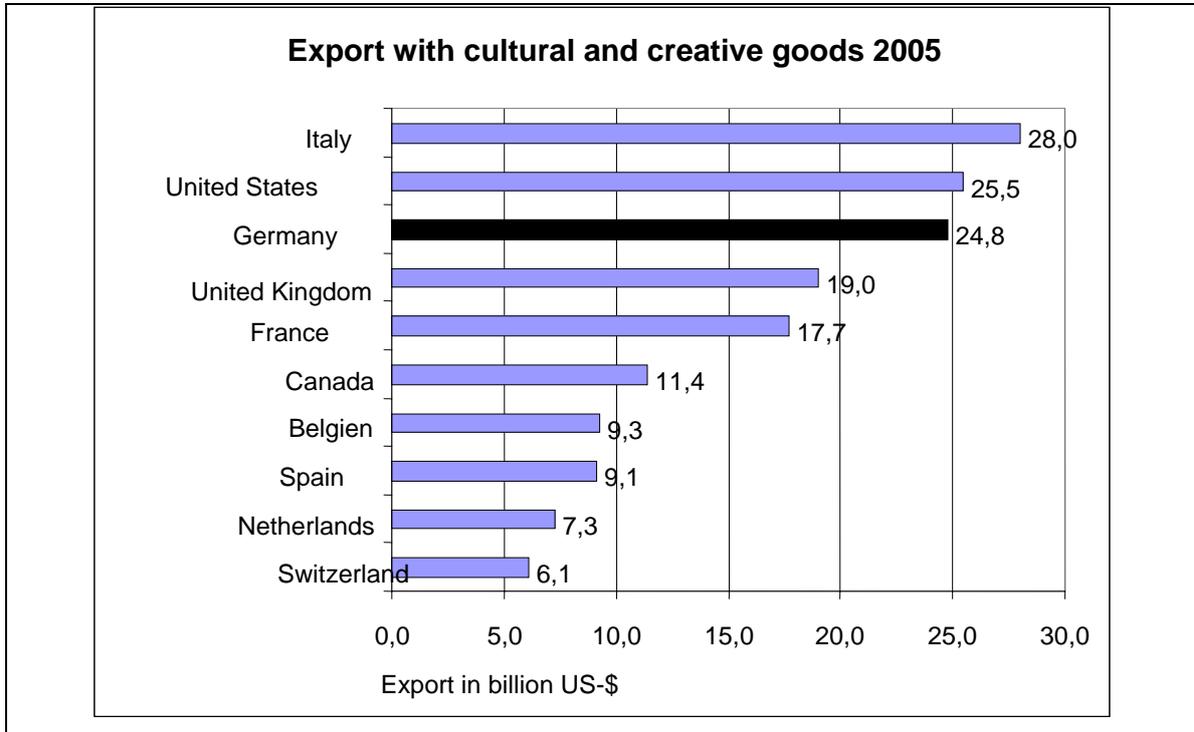
German external trade in cultural and creative goods in comparison to OECD countries, 2005:

The export of German cultural and creative goods shows a picture that is completely different from the overall economy of the service-oriented culture and creative industries.

An analysis done by the UN Conference for Trade and Development (UNCTAD) shows Germany in a quite surprising position within the global trade in cultural and export goods. In 2005, Germany, with an export volume of **24.5 billion US Dollars**, took **third place in the list of the ten most important OECD countries, behind Italy⁴² and the USA**. According to the UNCTAD data, the growth rates amounted to more than 14% between 2000 and 2005. This makes Germany, by far, the fastest growing exporter of cultural and export goods among the ten leading OECD countries. The analyses of UNCTAD is based on United Nations trade statistics.

⁴² UNCTAD explains the surprisingly high share of Italy by the strong Italian design industry, especially fashion and interior design.

Figure 16: The most important OECD countries in the global trade with cultural and creative goods, 2005



Notes: In a worldwide comparison, only China with an export volume of 61.4 billion US\$ and Hongkong with 27.7 billion US\$ are further ahead.

Source: UNCTAD, Creative Economy Report 2008; AG Kultur- und Kreativwirtschaft 2008

Finally, it should be mentioned that the two ways of looking at the export of services, based on turnover tax statistics on the one hand, and United Nations statistics on the other, lead to greatly diverging results because their core definitions are different. While the culture and creative industries consist only of a cultural and creative core area, UN statistics are based on an extremely wide definition of cultural and creative goods. The design area alone includes 139 groups of products that are in some way design-related. This includes goods like handbags and other accessories, kitchen furniture and other furniture, toys and jewellery. The arts section, including artisans, consists of 48 groups of products.

All in all, the statistical verification of export activities is still strongly limited. However, the low export intensity shown by the turnover tax data may be seen as a strong indicator for great unutilised export potentials in the culture and creative industries.

3.2.5 Types of Enterprises

As explained in Chapter 2, the culture and creative industries are analysed using a concept of internal segmentation in order to be able to identify the different actors by types of enterprises. Internal segmentation differentiates between three types of enterprises:

- Micro enterprises/freelance workers
- Small and medium enterprises (SME)
- Major companies.

The empirical-quantitative analysis facilitates the analysis of different size ranges. These basic data, provided by the official statistics, allow for a classification by 13 turnover volume ranges. The ranges were made as detailed as possible and adapted to the typology of enterprises of the European Commission.

The EU definition identifies the following types of enterprises:

Figure 17: Typology of enterprises according to the official EU definition

- Micro enterprises employing <10 persons, turnovers of up to EUR 2 million or a balance sheet total of EUR 2 million
- Small enterprises employing <50 persons, turnovers of up to EUR 10 million or a balance sheet total of up to EUR 10 million
- Medium enterprises employing <250 persons, turnovers of up to EUR 50 million or a balance sheet total of EUR 43 million
- Major companies employing >250 persons, turnover of EUR 50 million or more or a balance sheet total of EUR 43 million or more.

Source: European Commission (2003): Recommendation concerning the definition of micro, small and medium sized enterprises (2003/361/EC)

3.2.6 Breakdown of Sub-groups by Types of Enterprises

When transferring the internal segmentation model to the EU concept, four types of enterprises were identified, and small and medium enterprises were classified according to the EU system.

In 2006, the breakdown of the culture and creative industries, according to the four turnover volume ranges, looked as follows:

About 213,000 enterprises belonged to the group of micro enterprises; they made up 97% of the culture and creative industries. 4,800 enterprises belonged to the group of small enterprises. The remaining 1% was taken up by a total of about 1,300 medium enterprises and major companies.

Figure 18: Culture and creative industries according to turnover volume ranges, 2006

Type of enterprise	Size range	Enter- prises	%-Share enter- prises	Turnover in thous.€	%-Share turnover	Turnover per enterpr. in thous.€
Micro enterprises	up to 2 mill. €	213,225	97.2%	34,275	27.1%	161
Small enterprises	up to 10 mill. €	4,839	2.2%	19,726	15.6%	4,077
Medium enterprises	up to 50 mill. €	1,041	0.5%	21,600	17.1%	20,753
Major companies	from 50 mill. €	271	0.12%	50,776	40.2%	187,053
All types of enterprises	Total	219,376	100.0%	126,378	100.0%	576

Notes: Enterprises with annual turnover of EUR 17,500 and above.
Source: Turnover tax statistics, Destatis 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Major companies accounted for the largest share in the turnover volume of the culture and creative industries in 2006, followed by the micro enterprises with 27% as the second most important group.

The leading role of major companies in the turnover area is largely determined by not more than two to four sub-groups.

3.2.7 Breakdown of Sub-groups According to Type of Enterprise

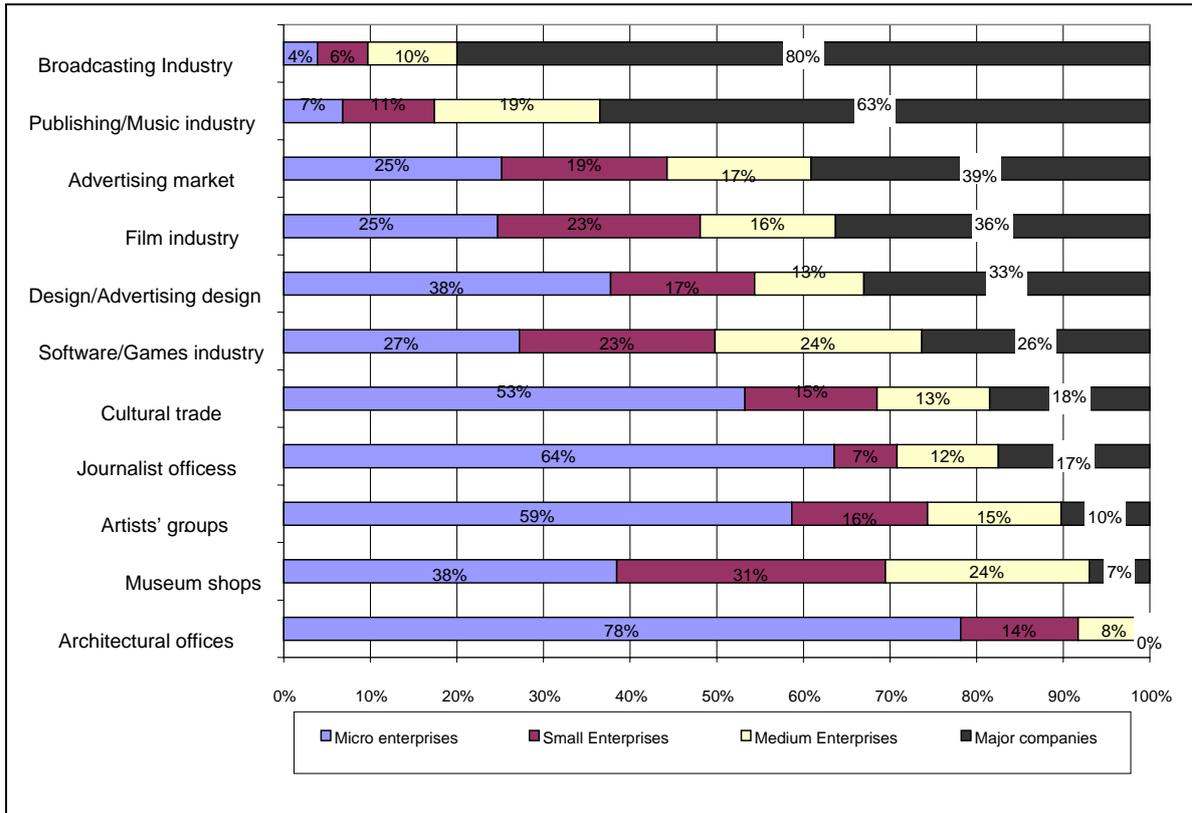
Major companies produce 80% of turnovers in the broadcasting industry; publishing is the only other sub-group where an above-average share of turnovers (63%) is realized by major enterprises. Major enterprises also play an important role in the film industry (36% turnover share) and in advertising (39% turnover share).

In all other sub-groups, micro enterprises account for the largest share in turnover volumes, ranging from 27% in the software/games industry to 78% in architecture. Interestingly, the software/games industry shows a very regular distribution pattern of turnover shares:

each type of enterprise accounts for one quarter of the turnover volume.

The breakdown of core markets, according to turnover volume, shows that micro enterprises and freelance professionals largely determine the culture and creative industries.

Figure 19: Breakdown of eleven sub-groups according to size of enterprise, 2006



Notes: Enterprises with annual turnover of EUR 17,500 and above.

Source: Turnover tax statistics, Destatis 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

3.2.8 Comparison of Enterprise Structures in the Culture and Creative Industries and the Automobile Industry

A comparison of the culture and creative industries and the automobile industry illustrates the importance of the different types of enterprises for the economic performance in each segment.

In the culture and creative industries, micro and small enterprises account for a share of 42% of the overall turnover volume. In the automobile industry, micro and small enterprises, with a share in overall turnover of 1%, play a very marginal role indeed. Medium enterprises are of similar economic unimportance in the automobile

industry. They account for just 2% of the overall turnover volume. The respective figure of 17% in the culture and creative industries shows their higher relative importance in this field.

Figure 20: Breakdown of turnover according to size ranges in the culture and creative industries, 2006

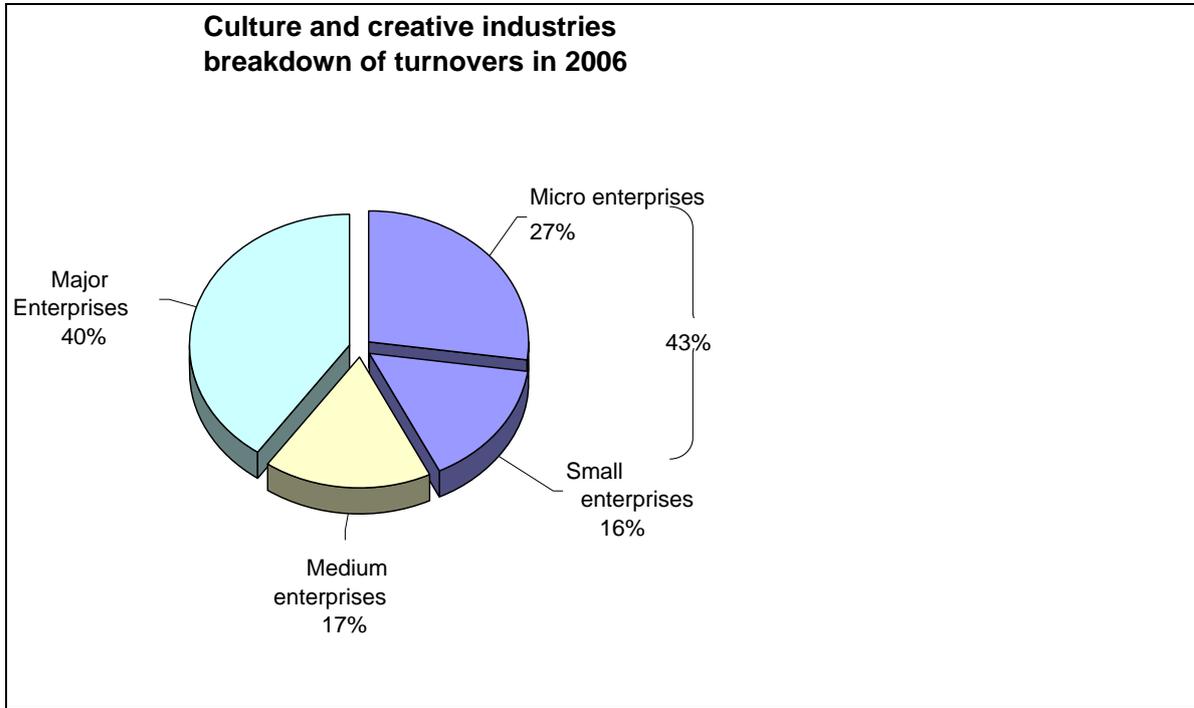
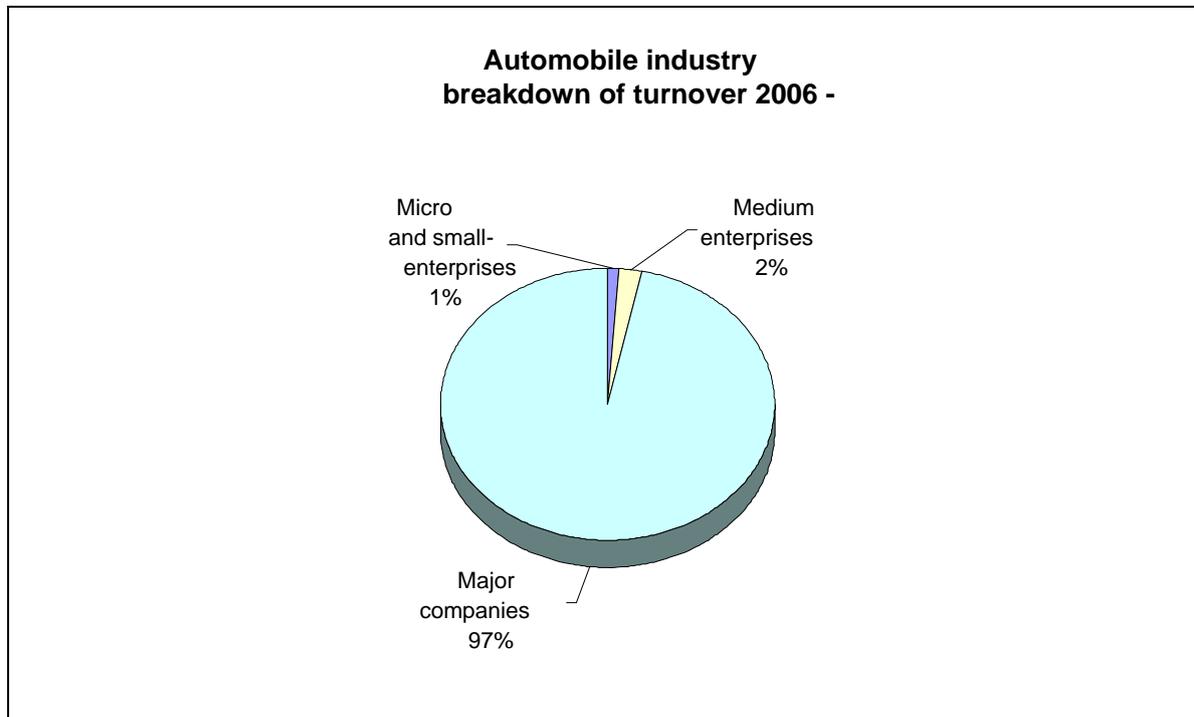


Figure 21: Breakdown of turnover according to size ranges in the automobile industry, 2006



Notes: Enterprises with annual turnover of EUR 17,500 and above.
Source: Turnover tax statistics, Destatis 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

The predominance of major companies in the automobile industry is clearly shown by their share in the turnover volume of 97%. In comparison, major companies in the culture and creative industries account for just 40%, less than half, of the turnover volume here.

The direct comparison with a traditional industrial branch shows the entirely different weight of the small-scale enterprise structure in the culture and creative industries and the automobile industry.

The central position of major companies in the traditional branches of the production sector is in line with the generally predominating economic structure, while in the culture and creative industries, conditions are fundamentally different.

For an adequate overall assessment of the complex of branches forming the culture and creative industries, it is, therefore, of paramount importance not to concentrate only on established companies, but to look also at the great number of small enterprises. Up to now, empirical and quantitative methodologies have only been able to capture a small fraction of the economy prospering in the, more or less, fragmented core markets of the culture and creative industries. A more precise insight into the economic structure of the different types of enterprises will greatly contribute towards strengthening the value added effects of the creative act.

The analysis of support needs of enterprises in the culture and creative industries in Chapter 4 closely follows the lines of internal segmentation, because the economic structure of the complex of branches, forming the culture and creative industries, is fundamentally different from the mechanism of the so-called traditional economic branches.

3.2.9 A Note on the Share of Women in the Culture and Creative Industries

Even though the terms of reference for this study did not include an analysis of the situation of women in the culture and creative industries, this section wants to provide some insight and initiate more in-depth research in the future.

The share of women in employment in the culture and creative industries is above average and amounted to 53% in 2007.

This above-average share is mainly based on employees liable to social insurance deductions. As the table on the share of women in the culture and creative industries 2007 shows, women are more strongly represented than men. Only the software/ games industry has one quarter of female work places.

The share of women in the group of self-employed persons ranges between 40% and 44%. This share is remarkably high, when compared to the corresponding share of women in the overall

economy, where women account for only 7% of self-employed persons.

All data and extrapolations presented here are based on the results of the 2007 Micro Census.

Figure 22: Share of women in the culture and creative industries breakdown according to statistical sub-groups, 2007

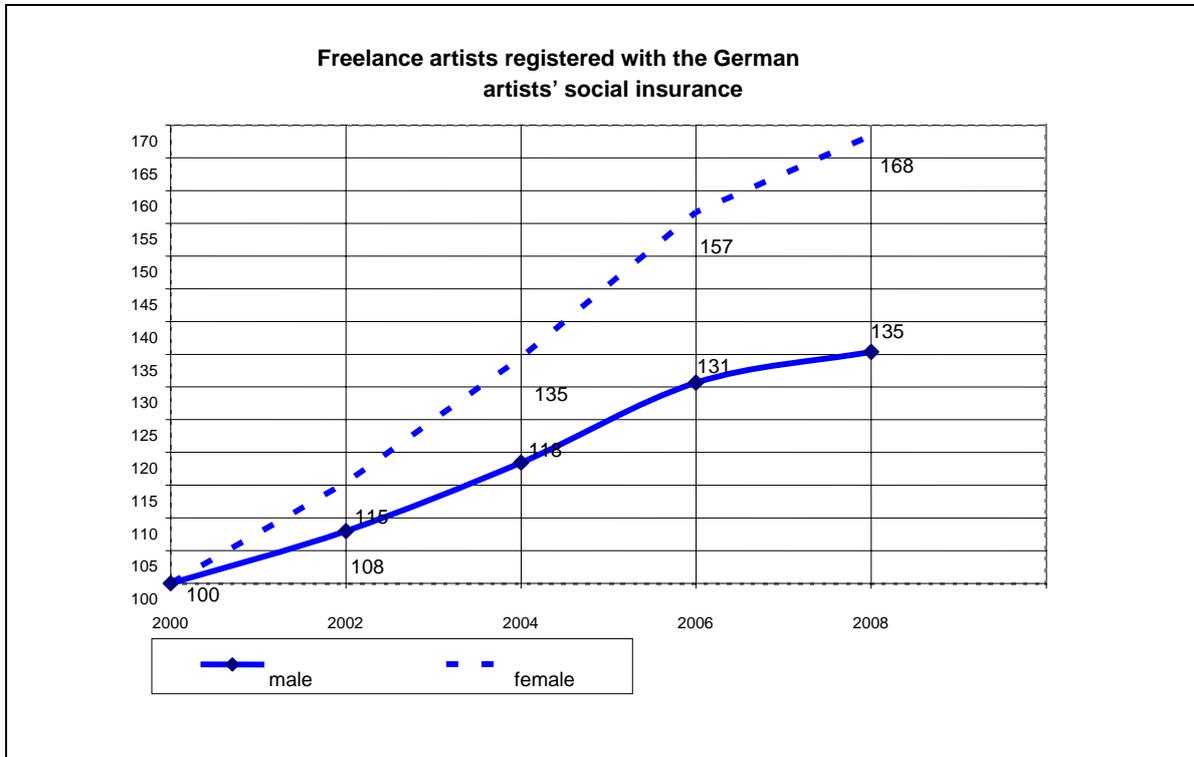
Statistical sub-groups	Total	Self-employed	Employees
Publishing	54%	44%	55%
Trade in cultural goods	62%	41%	68%
Software/Games Industry	23%	-	26%
Advertising	52%	40%	59%
Film industry	42%	-	50%
Broadcasting industry	49%	-	53%
Artist and other groups	43%	40%	50%
Journalist offices etc	47%	41%	52%
Museum shops etc	61%	-	67%
Culture and creative industries	53%	-	58%

*Notes: Excluding statistical sub-groups architecture and design industry. (-) No data available
Source> Micro Census, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008*

The high share of women among self-employed persons in the culture and creative industries is confirmed by the development of the artistic professions. According to the data provided by the German Artists' Social Insurance, the number of female freelance artists increased by 68% between 2000 and 2008, while the number of men grew by only 35% in the same period.

In absolute figures: In the year 2000, a total of 43,800 women worked as freelance artists, while the number of men amounted to 63,400. In 2008, 73,700 women and 85,800 men worked as freelance artists. This amounts to a total of 159,500 freelance artists. Accordingly, the share of women amounts to 46%.

Figure 23: Development of share of women in freelance professionals (Artists' Social Insurance), changes in % (basis: 2000 = 100%)



Source: Data of the German Artists' Social Insurance; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

The data indicates strongly that the culture and creative industries are developing into an increasingly important field of employment and activity for women.

The following section presents a detailed description of the culture and creative industries according to the eleven core branches.

3.3 Structures and Trends of the Eleven Core Branches

The following section presents short statistical portraits of the eleven core branches of the culture and creative industries. Reference to official data only ensures that economic structures, relations and development trends are described against a uniform comparative empirical and statistical background. Restricting the analysis to official data has a number of advantages:

- Each core branch has to be defined in terms of the standard classifications of economic activities - otherwise it will be impossible to evaluate official economic and employment data. This obligation of classification leads to a sensitisation for the understanding of the core branch, even though classifications of economic activities always tend to be outdated.
- The economic activities of all core branches are analysed across branches starting from the same empirical material. Activities, as diverging as those of an architectural office, an art gallery, a film production company or a design firm, are all captured and described by the same economic reference terms.
- As the official data used are in principle, publicly accessible and published in at least yearly intervals, all basic data required can be collected and updated by any research institution.

For a regular update of the core branch analysis reports should be prepared for each branch, also including information on the respective associations and organisations and taking care of extensions of the field, in case it is required. This would, for example, concern the upstream or downstream economic branches not included in this study.

In the following section, the core area of each of the eleven core branches will be captured through four indicators: enterprises, turnover, overall employment and employees liable to social insurance deductions. Each core-branch profile will be described in terms of turnover volume ranges. Each section concludes with an outlook on the development opportunities of the respective core branch.

3.3.1 Music Industry

Introductory remark: The music industry includes the freelance artist professions: composers, songwriters, other musicians and the different kinds of commercial music ensembles. In addition, there are a great variety of other music professions, for example those belonging to the performing arts sector or the music teaching professions.

The producing and distributing enterprises include the publishing of recorded media, music publishers, music retail trade, theatre and concert operators, concert directions and agencies, as well as commercial music theatre productions, musicals, and music festivals. These are usually categorised under the rather old-fashioned term "Operation of theatres, opera houses etc." The economic activity "Technical activities in support of cultural and entertaining services" includes stage engineering services and ticket sales offices.

The music industry is in many ways interrelated to the performing arts market. Several economic activities are assigned to the music category, as well as the performing arts category. Furthermore, the operation of music theatres and concert halls is closely and complementarily interconnected with non-commercial music life, e.g. publicly financed opera houses or radio orchestras of broadcasting corporations under public law. In general, the music industry is identified with the production of recorded media. This segment is again closely interconnected with the audio-visual industry, the digital industry and the Internet economy.

It would not be an exaggeration to describe the music industry as a cosmos of the most varying and complex music-relevant economic activities. In its heterogeneity, it surely matches the culture and creative industries as a whole.

For the comprehension of this description of the music-relevant economic activities, it is important to know that the production of musical instruments and artisans in the music area were not included, because they are not part of the European core definition of culture industries. This is exclusively due to reasons of comparability. In the German understanding, the production of musical instruments etc. remains part of the music industry, as presented by the German Arts Council (Deutscher Kulturrat) in its thematic web portal.⁴³

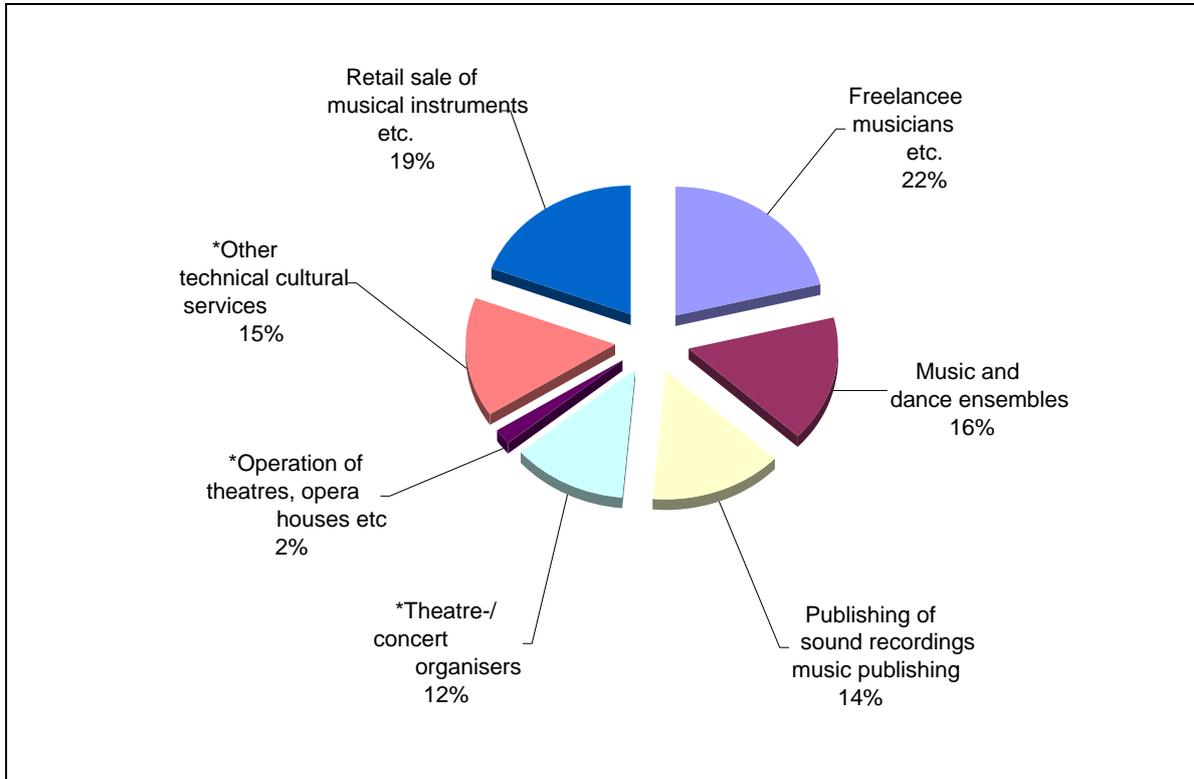
Table 4: Economic core activities of the music industry

WZ-Nr.	Economic activity
92.31.5	Freelance musicians etc.
92.31.2	Music and dance ensembles
22.14.0	Publishing of recorded media/music publishing
92.32.1	*Theatre and concert operators
92.32.2	*Operation of theatres, opera houses, concert halls etc.
92.32.5	*Technical activities in support of cultural and entertaining services etc.
52.45.3	Retail trade of music instruments, sheet music etc.

*Notes: *Assigned to other market segments as well. Excluding production of musical instruments and music-related artisanat.*

⁴³ Deutscher Musikrat (2009): Musikwirtschaft, in Themenportal:
http://www.themen.miz.org/static_de/themenportale/einfuehrungstexte_pdf/07_Musikwirtschaft/soendermann.pdf [accessed 03-01-2009]

Figure 24: Breakdown of freelance professionals and enterprises in the music industry by economic activity



Notes: *Also assigned to other market segments

Source: Turnover tax statistics, Destatis 2008, calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Key Data

According to the preliminary 2008 data, the music industry provided employment for a total of 36,600 persons, equating to 3.2% of overall employment in the culture and creative industries. This number includes 25,200 employees liable to social insurance deductions. The most important economic activities are: music and dance ensembles, theatre/concert organisers, music retail trade and publishing of recorded media/music publishing, each of which account for shares in employment of 15 to 20%.

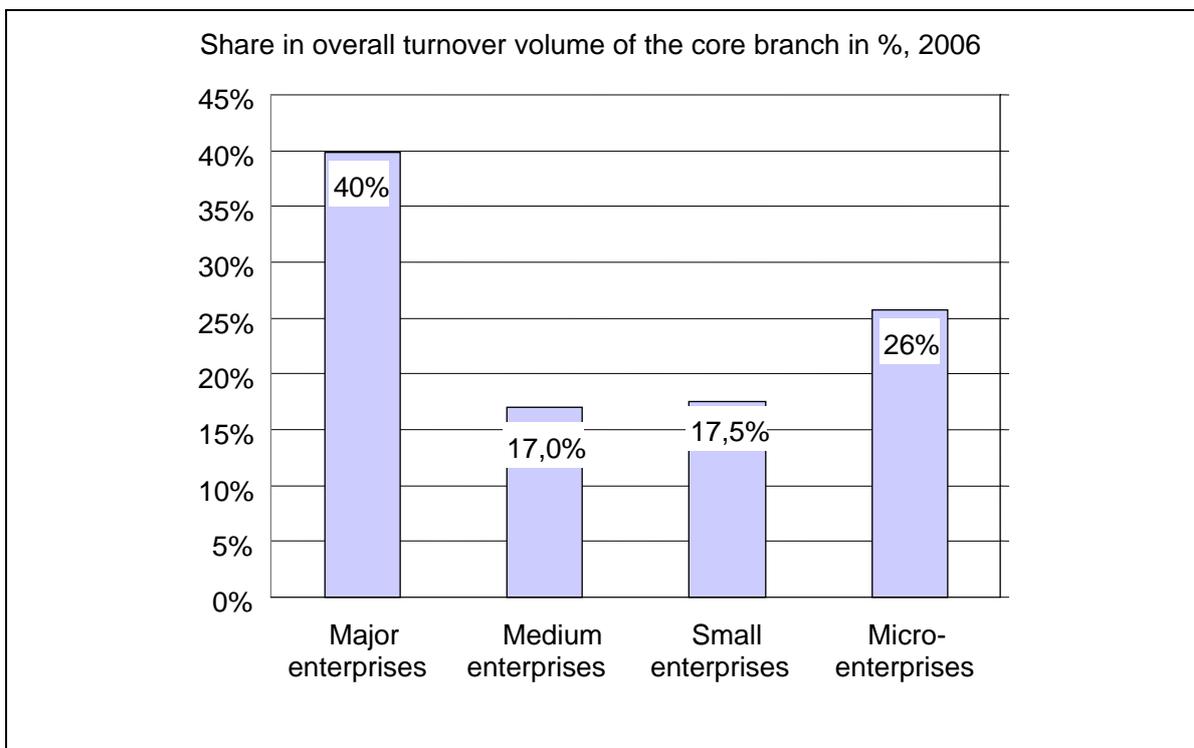
In 2008, the music industry achieved an estimated turnover volume of about 5.4 billion Euros. This is equal to a share of 3.7% in the overall turnover volume in the culture and creative industries. The most important economic activity is the publishing of recorded media/music publishing (achieving about 1.7 billion Euros and accounting for almost one third of the overall turnover volume) followed by concert organisers and retail trade with 26 to 20%.

The number of freelance professionals and taxable enterprises in the music industry amounts to about 11,300 or 4.1% of all enterprises in

the culture and creative industries. Their number includes about 4,200 (37%) freelance professionals, who are the largest group in the music industry. The remaining 7,100 enterprises are widely distributed across all activities, with the exception of musicals, commercial music theatre productions etc., which together are not more than 213 enterprises, accounting for just 2% of the entire number of enterprises in the music industry.

Types of Enterprises

Figure 25: Types of enterprises by size ranges in the music industry, 2006



Notes: Selection of economic activities publishing of recorded music, theatre/concert organisers, retail trade of music etc.

Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Based on 2006 structural data, turnover volumes are distributed across the different types of enterprises as follows:

- A total number of 3,700 micro enterprises account for 95% of all enterprises and a share of 26% of the overall turnover volume.
- 280 small and medium enterprises account for 5% of all enterprises and a market share of 17%, while the total number of just 9 major companies attains a market share of 40%.

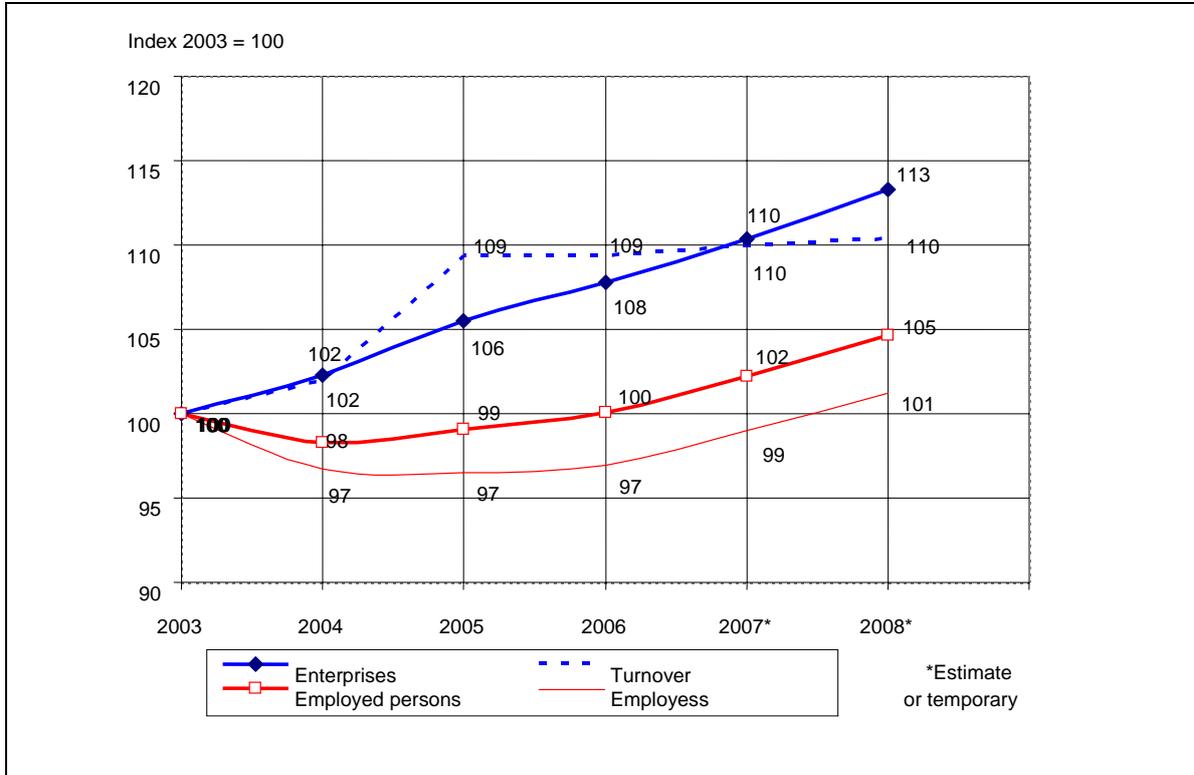
- The average turnover volume per major company equals 155 million Euros per annum, while the average micro enterprise has an annual turnover of 243,000 Euros.

Development

Figure 28 shows a constant increase in the number of enterprises, which has been growing continuously by a total of 13% between 2003 and 2008. Different from other core branches of the culture and creative industries, the development is not so much determined by freelance music professions, but mainly by a steadily growing number of small media recording firms and small music publishers growing at an average annual rate of 5%. The number of theatre/concert organisers has also grown by 5 to 6% per annum. The most dynamic growth took place in the so-called technical services (stage engineering services, ticket sale), which grew at an above-average rate of 10% p.a. Over the entire period of 2003 to 2008, technical support services grew by a considerable 79%.

Among the few economical activities that are on the decrease are the music retail trade and the dance/ music ensembles, whose number decreased by 8 to 9% between 2003 and 2008.

Figure 26: Development of the music industry, 2003 – 2008



Notes: Employed persons (self-employed and employees), employment (employees liable to social insurance deductions only)
Source: Turnover tax statistics, Destatis 2008, employment statistics, Federal Agency for Employment 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

The development of turnover volumes in the music industry shows a stagnant course after an increase of 9% between 2003 and 2005. However, the overall development hides specific developments for the various activities. While the sale of recorded media decreased steadily, the turnover of theatre and concert organisers and technical services and, even the turnover of the music retail trade, grew constantly. These three economic activities, therefore, balance the continuous losses of the sound recording industry.

The theatre/concert organisers are the most important providers of employment in the music industry; they employed a total of almost 7,000 persons in 2008. However, they have not yet reached again the peak value of 2003, when 7,600 persons were employed in this area. The second most important economic activity, the music retail trade (6,000 persons in 2008), is growing once more after temporary losses of job places prior to 2005, and even the publishers of sound recordings/music publishers could increase the employment in spite of turnover losses. Therefore, the number of persons employed in the music industry has grown steadily since 2004, and in 2008 it was 5% higher than in 2003.

The music industry is characterised by several quite diverging economic activities, e.g. the publishers of sound recordings/ music publishers or the music retail trade. The music retail trade in particular, which specializes in the trade of musical instruments and sheet music and is present everywhere across Germany, shows a very steady course in its economic development.

Digital technologies and the rapid growth of the Internet economy will also be important drivers for the overall structure of the music industry in the future.

Final remark: For a future independent report on the music industry, data provided by professional associations and organisations should be evaluated in addition to the official data. Upstream and downstream economic activities, like audio technologies and music-related crafts, should also be included. The complementary structures of the public and intermediate music sector must also be taken into account. The integration of the music industry in the future online economy must also be shown.

3.3.2 Book Market

Introductory remark: The book market includes the freelance writers and a growing number of journalists who, at least according to the classification of the German Artists' Social Insurance, are also part of the so-called word-producing professions. In this study they are, however, included in the press market. The producing and distributing

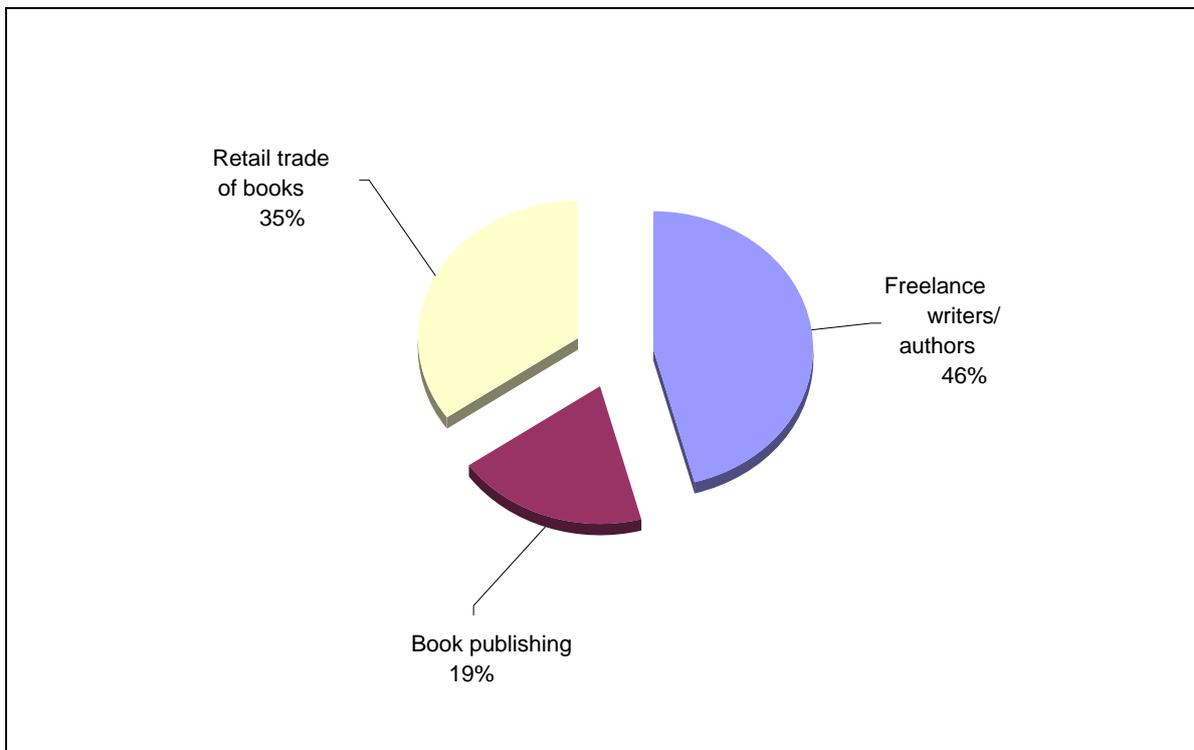
and distributing enterprises include book publishers, intermediate and retail book trade and literary agents.

It is remarkable that the book market is still able to keep its position as a core branch of its own standing, independent of the print and media markets. Book publishers and book trade still have a strong market identity, also shown by the existence of a specific professional association, the "Association of German Authors and Publishers".⁴⁴ However, in spite of the name, the group of writers and authors is not part of this professional association. This is amended for the purpose of this study, which includes the writers/authors as one of the indispensable actors in the book market.

Table 5: Core activities of the book market

WZ-Nr.	Economic activity
92.31.6	Freelance writers/authors
22.11.1	Book publishing
52.47.2	Book retail trade

Figure 27: Share of freelance professionals and enterprises in the economic activities of the book market



Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

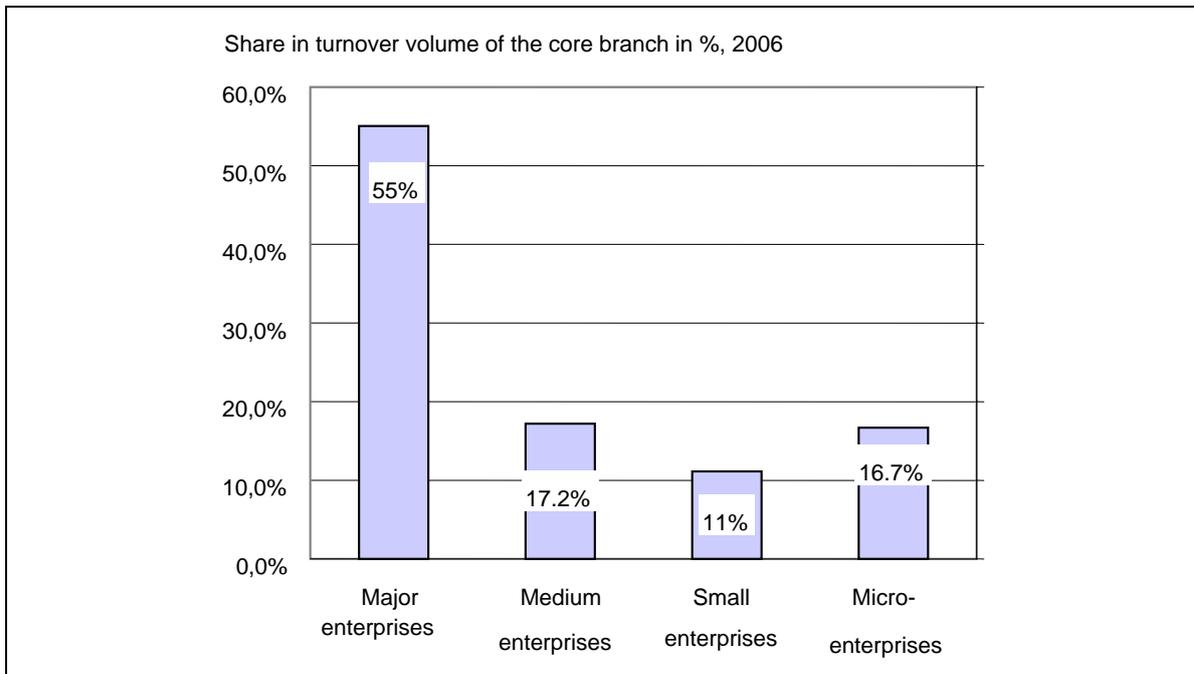
Key Data

According to the preliminary 2008 data, the book market provides employment for a total of 78,900 persons, equal to 7.0% of overall employment in the culture and creative industries. This figure includes a total of 64,800 employees liable to social insurance deductions, who make up a great part of the employment in the book market. With respect to employment, the book publishers, with 39,900 persons employed and a share of 51% in overall employment, are slightly more important than the book retail trade with 32,300 persons employed and a share of 41%. The total number of freelance writers/authors amounts to 6,800 and a share of 8%.

In 2008, the book market achieved an estimated turnover volume of about 15.2 billion Euros. This equates to a share of 10.3% in the overall turnover volume of the culture and creative industries. The book publishers are the most important economic branch, achieving a turnover volume of 10.8 billion Euros - more than one third of the overall turnover in this core branch. The share of the book retail trade amounts to 26% and freelance writers/authors create 3% of the turnover volume of the book market.

Types of Enterprises

Figure 28: Types of enterprises by size ranges in the book market, 2006



Note: Selection book market excluding freelance writers/ authors
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur-

und Kreativwirtschaft 2008

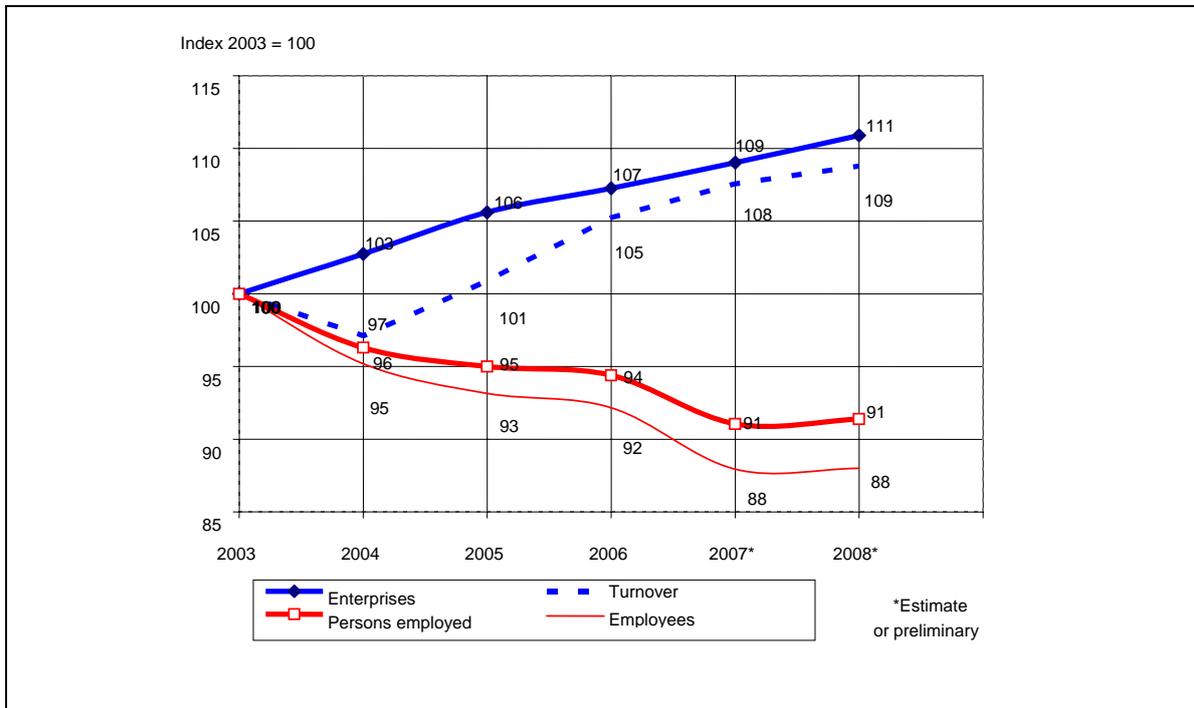
Based on 2006 structural data, turnover volumes are distributed across the different types of enterprises as follows:

- A total number of 7,200 micro enterprises account for 95% of all enterprises and a share of 16.7% of the overall turnover volume.
- About 520 small and medium enterprises with a share of 7% in the overall number of enterprises have a market share of 28%, while a total of 34 major companies achieve a market share of 55%.
- The average turnover volume per major company amounted to 231 million Euros per year, while micro enterprises had an average turnover volume of 332,000 Euros p.a.

Development

Figure 28 shows a constant increase in the number of enterprises, growing continually by a total of 11% between 2003 and 2008. Freelance writers/authors, whose presence in the market has been growing at an average annual rate of 5%, mainly determine the development. New publishing houses also entered the market between 2003 and 2008. The number of book retail traders is constantly decreasing by more than one per cent per year.

Figure 29: Development of the book market, 2003 – 2008



Notes: Employed persons (self-employed and employees), employment (employees liable to social insurance deductions only)

Source: Turnover tax statistics, Destatis 2008, employment statistics, Federal Agency for Employment 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

The development of turnover volumes in the book market shows a steady increase and reaches a plus of 9% in 2008, as compared to 2003. The increase is mainly caused by the results of the publishers with an increase of 12% during the period under review. The growth rate of freelance writers/authors was still higher. The smallest group shows a plus of 21% between 2003 and 2008. This is, however, mainly caused by the increasing numbers of writers/authors. The turnover volume per writer/ author has even gone down from 76,000 to 72,000. Turnovers in the book retail trade stagnated at 1% between 2003 and 2008.

While the turnover volume in the book market shows a positive trend, mainly due to increasing turnovers in publishing, this growth did not lead to an increase in employment. As Figure 31 shows, the number of employed persons has steadily decreased during the period under review. At the end of the period, the book market had lost between 9% and 12% of its job places. This development is again mainly caused by the book publishers. In spite of their constantly growing turnover volumes since 2004, the number of employees decreased steadily until 2008. The loss of work places between 2003 and 2008 amounts to minus 17%. Employment in the book retail trade did not shrink at the same rate, but here also, 5% of the work places have disappeared.

The book market, together with the music industry and the film industry, belongs to the traditional cultural markets in the culture and creative industries. It will continue to undergo immense changes because of the increasing convergence of the media and the digitisation of books. Nevertheless, the book market may be able to keep up its position as an independent market. For decades it has shown a strong resilience against the ups and downs of economic development.

Final remark: For a future independent report on the book market, data provided by professional associations and organisations should be evaluated in addition to the official data. Upstream and downstream economic activities, like technical and artisan book-related activities, should also be included. Structural changes, like the ongoing integration of the book trade into the online trade and increasing digitisation, must also be taken into account.

3.3.3 Art Market

Introductory remark: The art market includes the freelance artists and cultural professions of visual artists. Art galleries, auction houses and art trade are the most important enterprises. The art market is one of the smallest markets in the culture and creative industries. It is, therefore, especially difficult to extract adequate data for this core branch from the official statistics.

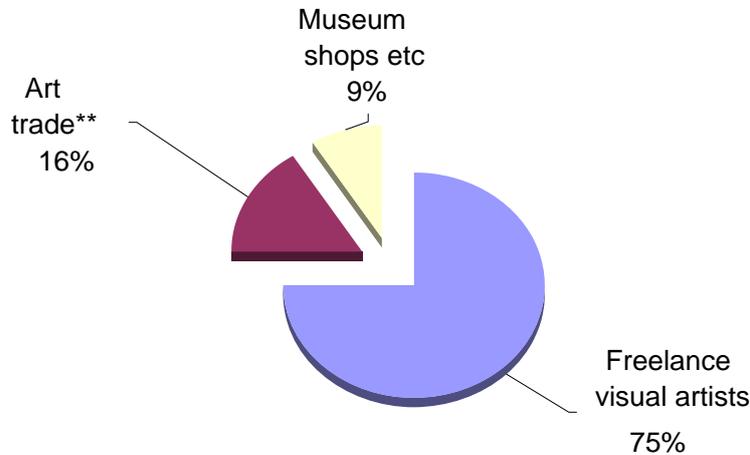
Furthermore, the official statistics combine the art market with other, totally unrelated economic activities, e.g. the sale of gifts, deer antlers, stamps etc. Therefore, the economic activity "Retail sale of art" used in Germany cannot be taken as a representation of the art market; the share of the art component has to be estimated. Next to the freelance visual artist, the core branch also includes the professions in applied arts and design.

Table 6: Core economic activities of the art market

WZ-Nr.	Economic activity
92.31.3	Freelance visual artists
52.48.2**	Art trade (excluding gifts etc.)
92.52.1	Museum shops and art exhibitions

Note: **Estimate

Figure 30: Share of freelance professionals and enterprises in economic activities of the art market



Note: **Estimate

Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Key Data

According to the preliminary 2008 data, the art market provides employment for a total of 15,800 persons, equating to 1.4% of overall employment in the culture and creative industries. This figure includes a total of 4.200 employees liable to social insurance deductions who thus play a rather small role in the art market.

The economic activity providing the highest number of work places is the group of freelance visual artists, accounting for about 10,100 employed persons (including a small number of employees) or 64% of the employment in the art market. Besides this number extrapolated from the official statistics, there are a great number of freelance visual artists in the art market. The German Artists' Social Insurance registers 57,300 self-employed artists in the visual arts group.

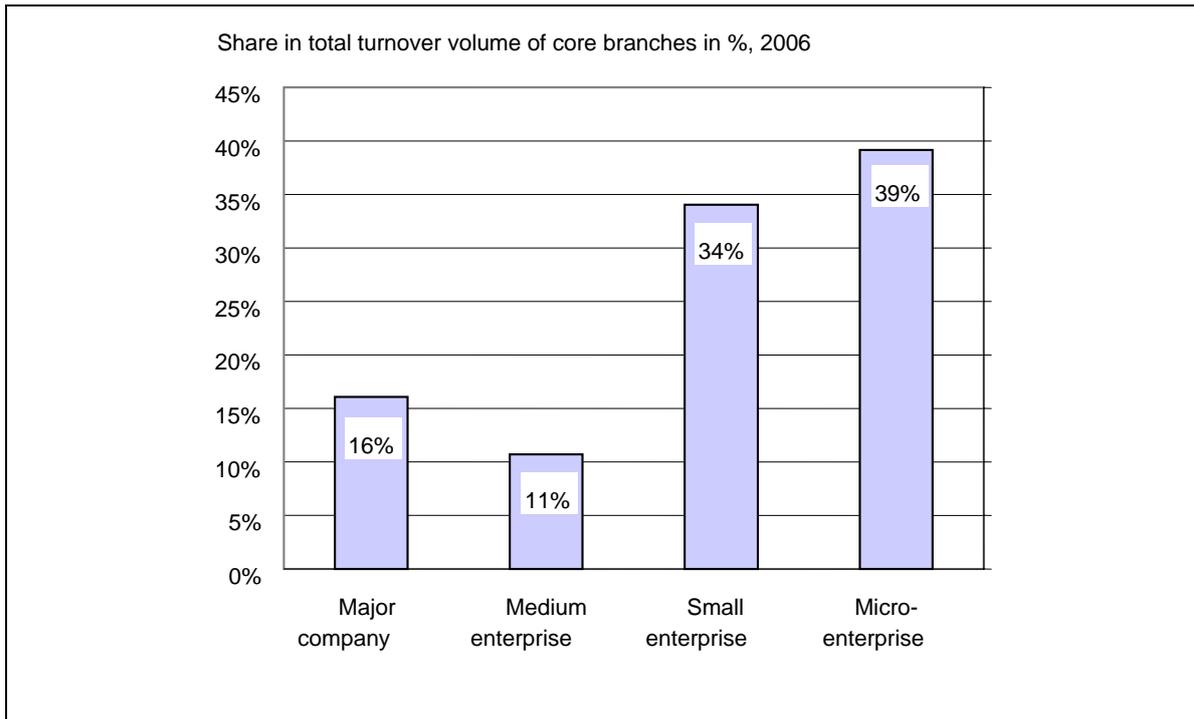
The number of distributing art enterprises (galleries, auctions, trade) can only be estimated and probably amounts to a total of 1,900 enterprises; about 1,000 enterprises are museum shops and commercial organisers of art exhibitions etc. They provide jobs for a total of 5,700 persons (share in employment in the art market 36%).

In 2008, the art market achieved an estimated turnover volume of about 1.9 billion Euros. This is equal to a share of 1.3% in the overall turnover volume in the culture and creative industries. The group of freelance visual artists achieved 752 million Euros or a share of 30% in the turnover volume of the German art market. The share of the art

trade is relatively small because the larger market-dominating galleries and art traders realise a great part of their turnover abroad and enter it into the balance sheets of their dependencies abroad. Visual artists usually pay taxes in their German places of residence.

Types of Enterprises

Figure 31: Types of enterprises by size ranges in the art market, 2006



Note: Selection only museum shops etc., excluding visual artists

Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Due to the definition problems mentioned earlier, the art market could not be included in the analysis according to size ranges.

Based on 2006 structural data, turnover volumes are distributed across the different types of enterprises (museum shops etc.) as follows:

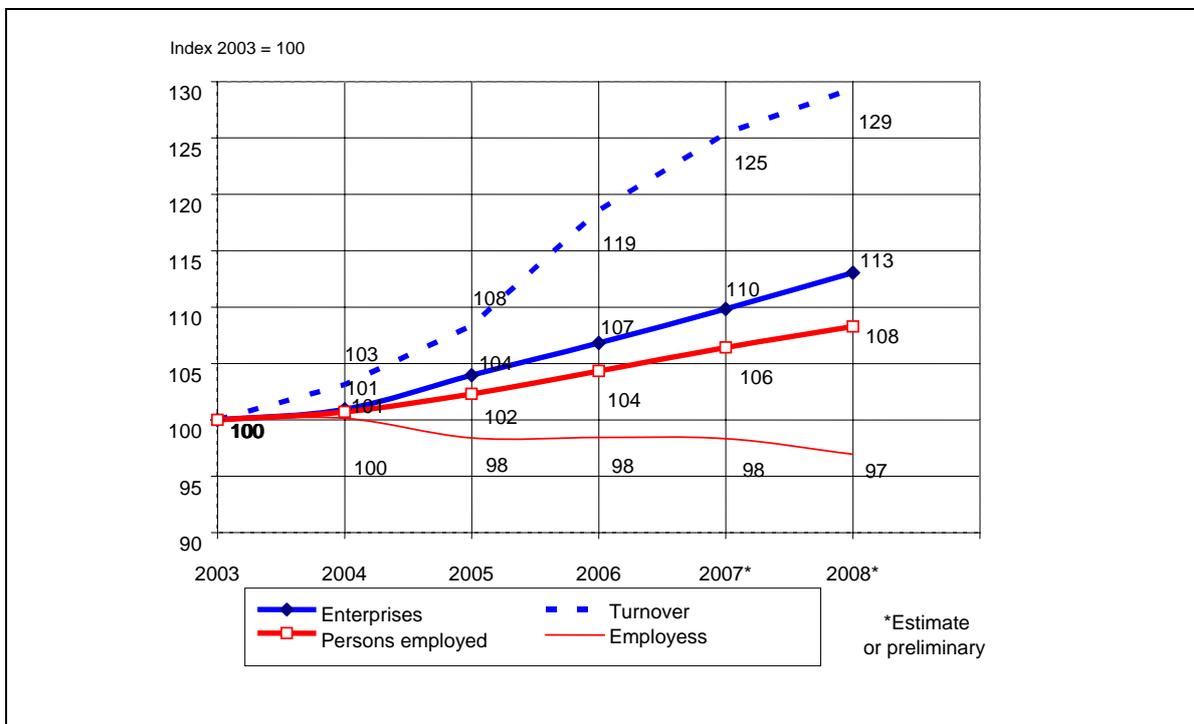
- A total number of 900 micro enterprises (95% of all enterprises in the core branch) create a market share in the turnover volume of 39%.
- 44 small and medium enterprises make up 4% of all enterprises and achieve a market share of 45%; one single major company accounts for a market share of 16%.

- The average annual turnover of the major company amounts to 75 million Euros, while a micro enterprise achieves an average yearly turnover volume of 203,000 Euros.

Development

Figure 32 shows a steady growth of enterprises, rising continually since 2003 and growing by 13% until 2008. The museum shops (increase of 24%) and the freelance artists (increase 20%) especially cause the development. The number of art dealers has decreased by 15% between 2003 and 2008.

Figure 32: Development of the art market, 2003 – 2008



Notes: Persons employed (self-employed and employees), employment (employees liable to social insurance deductions only)
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

The development of turnover volumes in the art markets goes up considerably after an initial moderate increase and shows an increase of 29% in 2008, as compared to 2003. Again, it was the museum shops that could double their turnover during the period under review. The turnover volumes of visual artists rose by 22% over the same period. Art dealers are the only group to show a minus of 2% between 2003 and 2008. All in all, the art market is a difficult core branch,⁴⁵

⁴⁵ The visual art council ('Kunstrat') of the German Arts Council includes a total of 25 important associations in the German arts market.

whose economic potential is not easily revealed by empirical analysis. Despite these problems, the art market remains one of the traditional cultural industry markets, which needs to be included in culture and creative industries analysis.

Final remark: For a future independent report on the art market, data provided by professional associations should be evaluated in addition to the official data. Related economic activities, like crafts and visual media art (offline and online), should also be included.

3.3.4 Film Industry

Introductory remark: The film industry includes the freelance artistic and cultural professions of the stage artists, including the great variety of similar professions in the film sector.

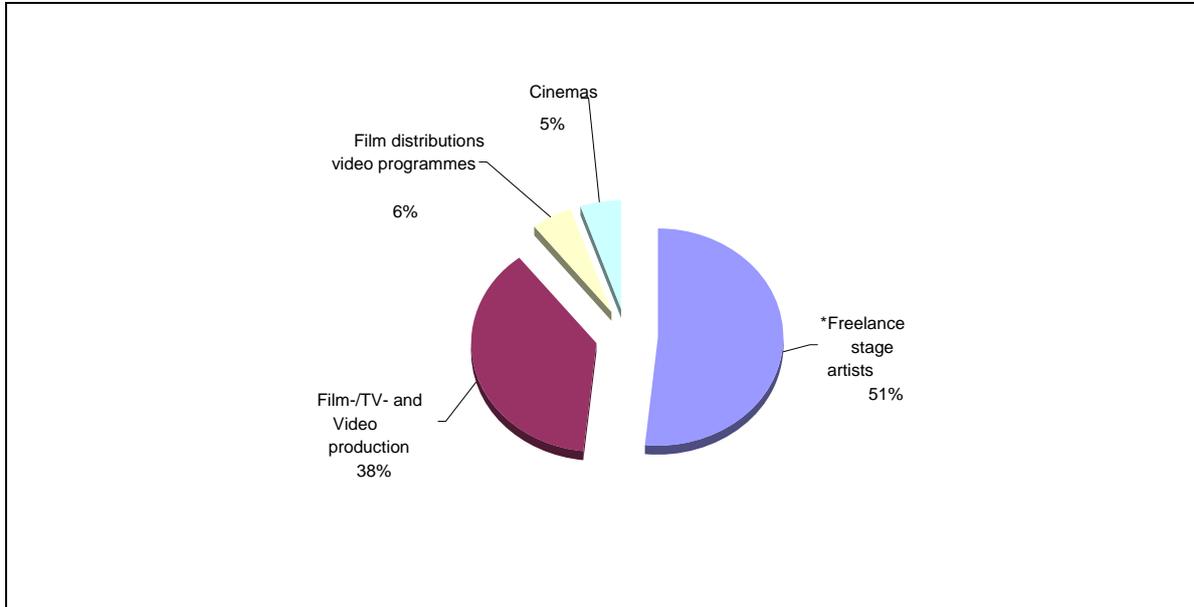
Producing and distributing enterprises include the production of film/TV and video, film distribution, video programme providers and cinemas. Film production also includes the production of television films, which is not included in the broadcasting industry. The film industry is closely related to the broadcasting industry and other audio-visual branches.

Table 7: Core activities of the film industry

WZ-Nr.	Economic activity
92.31.7	*Freelance stage artists
92.11.0	Production of film-/TV- and video
92.12.0	Film distribution/video stores
92.13.0	Cinemas

*Note: *Also assigned to other market segments.*

Figure 33: Distribution of freelance professionals and enterprises in the film industry according to economic activities



Note: *Also assigned to other market segments.

Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Key Data

According to the preliminary 2008 data, the film industry provides employment to a total of 56,200 persons, making up 5.0% of overall employment in the culture and creative industries. 37,200 employees are included in this figure, a considerable share of the employment in the film industry. Film/TV and video production is the most important economic activity, providing more than half of the work places.

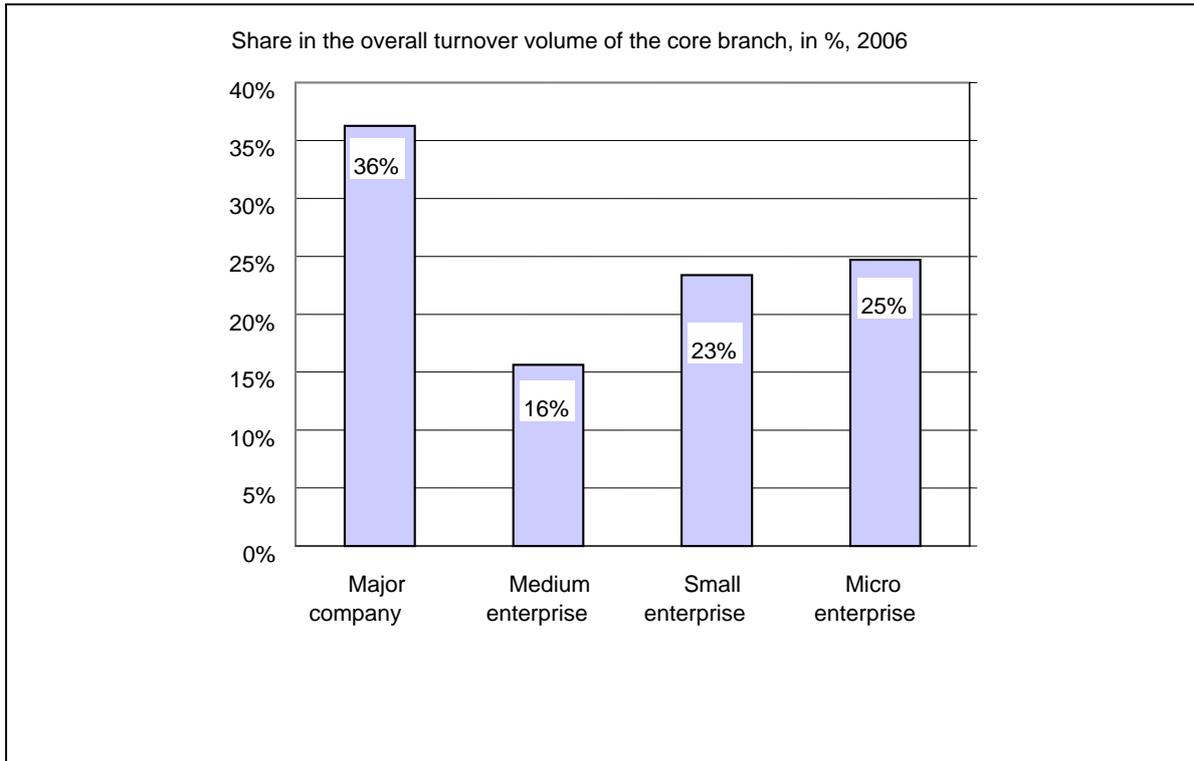
In 2008, the film industry achieved an estimated turnover volume of about 7.6 billion Euros. This is equal to a share of 5.1% of the overall turnover volume in the culture and creative industries. Film/TV and video production is again the most important activity, accounting for a turnover volume of 3.6 billion Euros or almost half of the overall turnover volume. Film distribution and cinemas follow with market share of 20 and 23%.

The total number of freelance professionals and taxable enterprises amounts to almost 19,000 or 6.9% of all enterprises in the culture and creative industries. Among them are about 9,800 (51%) freelance professionals - by far the largest group in the film industry. The remaining 9,200 enterprises are film companies, most of them

working in film/TV and video production (share in the overall film industry 38%).

Types of Enterprises

Figure 34: Types of enterprises by size ranges in the film industry, 2006



Note: Selection film industry without stage artists

Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

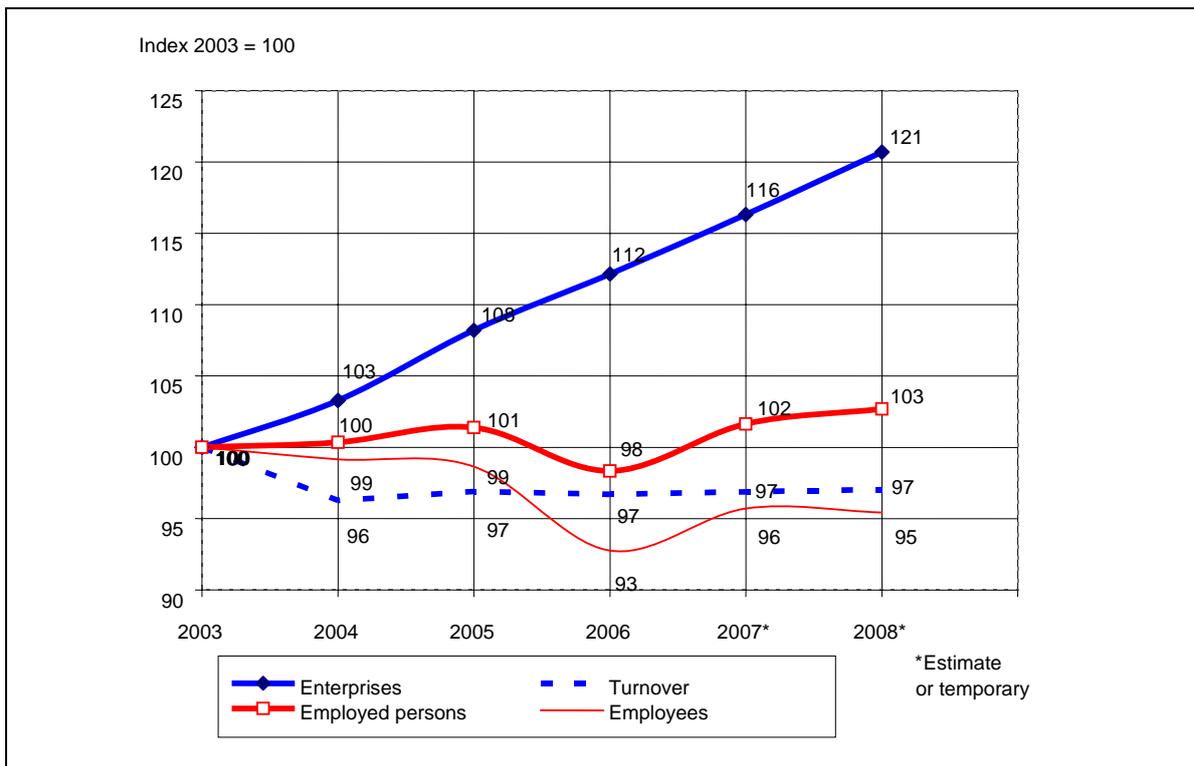
Based on 2006 structural data, turnover volumes are distributed across the different types of enterprises (museum shops etc.) as follows:

- 8,300 micro enterprises equating to 95% account for 25% of the total turnover.
- About 430 small and medium enterprises with a share in the overall number of enterprises of 5% achieve a market share of 39%. 19 major companies account for a market share of 36%.
- The average annual turnover per major company amounts to 131 million Euros; micro enterprises have average yearly turnovers of 204,000 Euros.

Development

Figure 35 shows a steady growth of the number of enterprises since 2003 and an increase of 21% by 2008. The development is especially influenced by the freelance stage artists whose number grew by 5% every year. The number of film production firms grew by 2% between 2003 and 2008; during the same period the number of film distributors and video programme providers decreased by one quarter.

Figure 35: Development of the film industry, 2003 – 2008



Notes: Persons employed (self-employed and employees), employment (employees liable to social insurance deductions only)
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

After a decrease prior to 2004, the development of turnover volumes in the film industry shows a stagnant trend. Over the entire period, film producers steadily lost turnover to the tune of 16%; during the same period film distributors gained 23%. Freelance professionals have continually increased their turnover volumes and gained 22% between 2003 and 2008.

Despite the positive trends in some economic activities, the film industry has gone through difficult economic times. Due to the negative trend in turnovers, there was no increase in employment to speak of, especially due to the weak development of film production, which is especially job-intensive. The number of employees liable to social insurance deductions sank by 7% between 2003 and 2006.

Meanwhile, the employment situation has improved, but the level of 2003 has not yet been reached.

The film industry, together with the book market, the music industry and broadcasting, counts among the traditional cultural markets of the culture and creative industries. Due to digital technologies and the rapid growth of the Internet economy, the film industry will be more and more integrated in media convergence and will lose its own clear profile.

Final remark: For a future independent report on the film industry, data provided by professional associations and organisations should be evaluated in addition to the official data.⁴⁶ It is also recommended to include upstream and downstream economic activities and film-technical and artisan activities. The digitisation of the film industry will be the most important issue in the near future and must occupy a prominent place in the report.

3.3.5 Broadcasting Industry

Introductory remark: Since the end of the 1980's, the German broadcasting sector has been characterised by a dual system. Besides broadcasting under public law (including television and radio), a commercial broadcasting sector has developed. In addition, there are a few non-commercial local radios, free radios, university TV stations and the like.

Commercial broadcasting, called broadcasting industry in this study, is mainly financed through advertising. Private broadcasters develop, realize and disseminate radio and television programmes of a great variety of formats. Movies and TV films, usually produced in film studios, are as a rule included in the economic activity of film production. However, this is not always very clearly separated, because quite a number of film companies are included in the balance sheets of the broadcasting companies, and therefore part of the taxable turnover of the broadcasting sector.

⁴⁶ Spitzenorganisation der Filmwirtschaft (2008): Filmstatistisches Jahrbuch 2008, Baden-Baden

Table 8: Core economic activities of the broadcasting industry

WZ-Nr.	Economic activity
92.20.0	Broadcasting providers and producers of Radio and television programmes

Key Data

According to the preliminary 2008 figures, the broadcasting industry provides employment for 22,500 persons, making up 2.0% of the overall employment in the culture and creative industries. Included in this figure are 21,500 employees liable to social insurance deductions, who make up the great majority of persons employed.

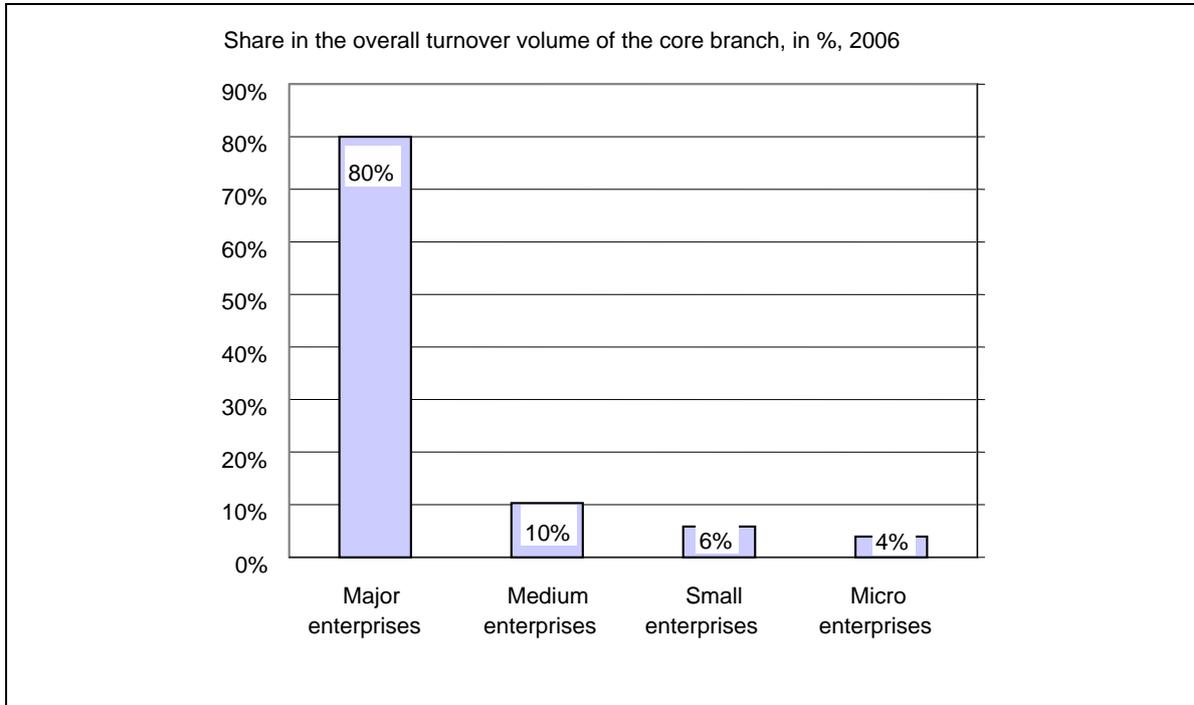
The data does not include marginal employment or other freelance professionals, but refer exclusively to employees liable to social insurance deductions, with part-time jobs of at least half of the regular weekly working hours. The figure also does not include those working in broadcasting corporations under public law, which provided jobs to about 40,000 persons in 2008 (including public enterprises).

The number of taxable enterprises amount to almost 960, or 0.3% of all enterprises in the culture and creative industries.

In 2008, the broadcasting industry achieved an estimated turnover volume of about 7.9 billion Euros. This equated to a share of 5.3% of the overall turnover volume of the culture and creative industries. These figures include only the turnovers of taxable enterprises. For comparison: the turnover volume of broadcasting corporations under public law amounted to 8.1 billion Euros in 2007 (ARD, ZDF).

Types of Enterprises

Figure 36: Types of enterprises by size ranges in the broadcasting industry, 2006



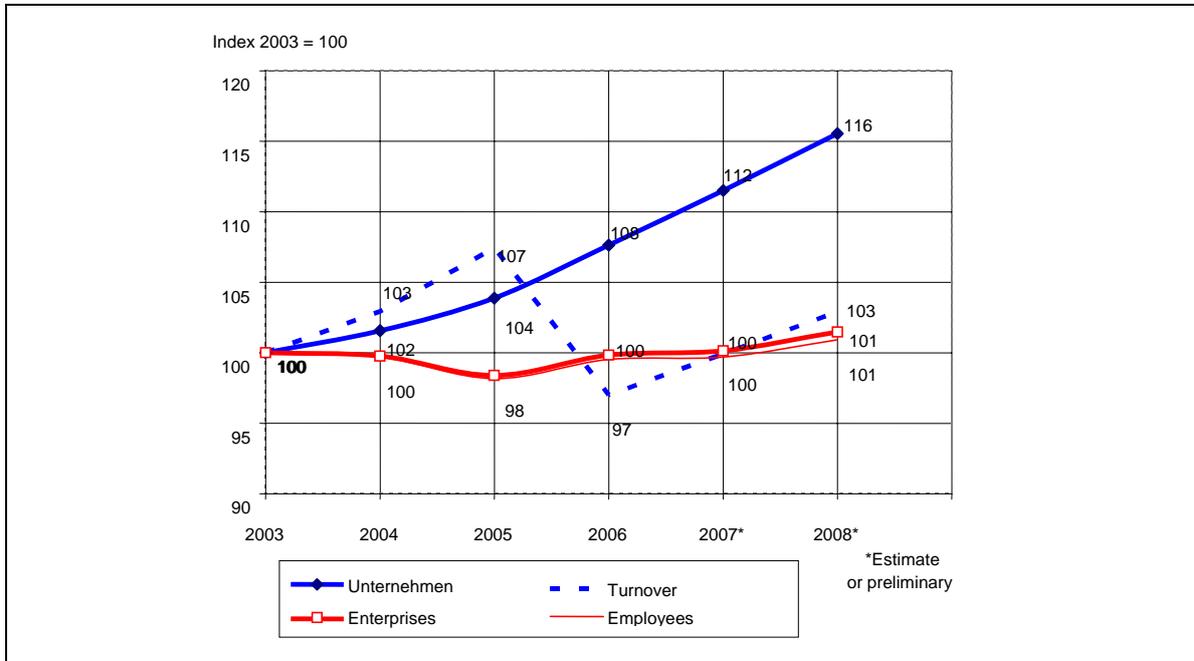
Notes: Selection broadcasting industry in total
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Based on 2006 structural data, turnover volumes are distributed across the different types of enterprises (museum shops etc.) as follows:

- 736 or 83% micro enterprises create a market share in turnover volumes of 4%.
- About 130 small and medium enterprises have a share of 15% in the number of enterprises and a market share of 16%, while 20 major companies have a market share of 80%.
- The average turnover per major company amounts to 297 million Euros per annum, while micro enterprises have an average annual turnover volume of 394,000 Euros.

Development

Figure 37: Development of the broadcasting industry, 2003 – 2008



Notes: Persons employed (self-employed and employees), employment (employees liable to social insurance deductions only)
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

The development of turnover volumes in the broadcasting industry shows an increase until 2005 and then a significant decrease until 2006, after which there is again a positive growth trend. However, the development of turnovers until 2006 does not adequately reflect the realities in the market, as the official statistics have repeatedly changed the assignment of several major media and broadcasting companies to the broadcasting industry. Therefore, turnover trends can only be taken as indicators for market development starting from 2006.

Final remark: For a future independent report on the broadcasting industry, data provided by professional associations and research studies⁴⁷ should be evaluated in addition to the official data. It is also recommended to include broadcasting under public law, although this is not financed via the market but through fees or public funds, as far as public broadcasters are concerned. The strong presence of productions by broadcasting corporations under public law determines

47 Seufert, Wolfgang (2008): Wirtschaftliche Lage des Rundfunks in Deutschland 2006/2007, Hrsg. Landesmedienanstalten, Berlin

the entire broadcasting sector in a way that is quite different from all other market segments of the culture and creative industries.

3.3.6 Performing Arts Market

Introductory remark: The "performing arts market" includes all commercial activities referring to the production and performance of theatres, variety shows, cabarets , musical, dance, circus, puppet theatre, festivals etc. Besides the direct producers of performing or entertaining arts, it also includes the activities of theatre agencies, theatre operators and stage engineering firms. Freelance stage artist play an especially important role. Together with playwrights and acrobats, they form the group of freelance artists' profession and represent the authors and/or originators and often develop prototypes and experimental forms of theatre or innovative performances in entertainment.

The rather complicated term "performing arts market" was deliberately chosen among other possible terms like "theatre industry" or "theatre market", because it captures the variety of forms in this area more adequately. Furthermore, in the German-speaking region, the term theatre is often identified with publicly financed theatre institutions. This area is, however, expressly excluded here, because it is mainly financed by public government funds.

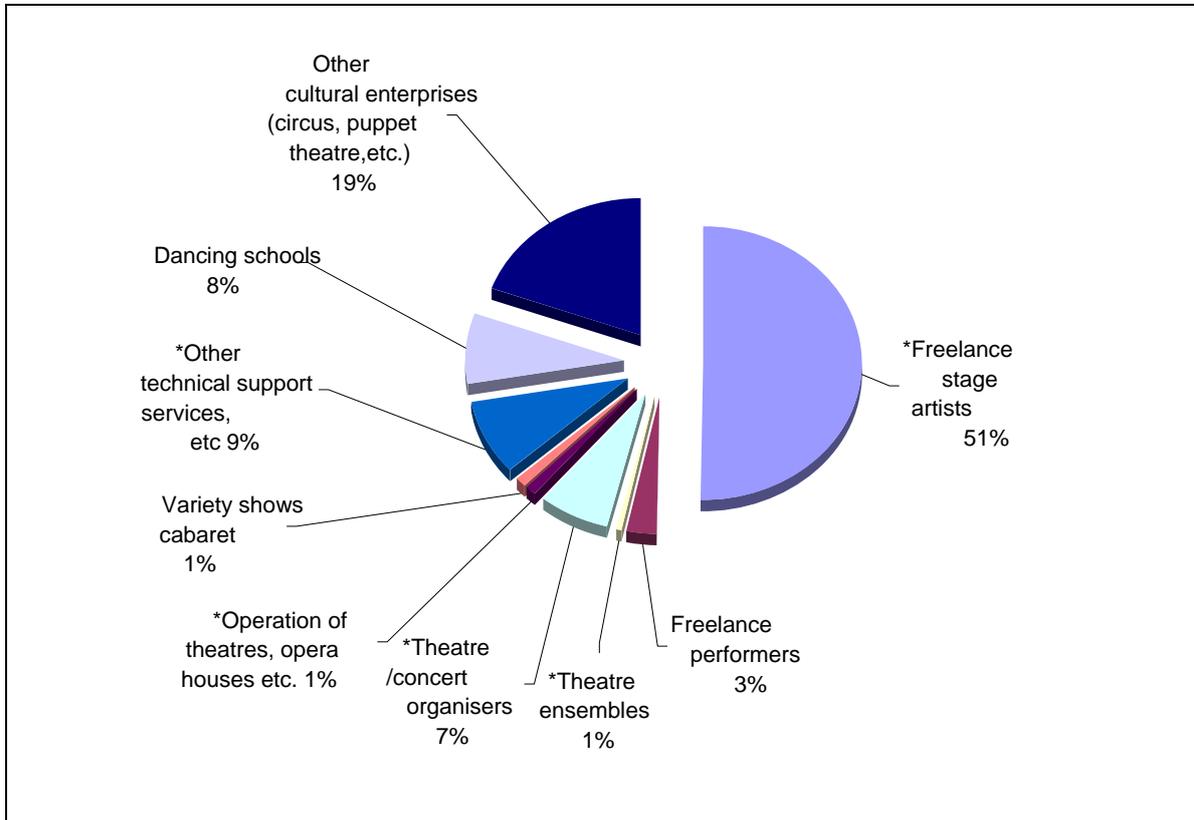
The core branch defined here, therefore, concentrates on those private enterprises, companies and freelance professionals who are entirely or mainly financed via the market. The figures on the economic and employment effects of the non-market segments are provided for additional information.

Table9: Core economic activities of the performing arts market

WZ-Nr.	Economic activity
92.31.7	*Freelance stage artists
92.31.8	Activities of own-account performers
92.31.1	Theatre ensembles
92.32.1	*Theatre/concert organisers
92.32.2	*Operation of opera houses, theatre and concert halls and similar facilities
92.32.3	Operation of variety theatres and cabarets
92.32.5	*Technical activities in support of cultural and entertaining services (stage engineering firms etc.)
92.34.1	Dancing schools
92.34.2	Other entertainment activities i.e. (circus, acrobats, puppet theatres)

*Note: *also assigned to other core branches.*

Figure 38: Distribution of freelance professionals and enterprises in the performing arts market according to economic activities



Note: * also assigned to other core branches; only commercial theatre and opera houses etc., excluding publicly financed theatres

Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Key Data

According to the preliminary 2008 data, the performing arts market provides employment for 40,300 persons and makes up 3.6% of the overall employment in the culture and creative industries. The figure includes a total of 20,800 employees liable to social insurance deductions, slightly more than half of the employment in this core branch. The most important group is the freelance stage artists' group with 28%, being the largest group among of all persons employed, followed by "other cultural enterprises" (circus, puppet theatres etc.) and the theatre/ concert organisers with shares of 18 and 17% respectively.

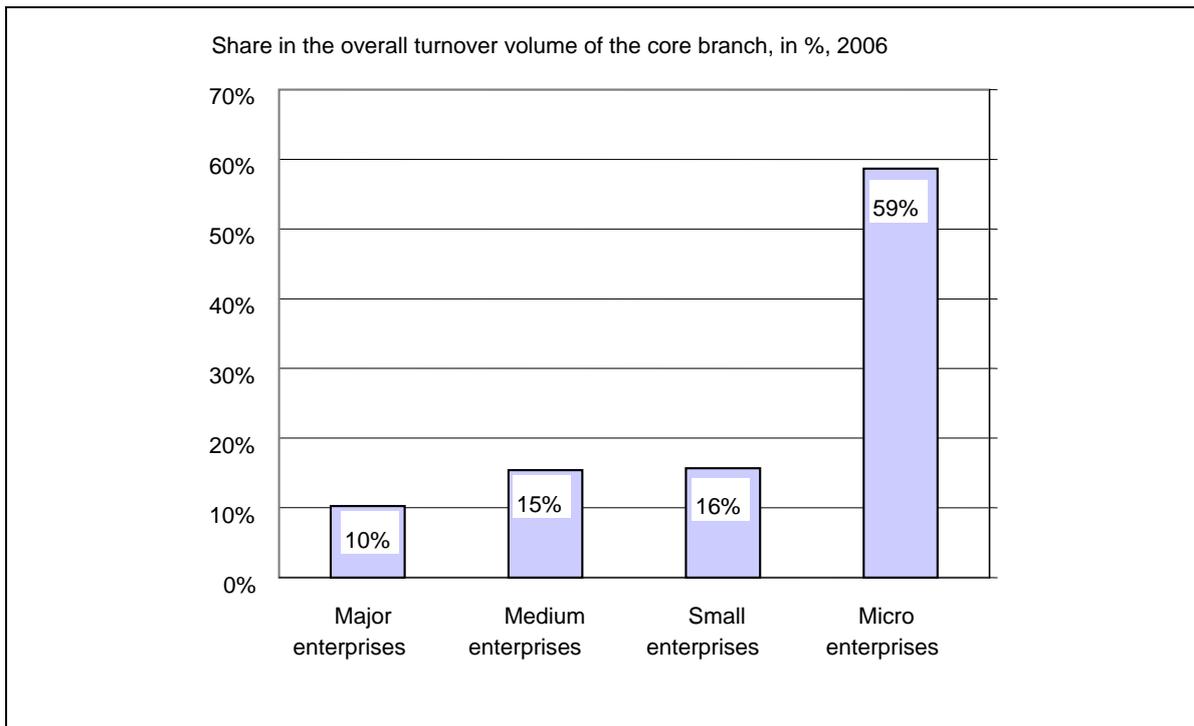
The performing arts market achieved an estimated turnover volume of about 4.5 billion Euros in 2008. This is equal to a share of 3.0% in the overall turnover volume of the culture and creative industries.

Theatre/concert organisers are the most important branch with a turnover volume of 1.4 billion Euros, accounting for almost one third of the entire turnover. The second place is again taken by "other cultural enterprises" with 1.2 billion Euros. All other branches remain clearly below the one-billion-limit.

The number of freelance professionals and taxable enterprises amounts to almost 19,500 or 7.1% of all enterprises in the culture and creative industries. Almost 9,800 out of these (50%) belong to the group of freelance stage actors, who are, therefore, by far the largest group in the performing arts market.

Types of Enterprises

Figure 39: Types of enterprises by size ranges in the performing arts market, 2006



Notes: Selection economic activity WZ-no. 92.3: artists' and similar groups also includes other artists' groups and culture-related economic activities
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

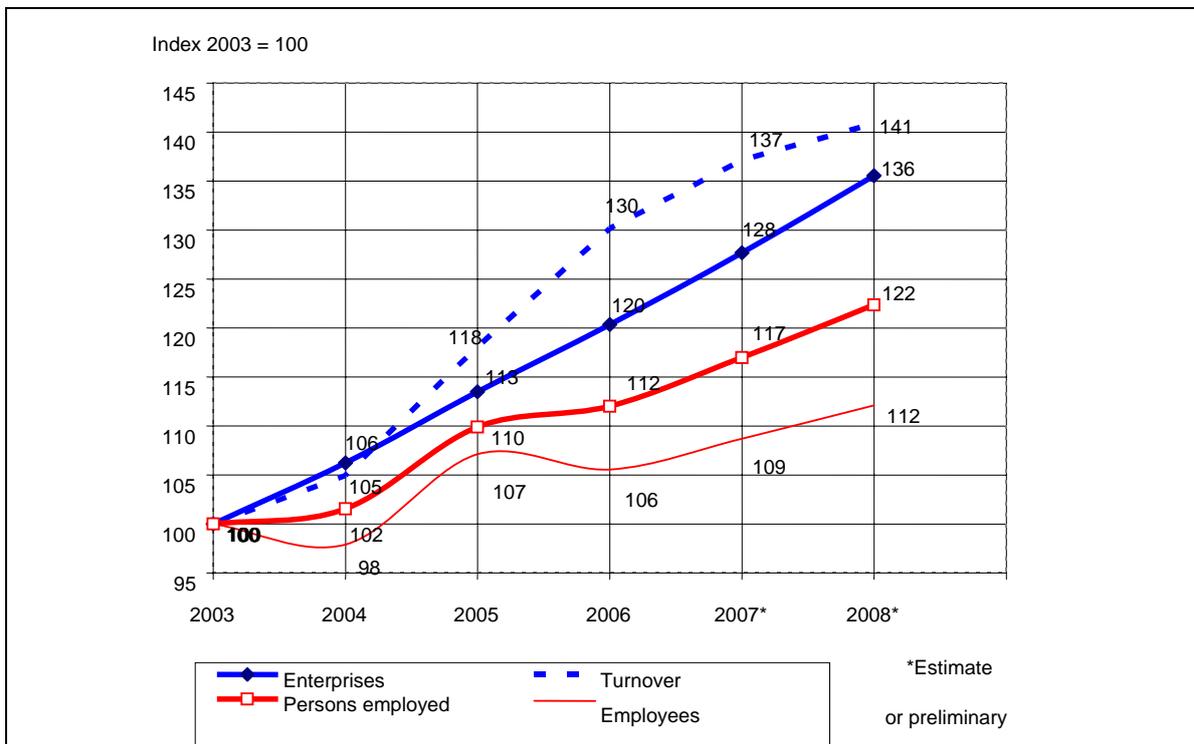
Based on 2006 structural data, turnover volumes are distributed across the different types of enterprises (performing arts group and other economic activities under WZ-no. 92.3) as follows:

- About 39,800 or 99% micro enterprises account for a share of 59% in the overall turnover volume.
- About 320 small and medium enterprises have a share of 1% in the overall number of enterprises, while 6 major companies achieve a share of 10% in the turnover.
- The average annual turnover per major company amounts to 116 million Euros, while micro enterprises have an annual turnover of 104,000 Euros per year.

Development

Figure 40 shows a constant growth in the number of enterprises, which grew by 41% between 2003 and 2008. The development is especially determined by “other technical support services” (stage engineering firms and ticket sale offices), which have grown by more than 12% every year. A similar development can be observed for “other cultural enterprises” which grew by an average rate of 9% per year. However, the remaining enterprises in the performing arts market also grow by yearly rates of 5% to 7%.

Figure 40: Development of the performing arts market, 2003 – 2008



Notes: Persons employed (self-employed and employees), employment (employees liable to social insurance deductions only)
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Turnover volumes in the performing arts market show a strong upward trend. The turnover volume grew by 41% between 2003 and 2008, making the performing arts market one of the sectors with the most dynamic growth rates in the culture and creative industries. The strongest drivers of economic development are activities with high turnover volumes like the theatre/concert organizers and “other cultural enterprises” (circus etc.), with increases of 44% to 66%. The activity “other technical support services” (stage engineering firms etc.), which have rather smaller turnover volumes, could even double its turnover volume between 2003 and 2008. The positive turnover development has also partially led to increased employment, leading to a growth rate of 22% in persons employed.

Although the performing arts market is one of the traditional cultural markets, it has, in the same way as the broadcasting industry, a great number of interconnections with the non-commercial public and intermediate theatre sector.

Final remark: For a future independent report on the performing arts market, data provided by professional associations and organisations should be evaluated in addition to the official data. Up until now, there is very little research into the complementary and competing relations of the three sub-sectors.⁴⁸ It could, however, enlarge the development chances of a multi-faceted performing arts sector and thus improve the opportunities for stage artists.

3.3.7 Design Industry

The design industry includes the producing companies in industrial design, product/fashion/graphic design and communication/advertising design. Agencies, offices or firms carry out the economic activities in the design industry. Design professions or the professional situation of designers are not at the centre of this analysis, but rather their economic or entrepreneurial positions. However, many design offices or agencies are managed by designers as proprietors. This makes it possible to evaluate the economic analysis also with respect to professions.

It is a special feature of the design industry that a great variety of design ideas, models and concept are implicitly used in other economic activities. Therefore, it is not easy to define a convincing selection of economic activities constituting the design industry as an economic field. The classification of economic activities provides two independent categories of design production:

WZ-No. 74.20.6 captures “offices for industrial design” as a special category. They design machines and industrial equipment, often

48 Söndermann, Michael (2002): Die Darstellenden Künste in NRW, Hrsg. Ministerium für Wirtschaft und Mittelstand, Energie und Verkehr des Landes Nordrhein-Westfalen, Düsseldorf

working for the automobile industry or the manufacture of equipment as service providers.

The other category captures “studios for the design of textiles, jewellery, furniture etc.” (No. 74.87.4). The classification of economic activities assigns the following design activities to this category: communication design, industrial design, graphic design, photographic design, fashion design including textiles, clothes, shoes, jewellery and furniture, and other design. These design activities are summarised under the category product/ fashion/ graphic design.

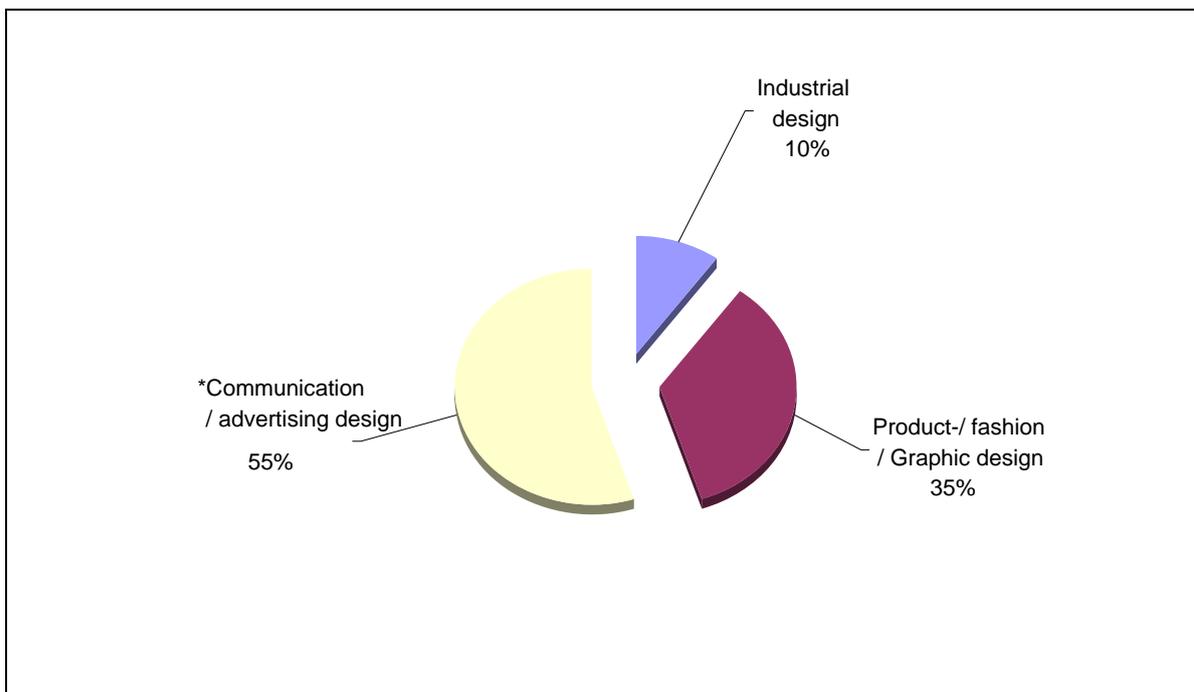
The economic activity advertising design (No. 74.40.1) from the core branch of advertising is also assigned to the design industry as it consists mainly of design activities, mostly communication design.

Table 10: Core economic activities of the design industry

WZ-Nr.	Economic activity
74.20.6	Industrial design
74.87.4	Product/ fashion/ graphic design
74.40.1	*Communication design/ Advertising design

*Note: * also assigned to other core branches*

Figure 41: Distribution of freelance professionals and enterprises in the design industry according to economic activities



*Note: * also assigned to other core branches*

Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur-

und Kreativwirtschaft 2008

Key Data

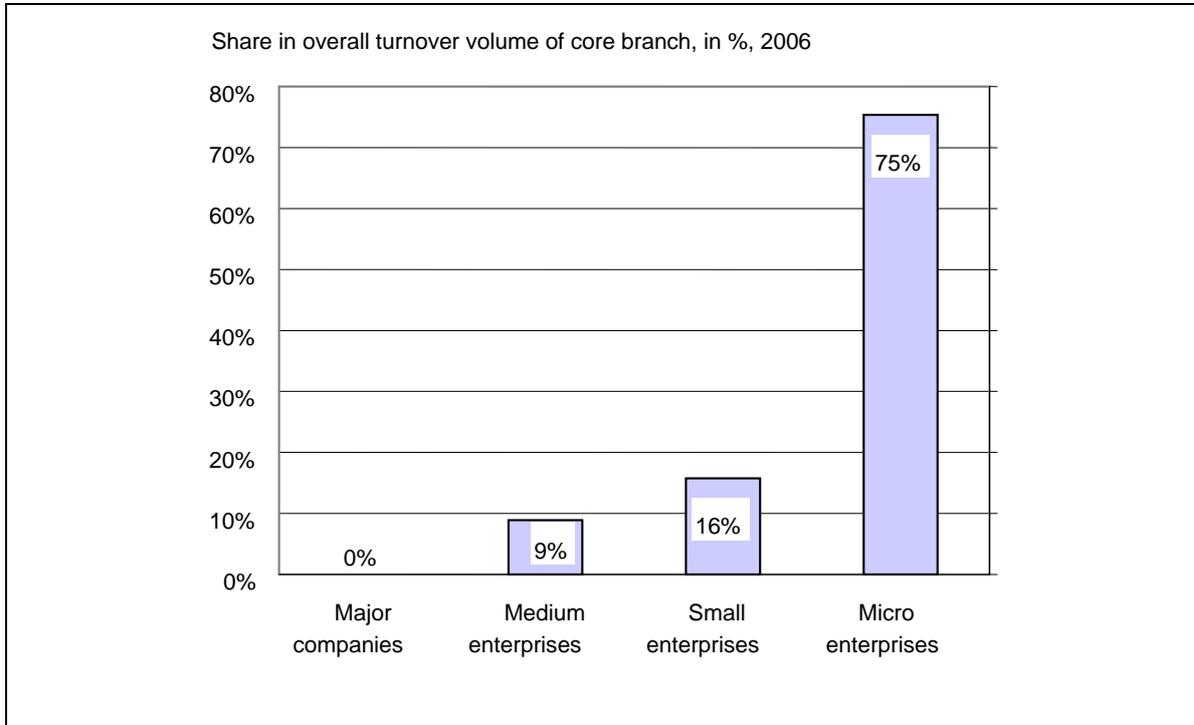
According to the preliminary 2008 data, the design industry provides employment to 132,400 persons or 11.7% of overall employment in the culture and creative industries. A total of 90,200 employees liable to social insurance deductions are included in this number, a considerable share of the overall employment. The economic activity communication/advertising design is the most important activity by far, providing more than three quarters of all job places.

In 2008, the design industry achieved an estimated turnover volume of about 16.2 billion Euros. This equates to a share of 10.9% in the overall turnover volume of the culture and creative industries. Here again, communication/advertising design is the most important economic activity, achieving 13.8 billion Euros and a share of 85% of the overall turnover volume of the entire design industry. The two remaining design activities together account for a share of 15%.

The number of freelance professionals and taxable enterprises amounts to 42,200 or 15.4% of the overall number of enterprises in the culture and creative industries. About 23,300 (55%) of these work in the area of communication/advertising design. The activity product/fashion/graphic design has 1,700 enterprises (35%), and the number of enterprises in industrial design amounts to 4,200 (10%).

Types of Enterprises

Figure 42: Types of enterprises by size ranges in the design industry, 2006



Notes: Selection design industry, excluding communication/ advertising design
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Based on 2006 structural data, turnover volumes are distributed across the different types of enterprises (industrial design and product/fashion/graphic design) as follows:

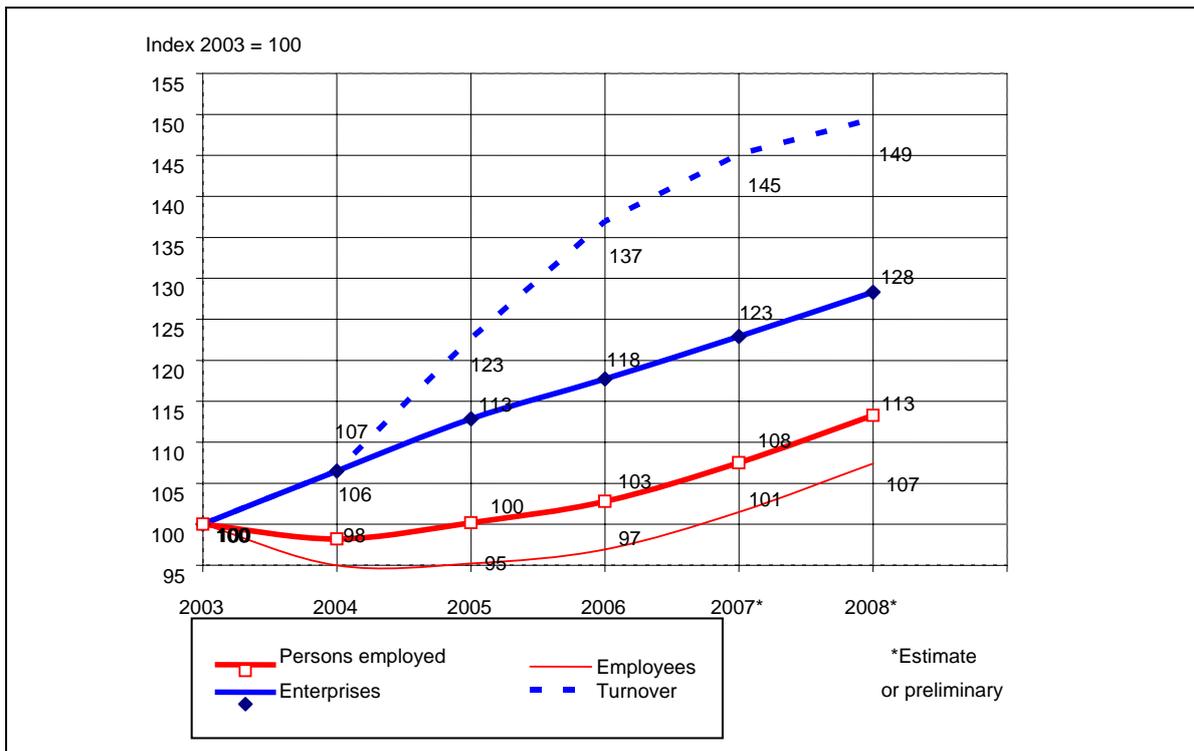
- Almost 16,800 or 99% of micro enterprises achieve a share of 75% in the overall turnover volume.
- About 110 small and medium enterprises have a share of 1% and account for a market share of 25%. There are no major companies with annual turnovers of more than 50 million Euros in the two design activities.
- The average annual turnover volume of a medium enterprise amounts to 20 million Euros; for micro enterprises it amounts to 102,000 Euros per year.

Communication/advertising design has been assigned to the core branch advertising.

Development

Figure 43 shows a steady growth of the number of enterprises since 2003; by 2008 they have increased by 28%. The strongest impulses in enterprise development come from industrial design, which grew by 63% during the period under review, while product/fashion/graphic design grew by 30% and communication/advertising design by 22%.

Figure 43: Development of the design industry, 2003 – 2008



Notes: Persons employed (self-employed and employees), employment (employees liable to social insurance deductions only)
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

The development trend of turnover volumes in the design industry shows a strong increase of 49% between 2003 and 2008. Again, industrial design achieved an above-average growth rate of 88%. The second place is taken by communication design with a growth rate of 53%, while product/fashion/graphic design achieved a turnover increase of 14%.

The strong economic growth also leads to an increase of employment. While the overall number of persons employed grew by 13% during the period under review, the number of employees went down by 3% until 2006, but has been on the increase since then, and in 2008 it was already 7% above the level of 2007.

The design industry is one of the most important core branches in the culture and creative industries. This applies to its magnitude as well as to its dynamic growth. On the one hand, it is characterized by a

huge number of micro enterprises, which, due to their low average turnovers, will again and again get into financially risky situations. On the other hand, their potential, especially in communication design, develops a strong connection to the advertising industry, which can hardly exist without the services of these small firms.

The design industry has a double service function: on the one hand, it is a service provider in close vicinity to other economic branches, e.g. advertising, fashion, packaging or to traditional producing industries like the automobile industry or the manufacture of equipment. In this respect, it functions as a development or investment good for other economic branches. On the other hand, the design industry is also a **person-centred service provider** marketing its goods and services in the consumer market. In this respect, it produces its own goods and services independently and sells them directly in the consumer market.

Final remark: For a future independent report on the design industry, data provided by professional associations and organisations⁴⁹ should be evaluated in addition to the official data. In addition to the core economic areas, those design-related activities that are situated in other economical branches should also be included.

3.3.8 Architectural Market

Introductory remark: The architectural market is one of the few core branches of the culture and creative industries where economic activities can be assigned clearly and consistently. Architectural activities include the design and planning of buildings in the respective sections of architecture. The classification goes according to building and interior design, town, city, regional and national planning, and garden and landscape architecture.

In Europe it has been repeatedly discussed whether all architectural activities should be included in the culture and creative industries. It has been proposed that only "culture-related" architectural activities should be considered, excluding especially the engineering activities.⁵⁰ This research group does not support this point of view, because in Germany architectural and engineering activities are already clearly separated in the classification.

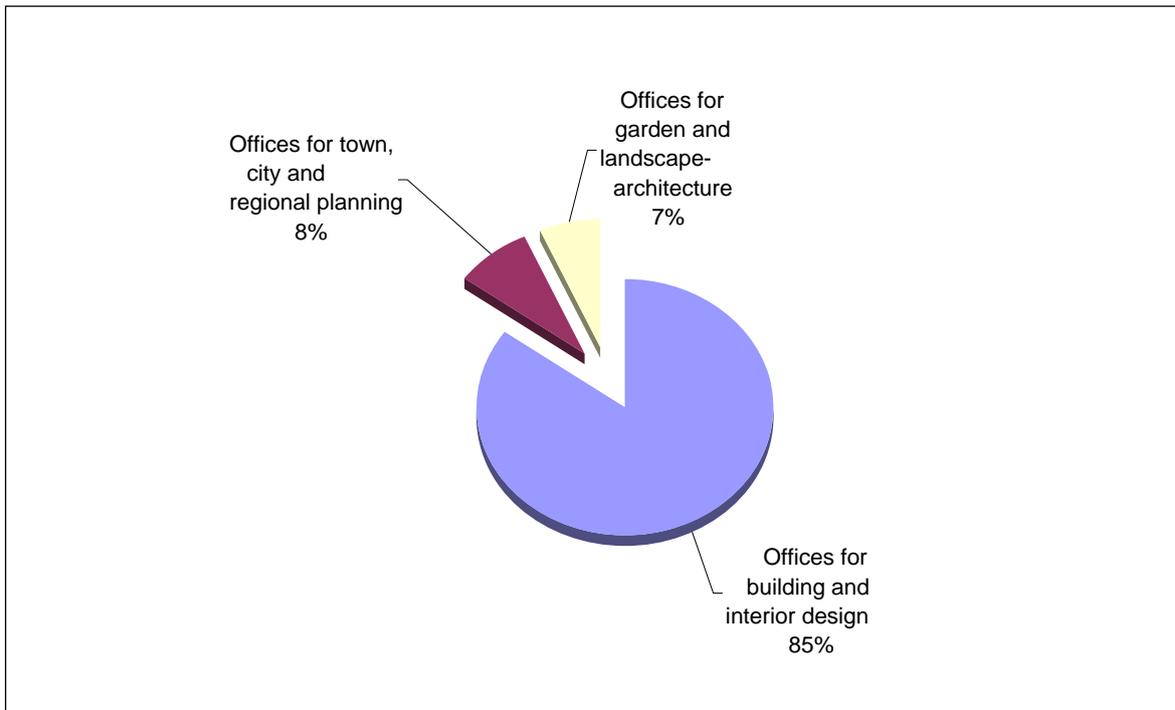
⁴⁹ Initiative Deutscher Designverbände (IDD) is an umbrella organisation of currently seven design associations. In addition there is a growing number of regional design networks such as KölnDesign etc.

⁵⁰ The French Ministry of Culture proposed to include only 13% of all architectural offices into the respective core branch in order to capture those with a cultural bias. See methodological proposals in Task Force Cultural Employment in the LEG-Project Cultural Statistics, 2001

Table 11: Core economic activities of the architectural market

WZ-Nr.	Economic activity
74.20.1	Consulting architectural activities in building construction and interior design
74.20.2	Consulting architectural activities in town, city and regional planning
74.20.3	Consulting architectural activities in garden and landscape architecture

Figure 44: Distribution of freelance professionals and enterprises of the architectural market according to economic activities



Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Key Data

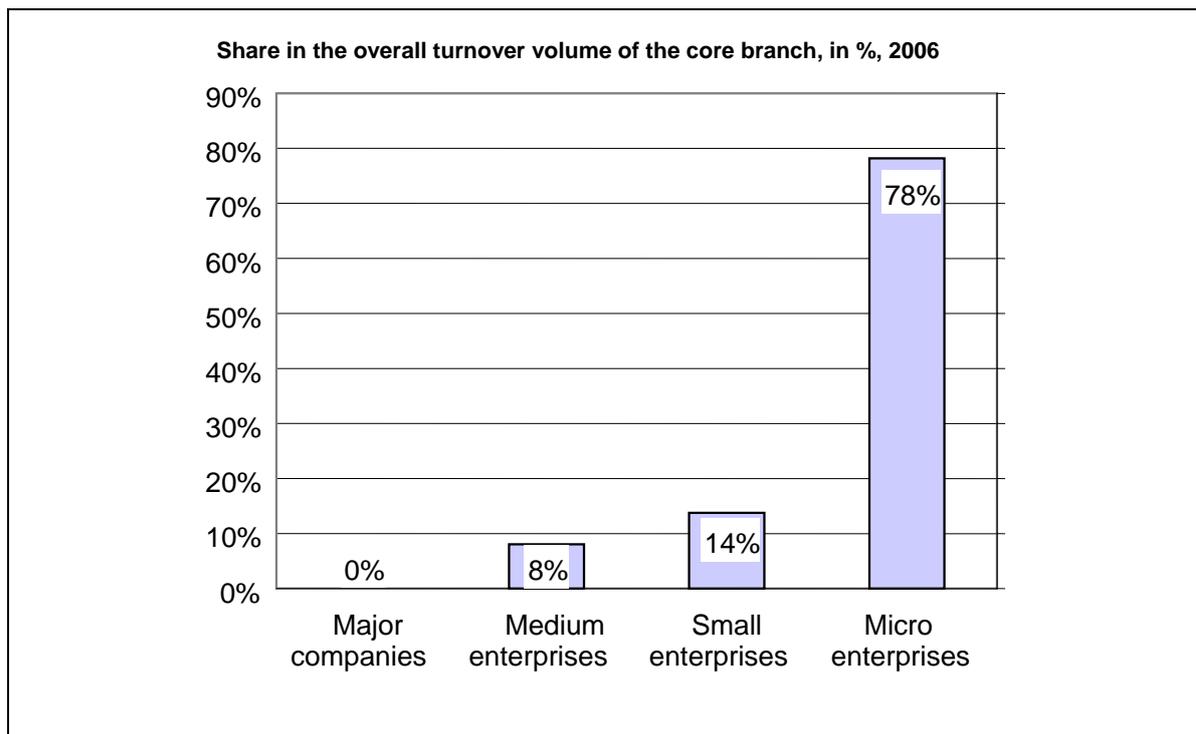
According to the preliminary 2008 data, the architectural market provides employment for a total of 105,100 persons or 9.3% of overall employment in the culture and creative industries. 61,800 employees liable to social insurance deductions are included in this number. The most important economic activities are the offices for building and interior design, whose market share is clearly above 80%.

In 2008, the architectural market achieved an estimated turnover volume of about 7.6 billion Euros. This equates to a share of 5.1% in the overall turnover volume of the culture and creative industries. Here again, the offices for building and interior design account for 85% of the turnover volume.

The number of freelance professionals and taxable enterprises amounts to about 43,300, equal to a share of 15.8% of all enterprises in the culture and creative industries

Types of Enterprises

Figure 45: Types of enterprises by size ranges in the architectural market, 2006



Note: Selection of economic activities architectural market
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

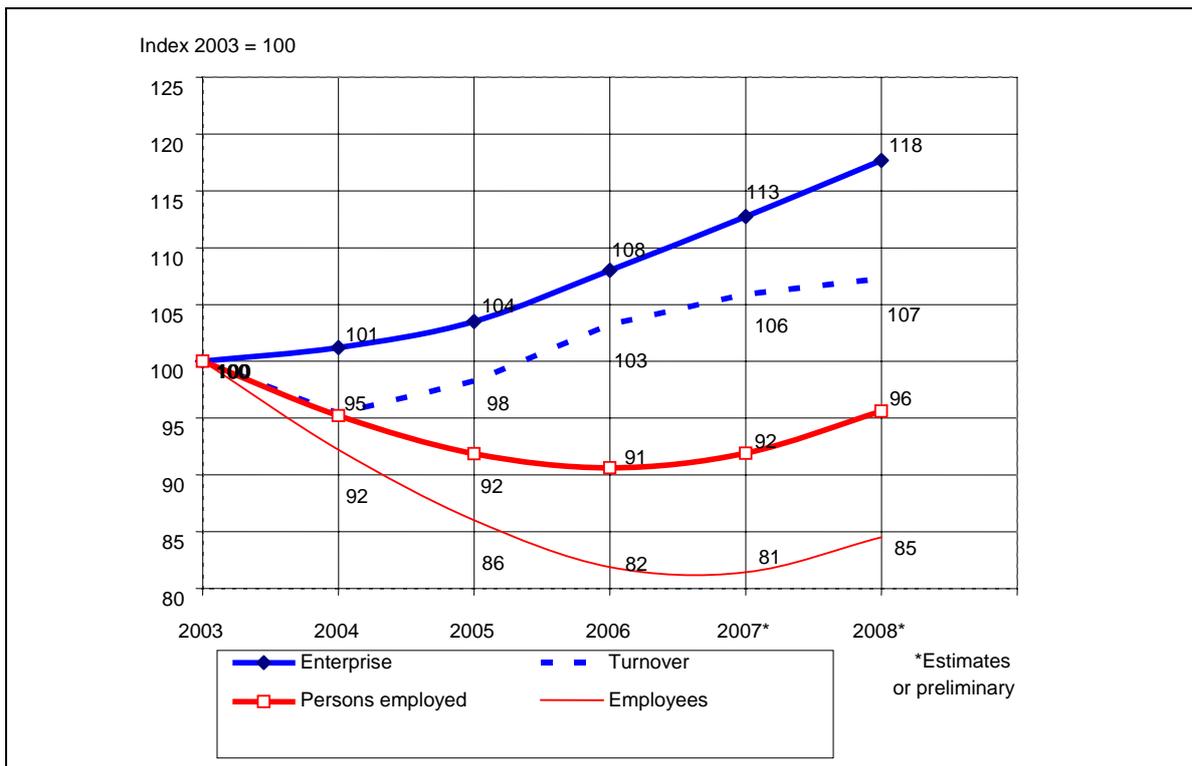
Based on 2006 structural data, turnover volumes are distributed across the different types of enterprises (industrial design and product/fashion/graphic design) as follows:

- Almost 39,400 or 99% micro enterprises achieve a market share in the turnover volume of 78%.
- About 320 medium small and medium enterprises make up 1% of all enterprises and achieve market shares of 8% and 14% respectively. The official statistics did not register any major company with more than 50 million Euros annual turnover.
- The average annual turnover per medium enterprise amounts to 17 million Euros, while a micro enterprise achieves an average turnover volume of 145,000 Euros per year.

Development

Figure 46 shows a steady growth of the number of enterprises, rising continually and achieving a growth rate of 18% between 2003 and 2008. The development is determined by the small enterprises. The offices for city, town and regional planning grew by 35%; the offices for garden and landscape architecture by 28% during the period under review. The largest architectural activity grew by 16%.

Figure 46: Development of the architectural market, 2003 – 2008



Notes: Persons employed (self-employed and employees), employment (employees liable to social insurance deductions only)
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

After a decrease until 2004, turnover volumes in the architectural market show an upward trend. In 2006, turnovers have risen by 3% as compared to 2003. Due to the good market development trend in the following years until 2008, the economic trend will probably remain positive. A turnover growth of at least 7% can therefore be expected for 2008, as compared to 2003. It should be noted that the architectural market was one of the few core branches of the culture and creative industries experiencing constantly difficult economic conditions in the years before 2003.

The employment situation is still rather difficult. As the graph of employment development shows, the number of employees liable to social insurance deductions decreased by almost 10% between 2003

and 2007. Only the very last period up to 2008 shows a rising trend. Due to the high loss of work places, the development trend of persons employed (including self-employed persons) has not yet reached the level of 2003, although there was a strong increase in new architectural offices.

However, a new positive development trend, after many difficult years, could be possible. The current Recovery Package II of the German Federal Government might help to push this trend in 2009.

Final remark: For a future independent report on the design industry, data provided by professional associations and organisations⁵¹ should be evaluated in addition to the official data.

3.3.9 Press Market

Introductory remark: The press market includes the freelance journalists and correspondence/news agencies. Besides newspaper and journal publishing, other publishing activities, e.g. geographical maps, art prints and directories also belong to the economic group of press publishing.

Table 12: Economic core activities of the press market

WZ-Nr.	Economic activity
92.40.2	Freelance journalists
92.40.1	Correspondence and news agencies
22.11.2	Publishing of directories
22.12.0	Newspaper publishing
22.13.0	Publishing of journals and periodicals
22.15.0	Other publishing

Figure 47: Distribution of freelance professionals and enterprises in the press market according to economic activities

WZ-2003	Core branch/Economic activities	Enterprise	
		No	% share

⁵¹ Bundesarchitektenkammer (2007/2008): Jahresbericht 2007/2008, Berlin; and other architectural associations

2008

WZ-Nr.	Economic activity		
92.40.2	Freelance journalists	19,792	76
92.40.1	Correspondence and news agencies	759	3
22.11.2	Publishing of directories	184	1
22.12.0	Publishing of newspapers	696	3
22.13.0	Publishing of journals and periodicals	1,708	7
22.15.0	Other publishing	2,890	11
	Core branch total	26,029	100

Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Key Data

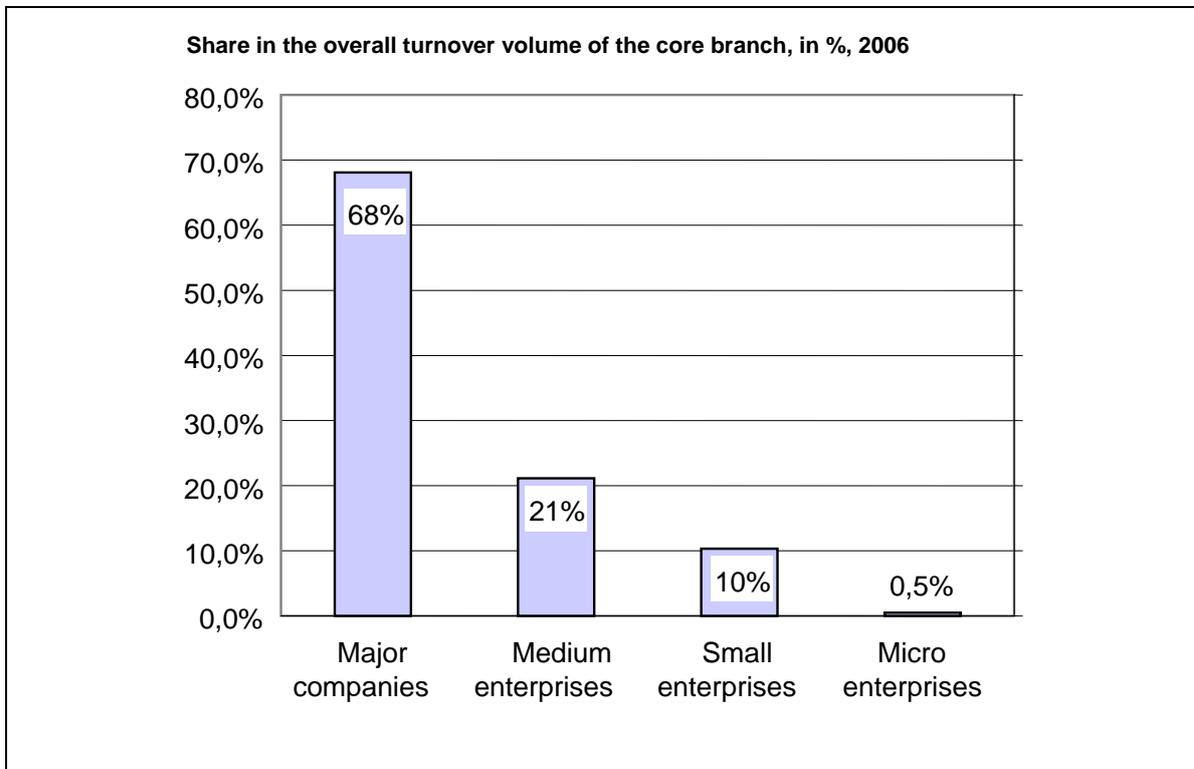
According to the 2008 preliminary data, the press market provides employment to 128,600 persons or 11.4% of all persons employed in the culture and creative industries. The number of employees liable to social insurance deductions is above average and amounts to 102,600 persons. Newspaper publishing is the most important economic activity, accounting for 38% of the overall employment, followed by journal publishing with a share of almost 30%. Freelance journalists make up 17% of all persons employed and occupy third place.

In 2008, the press market achieved an estimated turnover volume of almost 27.0 billion Euros. This equates to a share of 18.2% in the overall turnover volume of the culture and creative industries. Here again, the publishing of newspapers and journals accounts for 39% and 36% of the overall turnover volume.

The number of self-employed persons and taxable enterprises in the press market amounts to about 26,000 or 9.5% of all enterprises in the culture and creative industries. It is remarkable that freelance journalists make up 76% of the entire press market.

Types of Enterprises

Figure 48: Types of enterprises by size ranges in the press market, 2006



Notes: Selection of the economic activity press market excluding freelance journalists and publishing of books/ recorded media
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Based on 2006 structural data, turnover volumes are distributed across the different types of enterprises (industrial design and product/fashion/graphic design) as follows:

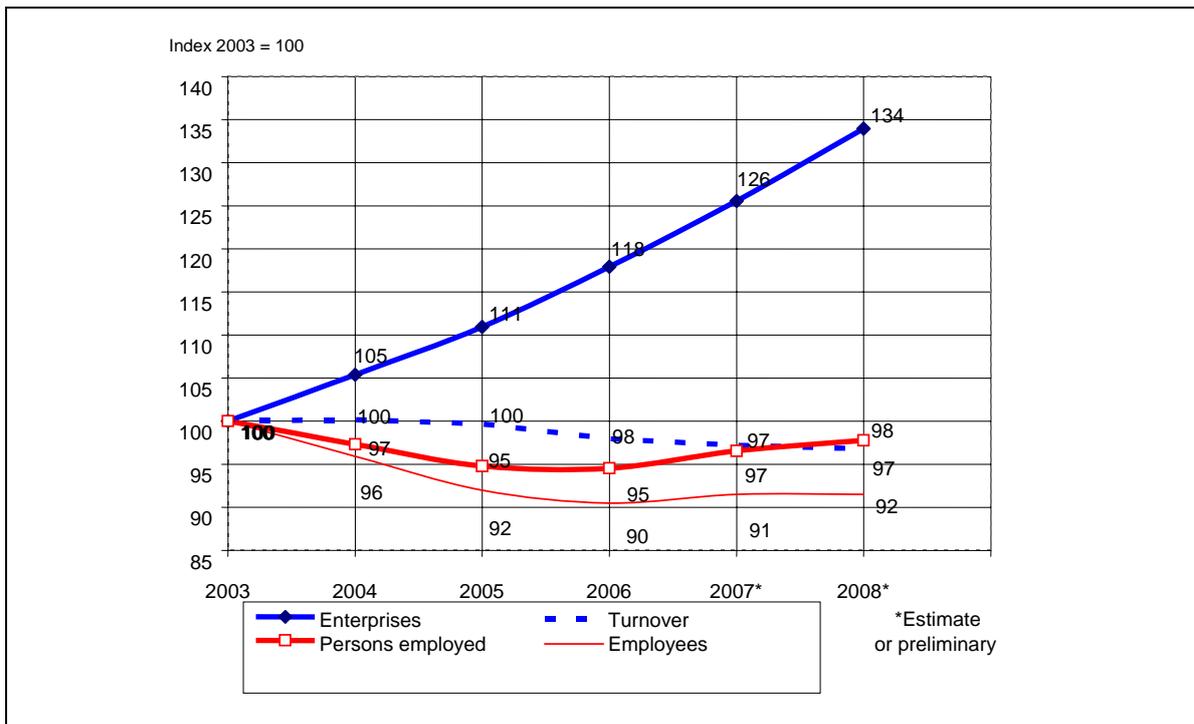
- Almost 830 micro enterprises make up 52% of all enterprises and have a share of 0.5% in the turnover volume.
- About 690 small and medium enterprises with a share of 43% account for shares in the overall turnover volume of 10% and 21% respectively. 83 major companies with annual turnovers of more than 50 million Euros have a market share of 68%.
- The average annual turnover per major company amounts to 181 million Euros, a micro enterprise has an average turnover volume of 125,000 Euros per year

Development

Figure 49 shows a steady growth of the number of enterprises of 34% between 2003 and 2008. The growing number of freelance journalists

and publishers of address directories, with growth rates of 51% and 17% between 2003 and 2008, mainly determined the development. The number of enterprises in press publishing stayed the same or declined, as shown by the number of newspaper publishers, which decreased by 4%.

Figure 49: Development of the press market, 2003 – 2008



Notes: Persons employed (self-employed and employees), employment (employees liable to social insurance deductions only)

Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

The development of turnover volumes in the press market shows a slight, but steady, decreasing trend. Turnover volumes decreased by 3% between 2003 and 2008. However, this trend results from two contradictory trends. While the turnovers of newspaper publishers grew by 23% between 2003 and 2008, the publishers of journals and periodicals had to put up with a loss of 23%.

The development of the employment graph shows that the number of employees went back by 10% between 2003 and 2006. Only the two subsequent years until 2008 show a slightly rising trend. However, the press market has not yet reached the level of 2003 again. The press market is going through a difficult economic phase as shown by the development of turnovers and employment figures.

Final remark: For a future independent report on the design industry, data provided by professional associations and organisations⁵² should be evaluated in addition to the official data.

3.3.10 Advertising Market

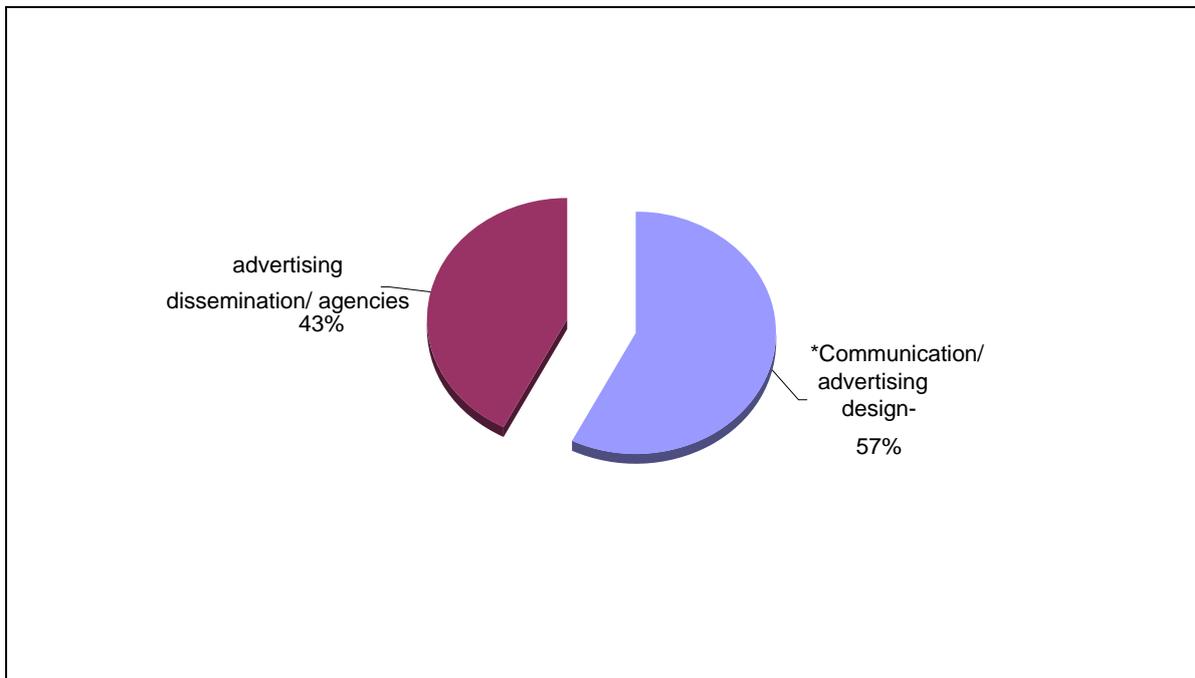
Introductory remark: Advertising includes the activities advertising/communication design and advertising dissemination/agencies.

Table 13: Core economic activities of the advertising market

WZ-Nr.	Economic activity
74.40.1	*Communication/ advertising design
74.40.2	Advertising dissemination/ agencies

Note: *Also assigned to other core branches

Figure 50: Share of freelance professional and enterprises in advertising according to economic activities



Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

⁵² Bundesverband Deutscher Zeitungsverleger e.V (2008): Zur Lage der deutschen Zeitungen 2008, Berlin; Verband deutscher Zeitungsverleger (2008): Der Zeitschriftenmarkt in Deutschland in Zahlen, Berlin

Key Data

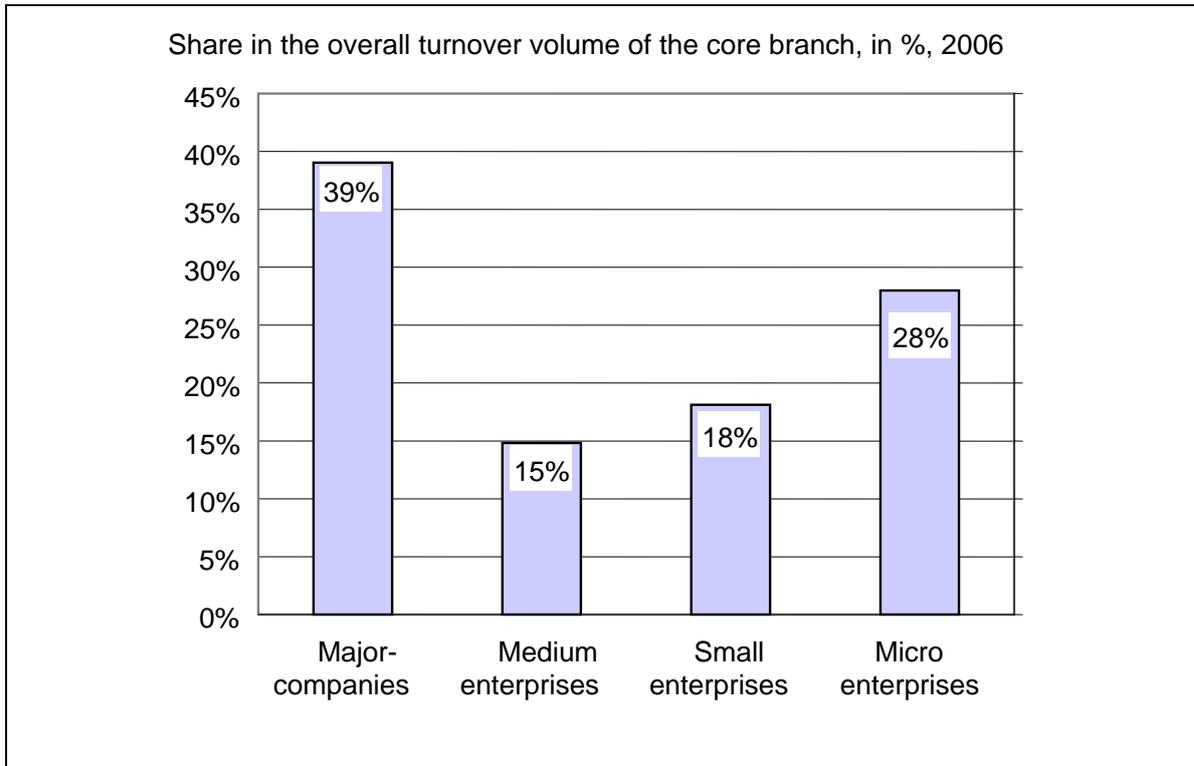
According to the preliminary 2008 data, advertising provides employment to a total of 151,700 persons or 13.4% of all persons employed in the culture and creative industries. The number of employees liable to social insurance deductions is above average and amounts to 111,200 persons.

The advertising market achieved an estimated turnover volume of almost 27.3 billion Euros. This equates to a share of 18.4% of the overall turnover volume of the culture and creative industries.

The number of self-employed persons and taxable enterprises in advertising amounts to about 40,500 or 14.8% of all enterprises in the culture and creative industries.

Types of Enterprises

Figure 51: Types of enterprises in the advertising market: breakdown by size ranges, 2006



*Note: Selection of economic activities
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008*

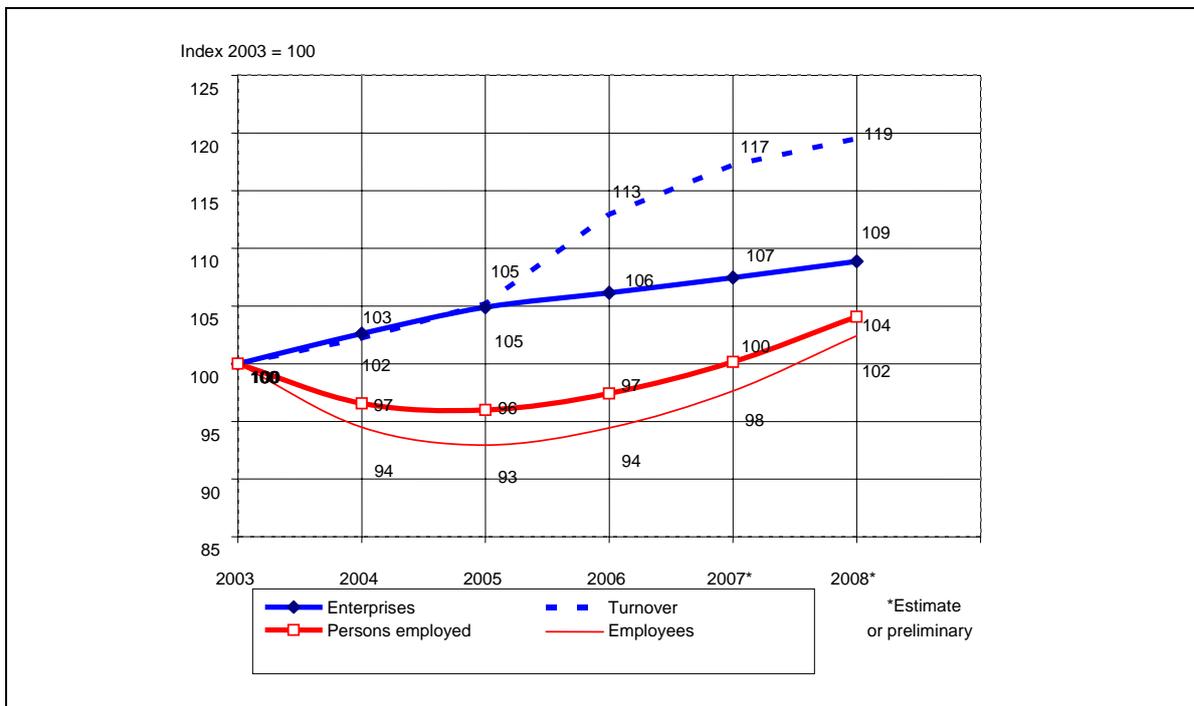
Based on 2006 structural data, turnover volumes are distributed across the different types of enterprises (industrial design and product/fashion/graphic design) as follows:

- Almost 38,100 micro enterprises (96%) have a market share in the turnover volume of 28%.
- About 1,400 small and medium enterprises have a share in the overall number of enterprises of 3% and a market share of 18% and 15% respectively. 53 major companies with annual turnovers of more than 50 million Euros have a market share of 39%.
- The average turnover volume per major company amounts to 190 million Euros per year; micro enterprises have an average annual turnover of 190,000 Euros.

Development

Figure 52 shows a moderate, steady growth of the number of enterprises; the number has risen by 9% between 2003 and 2008.

Figure 52: Development of advertising market, 2003 – 2008



Notes: Persons employed (self-employed and employees), employment (employees liable to social insurance deductions only)
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

The turnover volumes in advertising rose moderately until 2005 and start growing considerably until 2008, resulting in an overall growth of 19% between 2003 and 2008.

Following a decrease until 2005, employment developed positively and achieved an overall growth of 4% between 2003 and 2008. All in all, the advertising market has developed well to very well during the period under review, and the employment situation has improved in recent years, after a considerable decline.

Final remark: For a future independent report on the advertising market, data provided by professional associations and organisations⁵³ should be evaluated in addition to the official data.

3.3.11 Software/Games Industry

Introductory remark: the software and games industry has only recently been included as a core branch of the German culture and creative industries. This was in order to connect to the international debate, which has been granting central importance to this economic activity in creative industries' concepts for a long time.

The software/games industry includes the development and publishing of all kinds of software. Following the definition of the national association of the games industry (G.A.M.E.),⁵⁴ it includes, for example, computer games, games for play stations, video games, mobile games and promotional games. The association provides the following definition of the games sector: "Computer and video games include all interactive, non-linear media facilitating game-playing or using games for educational purposes by means of audiovisual rendition. Recording media, display systems or ways of transmission are of no importance."

However, there are still methodological difficulties in the acquisition and presentation of data, and the definition is not yet sufficiently clear. Computer games, video games, online and mobile games are software and entertainment. They are produced and disseminated physically or online and their statistical classification is not yet unambiguously defined. Therefore, this study uses the current international definition provided by the OECD⁵⁵, which includes the following economic activities:

⁵³ Bundesverband Deutscher Zeitungsverleger (2008): Zur Lage der deutschen Zeitungen 2008, Berlin; Verband deutscher Zeitungsverleger (2008): Der Zeitschriftenmarkt in Deutschland in Zahlen, Berlin

⁵⁴ G.A.M.E. Bundesverband der Entwickler von Computerspielen e.V., Berlin

⁵⁵ OECD (2005): Digital broadband content. The online computer and video game industry, Paris

Table 14: International statistical definition of the software-/games industry

Activity	ISIC Rev.3.1*
Software publishing	Computer and related activities 722 Software publishing, consultancy and supply 7221 Software publishing
Computer services potentially leading to software	Computer and related activities 722 Software publishing, consultancy and supply 7229 Other software consultancy and supply Potential overlap with software publishing 7221
Video games including animated pictures	Not separately identified

*Note: *International Classification of Economic Activities, OECD definition*

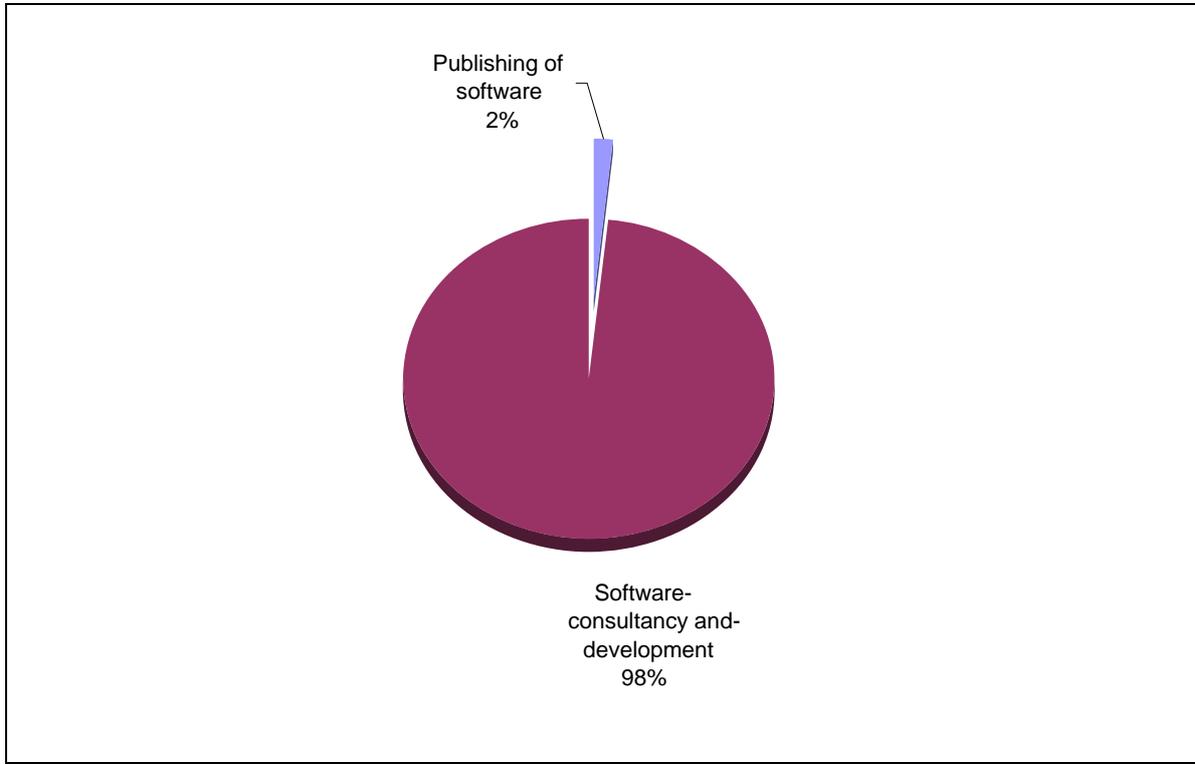
Applying the OECD definition to the German classification leads to the following categories:

Table 15: Core economic activities of the software-/games Industry

WZ-No.	Economic activity
72.20.1	Publishing of software
72.20.2	Software consultancy and development

Note: With reference to the OECD definition

Figure 53: Share of freelance professionals and enterprises in the software/ games industry by economic activity



Key data

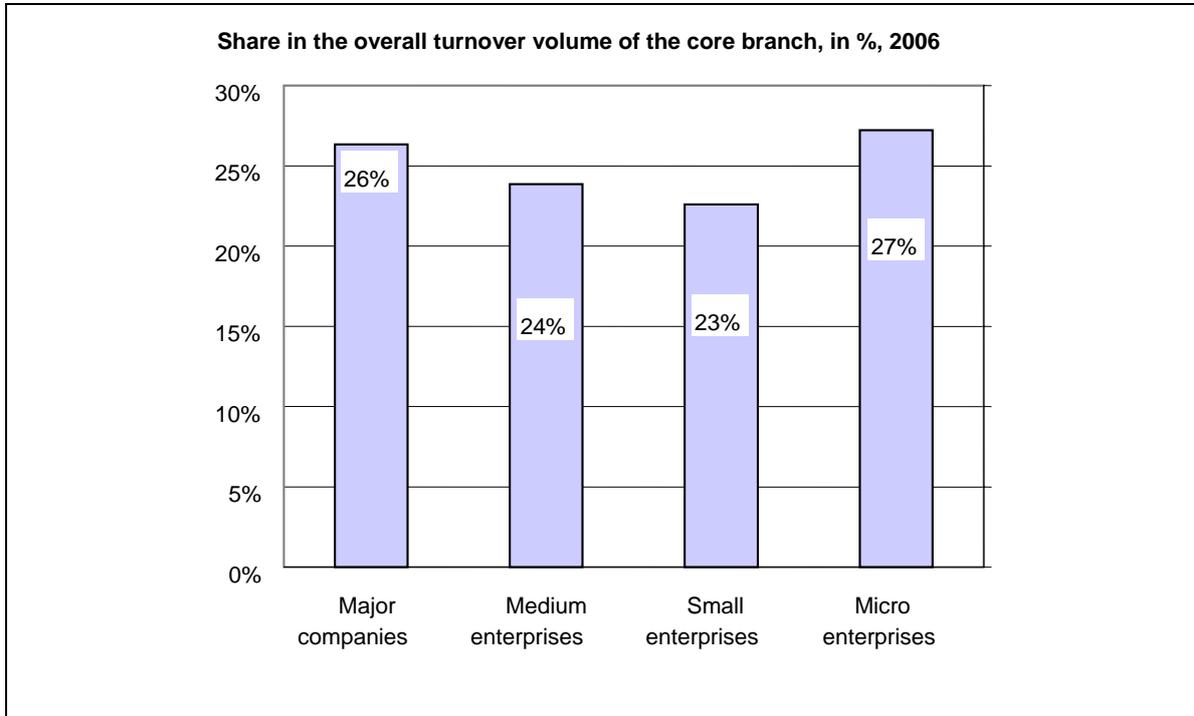
According to the preliminary 2008 data, the software/games industry provides employment to a total of 345,100 persons or 30.5% of all persons employed in the culture and creative industries. The number of employees liable to social insurance deductions amounts to 304,300 persons.

In 2008 the software/games industry achieved an estimated turnover volume of about 26.5 billion Euros. This equates to a share of 17.8% in the overall turnover volume of the culture and creative industries.

The number of taxable enterprises in the software/games industry amounts to 40,800 or 14.9% of all enterprises in the culture and creative industries.

Types of Enterprises

Figure 54: Types of enterprises according to size ranges in the software-/games-Industry, 2006



Notes: Selection Software-/games industry
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Based on 2006 structural data, turnover volumes are distributed across the different types of enterprises (industrial design and product/ fashion/ graphic design) as follows:

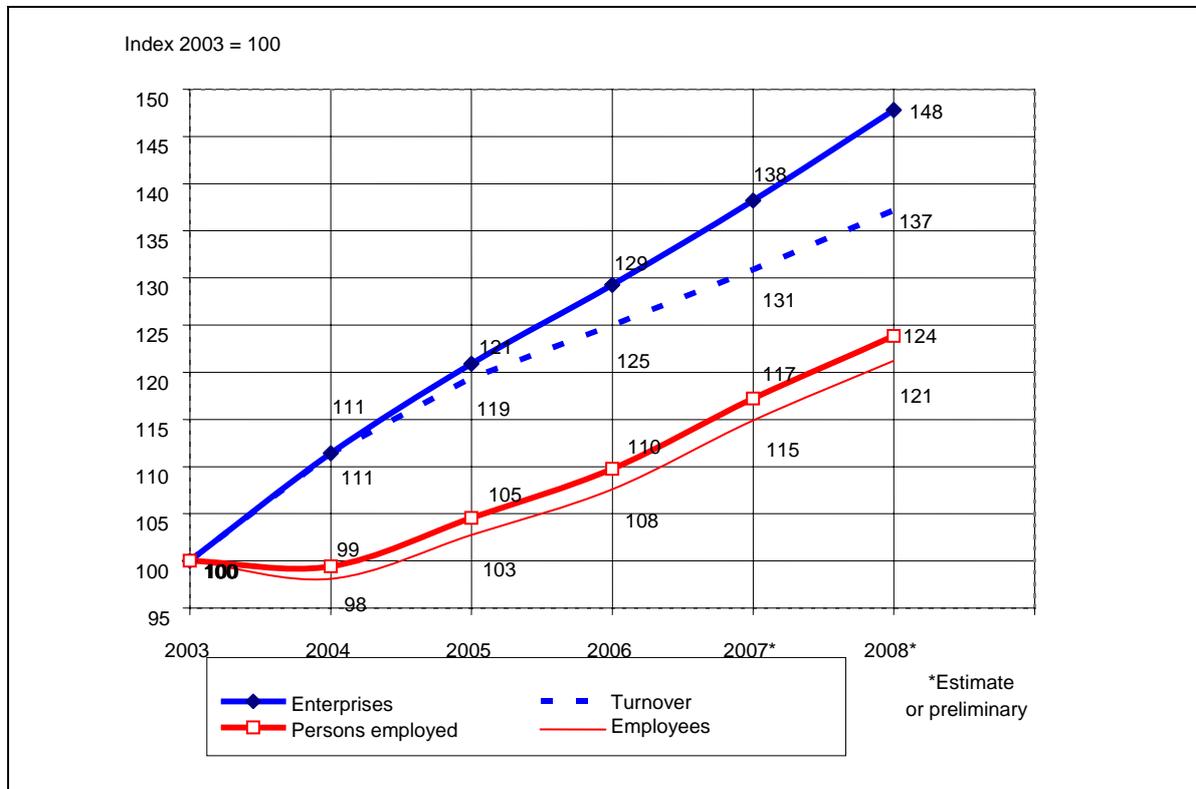
- Almost 34,100 micro enterprises (95%) have a market share of 27% in the turnover volume.
- About 1,600 small and medium enterprises have a share in the overall number of enterprises of 5% and achieve market shares of 23% and 24% respectively, while just 43 major companies have a market share of 26%.
- The average turnover volume per major company amounts to 147 million Euros per year; micro enterprises have an average annual turnover of 193,000 Euros.

Development

Figure 55 shows a steady growth of the number of enterprises, which have grown by 48% between 2003 and 2008. Annual growth rates amount to about 7%. This makes the software/ games industry one of

the most strongly growing core branches in the culture and creative industries.

Figure 55: Development of the software/ games industry, 2003 – 2008



Notes: Persons employed (self-employed and employees), employment (employees liable to social insurance deductions only)
Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

The development of enterprises corresponds to the development of turnover volume. Between 2003 and 2008 the turnover volume of this core branch grew by 37%. Annual growth rates amount to about 5%.

The employment market presents a similar picture. After a short-term negative development between 2003 and 2004, employment growth rates have been growing at above-average rates and reach a plus of 21% to 24% in 2008 against 2003.

The software/games industry is one of the most important core branches in the culture and creative industries. Its dynamic growth determines the positive trend of the entire complex. The software/games industry will be a key topic in the culture and creative industries in the future, and this is not only because of its magnitude.

It might grow into a field that stands for the overall culture and creative industries and where the – professional, as well as emotional debate on its assessment, might develop. The German Arts Council

has recently acknowledged the national G.A.M.E. association as a cultural association, and the Federal Commissioner for Cultural and Media Affairs⁵⁶ has announced a highly endowed award for games of cultural and educational value, starting in 2009.

The fusion of different cultural categories like film, video, music, text, animation etc., in the development of games, will have an intense effect on the convergence of content, and it will not only touch convergence in the technical sense. It is connected directly to almost all other cultural and creative economic fields. The development of games will, for sure, influence the aesthetic rules in other categories as well. Dagmar G. Wöhrl, Parliamentary State Secretary at the Federal Ministry of Economics and Technology, sees even considerably more far-reaching effects of the games industry: "The computer games industry is an indispensable part of the cross-media value added chain. The industry and its technologies are a pacesetter for many areas of the media industries, e.g. hardware and software industries or film and animation industries. Through transfer of technologies from the digital games industry, new applications become possible in entirely different areas as well, e.g. in medicine or engineering."⁵⁷ Online games on the Internet have already become an important market factor, at least in countries like Germany. The games industry regards the Internet as a reality to be taken for granted and an entirely normal platform for cultural and creative content.

It is quite understandable that some representatives of the games industry already see it as the new lead medium of the culture and creative industries.

Final remark: For a future independent report on the software/ games industry, data provided by professional associations should be evaluated in addition to the official data, and classifications should become more precise. There is hope to gain more adequate data in this core branch, because the international discussion on definition concepts has already led to new agreements.

Table 16: Future classification of the software/ games industry

WZ-Nr.	Economic activity*
58.21.0	Publishing of computer games
58.29.0	Publishing of other software (excl. computer games)

⁵⁶ Bundesregierung (2008): Pressemitteilung NR.: 380 vom 29.10.2008, Deutscher Computerspielepreis wird erstmals in München vergeben

⁵⁷ Bundesregierung (2008): Gemeinsame Pressemitteilung des Bundesministeriums für Wirtschaft und Technologie und des Beauftragten für Kultur und Medien vom 13.11.2008 zum 3. Branchenhearing im Rahmen der Initiative Kultur- und Kreativwirtschaft

62.01.9	Development of standard software
62.02.0	Software consultancy
62.01.1	Development and programming of Internet presentations
62.01.9	Development of tailor-made software
62.09.0	Software installation

Notes: New classification of economic activities 2008 (WZ 2008)

The new classification of the software/games industry will make it possible to conduct more detailed and precise research into the structures of the software/games industry.

3.4 Final Assessment of the Economic Importance of the Culture and Creative Industries

3.4.1 Summary of Empirical Findings

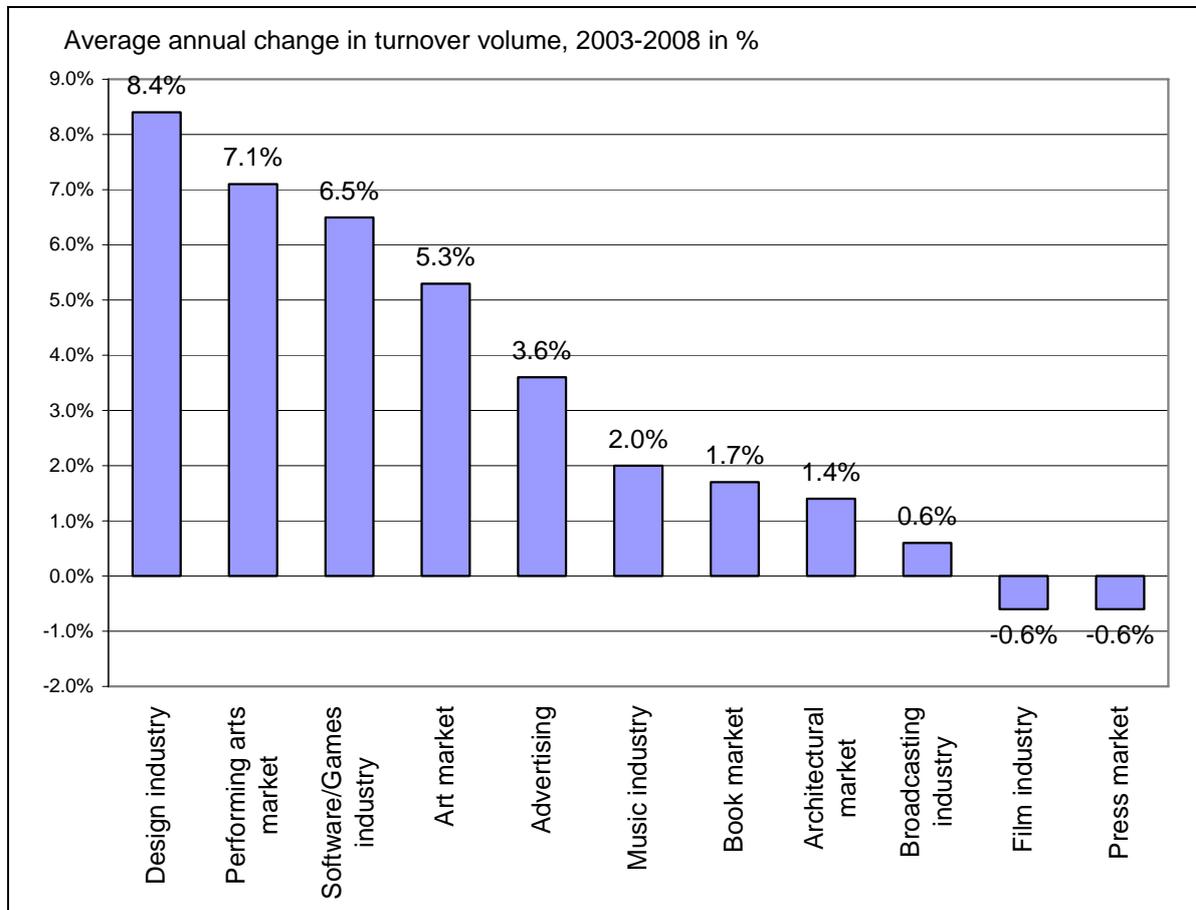
The results of the analyses of the core branches lead to the following résumé:

General Assessment of Core Branches

When **comparing the dynamics of growth**, the four core branches, design, performing arts, software/games and art market, will probably be the strongest branches. These market segments were continually growing between 2003 and 2008 and showed average annual growth rates of 5.3% to 8.4%.

Advertising has also achieved above-average results as its annual turnover volume grew at a higher rate (3.6%) than that of the overall culture and creative industries (2.4%).

Figure 56: Growth of turnover volumes in core branches of culture and creative industries, 2003 to 2008



Notes: Average turnover figured calculated on the bases of 2004 to 2006
 Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Enterprises in the music industry, in the book and architectural market and in broadcasting **developed moderately**. Annual turnover growth rates amounted to 1% and 2% between 2003 and 2008.

Press publishing and the film industry are the only core branches in the culture and creative industries that experienced a difficult economic phase leading to slight decreases in turnover volumes between 2003 and 2008.

Focal Points of Types of Enterprises

The structure of enterprises was analysed according to turnover size ranges, in order to elaborate the special importance of small and micro enterprises for the culture and creative industries.

This led to the result that the economic importance of micro enterprises in the culture and creative industries is much greater than in traditional industrial sectors, as was already mentioned in Chapter

3.2. However, the detailed analysis of the eleven core branches leads to a more differentiated picture of the entrepreneurial landscape in culture and creative industries.

The total number of major enterprises does not amount to more than two-digit figures in any of the core branches. However, some **core branches are clearly determined by the economic substance of major enterprises.**

This includes **broadcasting**, where 80% of the turnover volume is achieved by 20 major enterprises and the **book and press market**, where major enterprises account for 55% to 68% of the overall turnover volume in the respective economic activity. Micro enterprises are completely insignificant in press publishing and broadcasting. In broadcasting they achieve a mere 4% of the entire turnover volume, and in press publishing their share is so small that it is close to zero in terms of per cent shares - although micro enterprises achieved a turnover volume of about 104 million Euros in the year under reviews (2006).

Micro enterprises are most important in the art market (share in turnover volume 39%), in the **performing arts market** (share in turnover volume 59%), in the **design industry** (share in turnover volume 75%, excluding advertising design) and in the **architectural market** (share in turnover volume 78%). The high share in turnover volumes in these branches is caused by a high number of micro enterprises acting as one-person-businesses or freelance professionals, achieving annual turnover volumes between 100,000 and 200,000 Euros per year.

Core branches with **an even distribution of turnover volumes** across all four types of enterprises include the software/games industry, (where the turnover volume is divided into four shares of almost equal size), advertising and film industry. In these four core branches all four types of enterprises are of significance for the economic viability of the respective market segment.

From a macro-economic perspective, the culture and creative industries are especially important because of their significant employment potential. The employment of about one million persons (not including marginal employment) makes it a factor of growing importance for economic policies. The culture and creative industries develop into an economic field where major companies, as well as thousands of small and micro enterprises and one-persons businesses, are important providers of employment and play a decisive role.

Freelance artist play a particular role and are, therefore, presented in a special sub-chapter.

3.4.2 Special Focus: Freelance Artists

Without the works and achievements of writers, composers, musicians, stage artists, filmmakers and visual artists, there would be no culture and creative industries. They are the authors, originators, executing artists or services providers without whose works neither film companies nor music firms, book publishers or gallery owners would have anything to exploit or to disseminate.

This fact is hardly ever acknowledged, probably because artists are usually the least important actors in the value chain of cultural and creative production- at least seen by economic standards. Moreover, artists often lack adequate organisations or associations of their own (for example in the United States) that could face the exploiters' side as competent negotiators.

Last but not least, artists live and work in an artistic, cultural or creative environment that is often characterised by overproduction. Professionals, semi-professionals and amateurs determine the great variety of production forms, all competing among each other in often ruinous competition. The diversity of production is constantly increased by the use of new technologies, digitisation and the Internet.

Freelance artists are, therefore, situated inside a complex economic field that will need more attention from economic and cultural policies in the future. The present limitation of political debates to social policy aspects will not be sufficient any more. Deepened knowledge about the economic situation of freelance artists is one of the crucial preconditions for developing the full potential of artistic and cultural production in the German culture and creative industries.

Key Data

Based on the categories of the German Artists' Social Insurance, four groups of artists were determined, forming the core group:

Group 1: Music

- Freelance musicians (composers etc.)
- Music and dance ensembles

Group 2: Visual art

- Freelance visual artists
- Self-employed restorers

Group 3: Performing arts

- Freelance stage and movie actors, broadcasting artists

Group 4: Literature/Word

- Freelance writers/authors
- Freelance journalists

Freelance artists are self-employed and commercial artists, notwithstanding the fact whether they own a studio, office, agency or whether they are entrepreneurs employing additional staff. This definition captures all artists who declare their freelance economic activities or services towards the tax authorities.

Figure 57: Freelance artists/ writers including journalists, 2006

	Freelancers	Turnover	Freelancers	Turnover	Turnover per freelancer
	No	million €	%-share	%-share	in thous. €
	2006	2006	2006	2006	2006
Music Group					
Composer	2,337	244	5	7	104
Music/ dance ensemble	1,859	214	4	6	115
Visual art group					
Visual artist	8,039	713	18	19	89
Restorer	1,266	136	3	4	108
Performing arts group					
Stage artist	8,924	754	20	20	85
Literature/Word group					
Writer/ author	5,915	456	13	12	77
Journalist	16,615	1,197	37	32	72
Total (S.I)	44,955	3,715	100	100	83
plus					
Artistic/cultural professions (1)	84,300	-	-	-	-
less than 17.500 € annual turnover					
Total (S.II)	129,255	-	-	-	-

Notes: Freelance artists/ cultural professions with annual turnovers of 17,500 € and above. (1) According to Micro Census
Notes: Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

In 2006, about 45,000 freelance artists with annual turnovers of 17,500 Euros and more were working in Germany. Their joint turnover volume amounted to 3.7 billion Euros. On average, an artist achieved an annual turnover volume of 83,000 Euros.

In addition, there is an estimated number of 84,300 freelance artists, according to the Micro Census. These are persons who indicated being active as artists in the annual Micro Census surveys.

This leads to an estimated number of 130,000 freelance artists working in the market. For information: the German Artists' Social Insurance registered a total of 151,000 freelance artists as members. The discrepancy is due to differing definitions and categories.

Among the core group of 44,500 artists (based on turnover tax statistics), the professions concerned with literature and word production form the largest group accounting for 50%, followed by performing and visual artists at 20% each. Music professions are the smallest group in numbers, but the most successful group in market terms. They produce average annual turnover volumes of 104,000 to 115,000 Euros. Restorers are the only other group in the same turnover volume range. All other groups do not achieve an annual turnover volume of 100,000 Euros. Journalists have the lowest turnovers on average (72,000 Euros). The breakdown by turnover volume ranges shows a very great variance in all artists' groups, as the following analysis shows:

Figure 58: Breakdown of freelance artists by turnover size ranges, 2006

Turnover size range in €	Composer	Music/dance ensemble	Visual artist	Stage artist	Writer/author	Journalist
	%	%	%	%	%	%
	2006	2006	2006	2006	2006	2006
17.500-50.000	55.8	61.9	57.5	59.3	58.8	59.6
50.000-100.000	22.5	19.7	24.6	23.5	24.0	26.4
100.000-250.000	15.1	12.0	12.8	12.2	13.1	10.8
250.000-500.000	4.2	3.3	3.3	3.2	3.0	2.2
500.000-1 million	1.5	1.5	1.1	1.2	0.7	0.7
from 1 million	0.9	1.6	0.6	0.6	0.5	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
Turnover size range in €	No.	No.	No.	No.	No.	No.
	absolute	absolute	absolute	absolute	absolute	absolute
17.500-50.000	1,304	1,151	4,624	5,289	3,477	9,908
50.000-100.000	525	366	1,977	2,095	1,419	4,391
100.000-250.000	352	224	1,031	1,092	772	1,787
250.000-500.000	99	61	264	287	177	361
500.000-1 million.	35	27	91	111	43	123
From 1 million	22	30	52	50	27	45
Total	2,337	1,859	8,039	8,924	5,915	16,615

Note: Selection excluding freelance restorers

Source: Turnover tax statistics, Destatis, 2008; calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008

Most freelance artists (55% to 62%) are in the lowest turnover range of 17,500 to 50,000 Euros. The two following size ranges (up to 100,000 Euros and up to 250,000) show the most interesting results. In some artist groups, more than 30% fall into these two ranges. In the remaining ranges of 250,000 Euros and above, shares are lower than 10%.

The breakdown by turnover volume ranges shows a differentiated picture of artists. They must be considered as relevant economic actors.

Artistic, cultural and creative professions are the focal point of the culture and creative industries and constitute it as a complex of branches of its own standing. Experiences in the media industry or the IT-related branches have shown that here artistic, cultural and creative professions only play a role as service providers, if they are at all perceived as a relevant group of actors.

The integration of artists' groups as economic actors creates new and complex conditions and structures for the culture and creative industries. Therefore, it seems adequate to call it a sector of "specific economics". This denominates especially experimental, but also risky activities of artistic, culture and creative professions. "Specific economics" opens the perspective on those parts of the culture and creative industries that are often called project economy or "prototype economy". Chapter 4 analyses some of the basic conditions and important characteristics of the actors in this specific economics.

3.4.3 Special Focus: Cultural Sector

This chapter will further elaborate on the empirical structures of the Three-Sector-Model presented in Chapter 1.

The definition of culture refers to the perspective of cultural policy. Thus the complementary view of the cultural sector shall be emphasised. Therefore, only the so-called traditional cultural categories will be included, instead of all eleven cultural and creative core branches:

- Music,
- Book,
- Art,
- Film,
- Broadcasting and

- Performing arts.

These are the principal segments forming the complementary sectors of culture in a cultural policy approach.

Figure 59: Employment potential of the cultural sector classified acc. to the Three-Sector-Model

	Persons employed	
	Number 2006	%-share 2006
0. Artists		
Freelance artists (17,500 € and more) (1)	44,955	-
Freelance artists (less than 17.500 €) (2)	84,300	-
Total I.	129,255	24
1. Publicly financed culture		
Theatre, orchestra etc (3)	38,383	-
Independent cultural orchestras (4)	3,800	-
Libraries, museums, heritage, archives (3)	31,084	-
Teachers of art/music(3)	18,400	-
Total II.	91,667	17
2. Intermediate culture		
Broadcasting (public law) (3)	39,453	-
Marginally employed in non-profit culture (5)	14,882	-
Marginally employed teachers (6)	17,000	-
Total III.	71,335	13
3. Commercial cultural sector (7)		
Music industry	21,633	-
Book market	75,318	-
Art market	5,760	-
Film industry	43,481	-
Broadcasting industry	22,133	-
Performing arts market	15,346	-
plus marginally employed (5)	57,583	-
Total IV.	241,254	45
Overall total I.-IV.	533,511	100

Notes: (1) Turnover tax statistics (2) Micro Census (3) Employment statistics and German Stage Association (Deutscher Bühnenverein) (4) German Stage Association (Deutscher Bühnenverein) (5) statistics on marginal employment (6) Employment statistics and Association of German Music Schools (Verband dt. Musikschulen) (7) data from this study
Source: See under notes: calculations by Michael Söndermann/AG Kultur- und Kreativwirtschaft 2008.

The analysis of the employment potential of the cultural sector allows sketching a first picture using preliminary estimates.

In terms of figures, the cultural sector employs 533,500 persons. Applying the Three-Sector-Model leads to a core group of 129,000 freelance artists, accounting for 24% of employment.

The publicly financed cultural sector provides employment to almost 92,000 employees liable to social insurance deductions, making up 17%.

Intermediate cultural institutions, including not-for-profit institutions and broadcasting under public law, creates employment for not less than 71,000 persons or 13% of overall employment.

The **commercial part of the cultural sector**, or the cultural industries in the narrow sense, provides employment to 421,000 persons (including marginal employment). This equates to a share of 45% in the overall employment in the cultural sector.

3.4.4 Future Perspectives from a Macro-economic View

It is an interesting question whether or not heterogeneous and specific enterprises in the culture and creative industries would also develop well without any supporting policy measures. Seemingly, the culture and creative industries emerged without any specific economic policy measures over the last ten years, as shown in Module 2. Nevertheless, the questions should be answered: 1) Why is it necessary to focus on and direct economic support measures to the culture and creative industries and adapt them to the specific conditions of the sector? 2) Why will this open up new opportunities, especially given the fact that 97% of the micro-enterprises in the culture and creative industries develop independently outside of economic rationality and logic and outside of existing support structures of state economic policies?

The field of tension between the acknowledgement of cultural and artistic ways of life and self-fulfilment, on the one hand, and traditional business planning with expected returns of investment, on the other, does not leave much room for mutual understanding between the two levels. As the core activity in the culture and creative industries is creative cultural production, planning schemes are often different from the usual standardised business plans acknowledged by the providers of economic support measures. As micro enterprises usually lack economic skills, and the representatives of institutions providing economic support do not have any cultural know-how, existing economic and cultural potentials for the development of the sector have not been fully exploited until now.

Therefore, we can observe a classic case of market failure in the culture and creative industries, because many actors are not able to develop their existing economic potential through their own means.

Moreover, there are asymmetries in information between the actors of the culture and creative industries and the institutions providing economic support, whose declared objective is the development of all existing economic potential.

There is a need for improved intermediation and comprehension of the cultural character of economic planning processes and, on the other side, the ability to plan cultural processes in an economically viable way in order to tap potentials for value added, economically as well as culturally. Up until now, there is no adequate mediation between the institutional level and the actors in the market. Economic policy should create frame conditions allowing the reduction of information asymmetries and the development of support to the culture and creative industries in order to unfold its full economic potential.

Although there has been very little research into the creation of jobs and employment in new cultural enterprises in the culture and creative industries, it may already be said that new fields of activity for cultural workers emerge continually in existing economic areas and value chains, showing an enormous unexploited potential. If this potential could be more efficiently used, the macro-economic importance of cultural and creative enterprises in Germany sketched in Module 4 could be several times higher.

The increasing cross-sector activities of actors of the culture and creative industries indicate a great potential for spillover effects of innovations from the culture and creative industries towards traditional economic branches. The innovative power of creative workers is in growing demand in the value chains of traditional branches like the automobile industry or the textile industry. The potentials of cross-innovation processes go much further than the usual employment of designers.

Besides the quantitative contribution of culture and creative industries towards value added, the sector is also exemplary for future modes of working and living. It is part of a future knowledge and content-oriented society. Culture and creative industries show important characteristics that will also become important in other economic areas:

- **Culture and creative industries apply today modes of working and doing business that will become standard in the future.** Due to its mode of production, for example, hybrid work forms, culture and creative industries are the avant-garde on the way towards a knowledge-based economy in Germany
- **In some segments of the culture and creative industries, innovation cycles for products are very short.** Innovation-oriented business models, classified as high-risk in economic financing, need specific support. Economic policy, aiming at

support for innovation, needs support instruments appropriate to this purpose.

- **Important products of culture and creative industries include prototypes, individualised products, small series and immaterial products.** The mode of production and the nature of the products are important characteristics of knowledge-based economy.
- **Above-average share of women in culture and creative industries.** Culture and creative industries are characterised by an above- average share of women. Against the backdrop of a general lack of qualified labour, the increase of female employment is an important success factor. Culture and creative industries may become a model for the increased employment of women.
- **Rapidly changing employment structure, steadily changing fields of activity and professions in culture and creative industries.** Employment structures in culture and creative industries may become a model for the development in traditional branches, where freelance professionals and one-person-businesses will gain increasing importance in the future.
- **Almost all enterprises in culture and creative industries use modern technologies,** especially information and communication technologies. They are not simply passive technology users, but keep giving impulses for the development of new variants of technologies.

The development of targeted support programmes and the adaptation of existing support programmes to the characteristics that show the way towards future developments in traditional economic branches as well, provide an opportunity to prepare for future challenges. Economic policy support to culture and creative industries may develop trend-setting methods and instruments for economic support measures that may also be suitable for other branches.

The European Union, in its Lisbon Strategy, has proclaimed that the European economic region shall become the "most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion." Economic policy support to culture and creative industries, which contributes towards the unfolding of its innovative and economic potential, may therefore, because of its economic importance and its model character for future forms of work, greatly contribute towards this goal.

The economic outlook on culture and creative industries should not lead to the neglect of the "classic" branches of culture and creative industries, some of which already receive economic policy support, for

example, advertising, publishing or the film industry. In these segments, too, great opportunities for growth and innovation leaps may be expected through the use of new technologies. In this case, existing support to SMEs should be adapted to the needs of SMEs in culture and creative industries and act against the refusal of support in order to raise the economic potential of the branches.

4. Analysis of Context for Support to Culture and Creative Industries at the Federal Government Level

Numerous studies, surveys and cultural industry reports have looked into culture and creative industries in recent years. Expert conferences, symposiums, panels and workshops, with participants from varying backgrounds, have made attempts at stocktaking and background analysis, and have described economic perspectives and fields of activity. All of these discussions shared the focus of identifying the needs of the actors and made recommendations to develop support measures appropriate for the conditions in the culture and creative industries. The existing disproportion between the available support structures and the support needs of the multi-faceted culture and creative industries, whose needs do not fit into the traditional institutionalised support structures in Germany, calls for a basic analysis. Current discussions show that the existing programmes do not reach many small/micro enterprises and some groups are not eligible for the support services provided.

Recent studies on culture and creative industries have strongly emphasised the importance of such basic analysis for the development of economic support measures: "Only when it becomes possible to reconcile the self-perception of culture and creative industries (What are the perceived and articulated needs?) and the exterior outlook of the support providing agencies (Which support programmes are realistic under the given conditions?) will it be possible to undertake first steps towards future support programmes."⁵⁸

The analysis of the frame conditions for support of the culture and creative industries aims at describing the relation between the different market segments (supply and demand) and the effects of the conditions of support in order to point out the support needs. Subsequently, recommendations of action for the German Federal Government will be deducted from the support needs identified, referring also to existing examples of best practices on the municipal level, the *Länder* level and from other EU countries.

As a first step, the specific characteristics of actors, business models and products of the culture and creative industries will be contrasted with those of traditional economic branches. The analysis of the major support needs of the culture and creative industries has to take into

⁵⁸ Weckerle, C./ Gerig, M./ Söndermann, M. (2008): Kreativwirtschaft Schweiz. Daten. Modelle. Szenen. Basel, p. 139.

account these fundamentals, which can be identified from existing studies and cultural industry reports.

In the second step, the needs (of the demand side) will be regarded in light of existing experiences from studies, projects, interviews and statements from experts, representatives and actors in the culture and creative industries. Institutional counterparts from a number of federal countries, municipalities and relevant institutions were incorporated in order to establish the specific support needs of the culture and creative industries, from the point of view of its actors. Furthermore, written statements of about 80 actors from the culture and creative industries and of leading research institutions were analysed.

The analysis also includes written assessments of the most important challenges and support needs in the eleven core branches that were submitted by representatives of selected core branches to the opening session of the *Initiative Creative Industries*. Thus, it becomes possible to point out significant differences among the heterogeneous core branches of the culture and creative industries.

In the third step, Prognos AG, in cooperation with CBC, developed a detailed classification of the great variety of objectives included in existing support policies, support programmes and individual support measures at the Federal Government level. The analysis identified four relevant fields of action for support programmes to take effect:

- The first field of action deals with the identification and analysis of needs related to financial support to enterprises. On the supply side, these needs are met by support to enterprises through economic support programmes, e.g. by the Federal Government providing, for example, support for innovation investments.
- The second field of action concentrates on intermediation among the heterogeneous groups of actors on the institutional level and micro enterprises in the culture and creative industries. European comparisons show considerable potential for development in these support programmes and in targeted approaches to freelance professionals and small or micro enterprises.
- The third field of action focuses on the need to develop a shared corporate identity and outside representation of the culture and creative industries
- A fourth field of action includes needs referring to general frame conditions for the culture and creative industries in Germany.

216 support programmes, competitions and contests were analysed using the online support database of the Federal Government

(www.foerderdatenbank.de) and additional information material. As a first step, all support programmes without any relevance for culture and creative industries were identified and excluded from the analysis. The following assessment criteria was used to test the relevance of support programmes:

- Enterprises are generally not eligible
- Support is limited to selected economic branches/content outside the area of culture and creative industries
- Support programmes not at all related to culture and creative industries

Five thematic fields of support were identified in order to structure the great number of programmes and to facilitate the classification of the identified support needs: support to start-ups, support to economic growth, support to research and development, support to education and training and support to customer acquisition and market entry. For each field of action, a relational analysis and assignment of specific support needs in comparison to the respective support programmes will show whether the identified support needs are met by existing support programmes at the federal level.

In addition, an analysis of enterprise size, cutting across this level, will be introduced to enable more detailed descriptions. Although the majority of enterprises in the culture and creative industries are freelance professionals and micro enterprises, there is still a high number of SMEs in the sector. Their support needs are quite divergent, making it necessary to differentiate between the three defined size ranges in order to come to conclusions for the target groups.

4.1 Basic Aspects of Support Conditions for Culture and Creative Industries

Understanding the economic mechanisms in culture and creative industries is a basic requirement for the analysis of its support needs. As shown in Module 2, structural characteristics in these fields are quite different from those in traditional industries. The following characteristics of culture and creative industries are of crucial importance for its understanding:

- **In the culture and creative industries, the sense of shared identity is underdeveloped.** Until now, culture and creative industries have no self-perception as a sector. Reasons are to be found in greatly diverging education backgrounds and fields of experience, but also in the great variety of types of enterprises

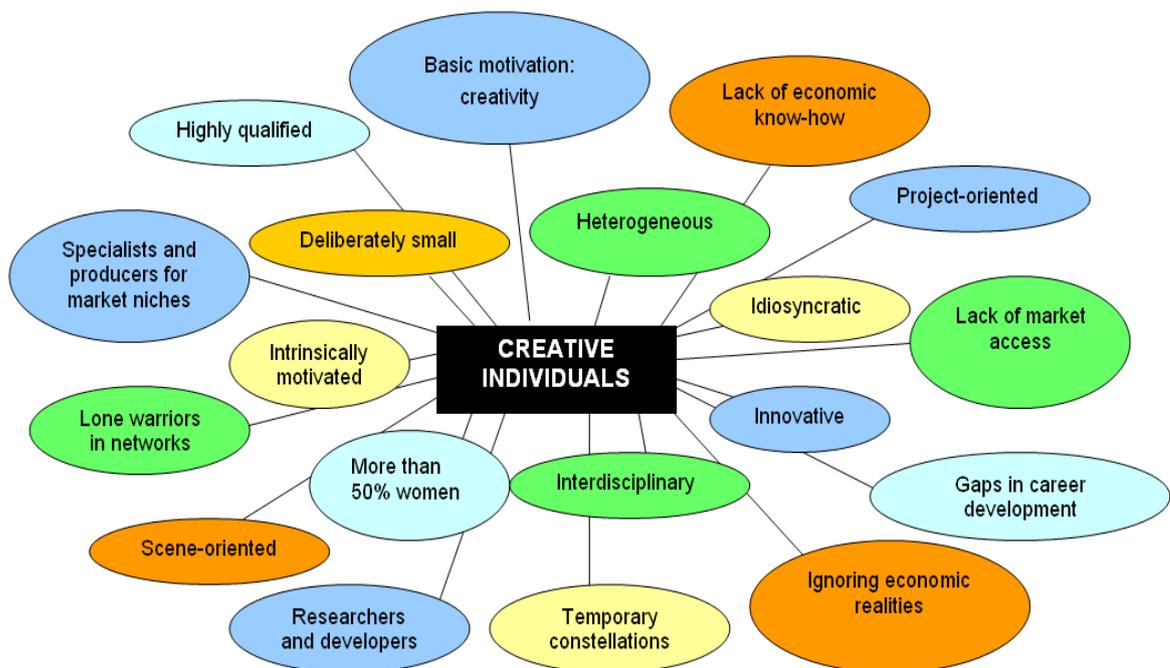
and business models. This situation has to be taken into consideration when addressing the culture and creative industries through support programmes.

- **Culture and creative industries have a low degree of political organisation.** Even now, some core branches have no associations or lobbying organisations. The needs and potentials of the culture and creative industries have received only very limited publicity. Therefore, there are huge information deficits concerning support needs and important challenges for the sector.
- **Work and business models are often very specialised.** The modes of production of many enterprises in the culture and creative industries (hybrid work forms, content-oriented production) differ greatly from those of traditional branches, making it difficult to apply existing support structures. Short innovation cycles, together with long development phases for individual products, turn the core branches of the culture and creative industries into high-risk areas that need specific assessment.
- **Strong orientation towards production processes prevails.** Many actors in the culture and creative industries, especially small and micro enterprises, focus on the process of creating new things. Marketing and exploitation of the finished product leaves a great potential for development, which needs to be analysed in a target-group centred approach.
- **Prototypes, individualised products, small series and immaterial products are the most important types of products in the culture and creative industries.** The modes of production and the nature of products call for the development and application of specific instruments. Production processes are often slower and more improvised than in traditional industry. Production processes often have very long conceptual phases.
- **Presently, the culture and creative industries have fewer points of contact with knowledge institutions for economic policy making than traditional German industries.** Furthermore, the culture and creative industries are hardly involved in economic policy decision-making processes.
- **The above-average share of women working in the culture and creative industries provides enormous growth potential.** It also calls for targeted approaches and support measures.
- **Rapidly changing employment structures and constantly transforming fields of activity and professions in culture and creative industries.** A myriad of interfaces towards neighbouring branches and the rapid anticipation of innovation and changes of

frame conditions immanent to the sector, requiring a high degree of flexibility, are also reflected in the structural specificities of the culture and creative industries. These have to be considered in the development of support programmes.

- **Interdependency of major enterprises and micro enterprises.** Capacity for innovation in cultural and creative enterprises depends mostly on experiments and flexible projects. Innovation processes largely take effect in creative micro enterprises. Major enterprises often refer to these projects in order to remain innovative and are, therefore, strongly dependent on innovative micro enterprises.
- **Application and development of new digital technologies.** Relevant core branches of the culture and creative industries regularly use the most recent and the most innovative digital technologies. This pioneering function often prepares the field for the widespread general use of these technologies. Approaches and support models for culture and creative industries should, therefore, always include the latest technologies and trends.

Figure 60: Characterisation of 400 enterprises of the culture and creative industries



Source: CBC 2009

The specific characteristics of selected core branches of the entire crosscutting sector of culture and creative industries, shown and summarised here, will be the basis for the analysis and considerations of frame conditions for support.

4.2 Economic Support Programmes

4.2.1 Micro Enterprises/Freelance Professionals

4.2.1.1 Support needs

Various support needs for strengthening capacities for innovation and economic development are identified. It is obvious that support measures are targeted towards the individual entrepreneur, but should also focus on the frame conditions of the economic actors.

On the level of individual support, targeted and individualised professional improvement is an important area. Opportunities of "coaching on the job" are of great relevance. Besides the actual improvement of skills, many actors in the field expressed a need for social acknowledgement for their highly specialised "talents". Many highly skilled experts work at the interfaces of arts and economics under conditions of low appreciation, self-exploitation and very low entrepreneurial incomes.⁵⁹ Several representatives of the creative industries are of the impression that their function as drivers of innovation and, therefore important economic engines, has not been adequately recognised in the market in the past.

The same applies to the transfer of knowledge between science and economy. Such cooperation projects are gaining importance, but experts state a lack of adequate forms and opportunities of cooperation between the relevant institutions and actors from the culture and creative industries. In this respect, the imparting of free-market know-how and an understanding and appreciation of creative planning and production plays an important role. Actors in the field see communication on par with knowledge- transfer and a common language as key for improving the situation.

Actors in the culture and creative industries also see a need for centres of competence. It is expected that such centres, which have already been established for technology-oriented branches, will contribute towards the removal of investment barriers and the creation of better cooperation.

⁵⁹ The development of business models and the establishment of businesses are often delayed because the actors have to earn a living besides their artistic and creative activities. Thus these business models receive a kind of cross-subsidy with negative effects of business development.

Support programmes must be aware of the fact that product development in the culture and creative industries often means that new markets have to be developed first. Niche markets that were, until recently of little or no importance, often develop in this process. Economic counselling for the micro enterprises of culture and creative industries meet a great need for the support of marketing the products, and therefore the need to open up new markets. Also, in this context there is a need for coaching measures. Special attention should be paid to the establishment of specific market-oriented supply and marketing structures.

Access to financial resources is another important aspect for micro enterprises and freelance professionals in the culture and creative industries. Many entrepreneurs complain about being denied access to external financing, mostly because their financial needs are of little attraction for banks or because they are unable to present the required guarantees. Developments of markets and enterprises are assessed as difficult throughout the culture and creative industries. This is even more the case for micro enterprises, because their economic success often depends on one single project. High entrepreneurial risk, in combination with insufficient guarantees due to the mode of production and the nature of the products, leads to a great need for alternative ways of financing micro enterprises in culture industries.

4.2.1.2 Support Programmes

Micro enterprises and freelance professionals in the culture and creative industries are formally eligible for numerous support programmes of the Federal Government. A total of 26 relevant programmes, competitions and contests were identified:

Table 17: Federal Government support programmes for micro enterprises

Federal Government support programmes for micro enterprises
Support to start-ups
Coaching of founders by KfW Development Bank
KfW-Start-up Money
BAFA-support to management consultancy
Information and training
ERP-start-up capital
Grants for start-ups
Entry money
EXIST-SEED-Grants for start-ups*
Start-up competition Multimedia*
Support to economic growth
Film Support Fund Germany*
Research and Development
ERP-Innovation programme*
Web 2.0-Technologies in professional qualification*
Multimedia-Innovation programme*
New media in education*
Further training and skills development
Support to employment costs in case of stand-in
Meister-BAföG* (study grants and loans for craftsmen qualifying as masters of their trade)
Technology-oriented visiting and information programme*
Customer acquisition and market entry
AKA loans for export financing
Support to trade fairs abroad
Participation in international lead fairs
German Internet award*
Initiative Musik*
Design award of Federal Government*
German economic film award*
German award for musical instruments*

* Open to selected core branches of culture and creative industries only

Source: Prognos 2009. Research by Prognos.

A detailed analysis of the five potential fields of support (start up, growth, research & development, education & skills development) shows that the support measures are quite unevenly distributed.

Most programmes for micro enterprises and freelance professionals come from the area of support to business start-ups, e.g. KfW Start-up Money (which has been merged with the former KfW micro loan), start-up grants or the KfW founder coaching. This support field aims at providing young businesses with financial means for the start-up phase and helping them across the risks of founding an enterprise, e.g. by avoiding typical management mistakes during the start-up phase.

There are also numerous programmes in the area of customer attraction and market entry. Measures in this field aim at making micro enterprise products, services and freelance professionals better known, nation-wide as well as internationally. This is done through participation in trade fairs abroad or through the announcement of federal awards for selected core branches.

Few support measures exist in areas like support to economic growth or research & development. Support programmes for economic growth aim at the support of existing enterprises in their further development. Only the film industry provides such opportunities for micro enterprises and freelance professionals. Support measures in research & development aim at strengthening capacities for innovation and promote transfer of knowledge from the area of science through practical research in technological areas. However, all four support programmes in research & development are only open for selected technology-oriented branches.

Support programmes in education & skills development are also very few, but where they exist, aim at providing support to enterprises in staff development in order to raise their competitiveness. Support measures include grants and loans for craftsmen who want to qualify as masters (*Meister-BAföG*), grants for the employment of personnel to stand-in for staff away for further training measures and a technology-oriented information and visiting programme.

Only 12 out of a total of 26 relevant support programmes for micro enterprises and freelance professionals proved to be without restrictions for specific branches. The remaining 14 programmes and competitions are mainly tailored to the needs of technological enterprises and, therefore, are not actually open to non-technology-oriented core branches of the culture and creative industries. Their number includes the start-up grant EXIST-SEED for technology-oriented start-ups, the multi media innovation programme and the ERP innovation programme. Only very few branches are eligible for these programmes.

In the end, only five specific support programmes for non-technology-oriented branches are available for enterprises in the culture and creative industries. They include the programme *Initiative Musik*, the Film Support Fund Germany and three federal awards: German Award for Musical Instruments, Design Award of the Federal Government and German Award for Economic Films. Winning one of these competitions not only involves the prize money, but also increases attention, leading to the acquisition of new customer circles and the opening of new markets. These federal awards also aim at communicating the special importance of the award-winning enterprises and their products to possible customers (also on the international level).

4.2.1.3 Relational Analysis of Support needs/Support programmes

A first glance at the 26 existing support programmes for micro enterprises and freelance professionals of the culture and creative industries may lead to the impression that the target group and its support needs are sufficiently catered for. However, the detailed relational analysis of the identified and felt- needs of micro enterprises shows clearly that important support needs are not or not sufficiently considered.

Existing support programmes of the Federal Government do not cater for the needs of **individualised and personalised support**. Micro enterprises and freelance professionals benefit strongly from this kind of support, and because they have an enormous economic potential due to their high numbers, there is a significant gap in the provision of support.

Consideration is lacking, especially in support of professional improvement in creative micro enterprises against the background of the problems of additional support through "normal" employment, as pointed out in Chapter 4.2.1. The economic potential of micro enterprises in the culture and creative industries is, therefore, not fully developed. There is a need for **specific coaching programmes for creative workers**.

Although the existing business start-up programmes and counselling services, which aim at support and skills development in the area of product marketing, are formally accessible for cultural and creative enterprises, they do not have any measurable impact on these enterprises. This has a number of reasons: existing support programmes are not geared towards the specificities pointed out in Chapter 4.1 towards the specific situation of the culture and creative industries, which greatly divert from those of the traditional industries. There is a need for **specific support to business start-up programmes in the creative area**.

Enterprises trying to make use of existing support structures often meet with programmes that do not really fit their core business

objectives.⁶⁰ The lively discussions at recent conferences on business start-ups in culture and creative industries⁶¹ illustrate these conflicts, differences and misunderstandings among the institutions and actors involved. Intermediation between the institutional level and micro enterprises in the culture and creative industries will be analysed in more detail in Chapter 4.4 because of its importance for efficient support and its complexity

Needs for financing, as formulated in Chapter 4.2.2.1, are met by programmes like the KfW Start-up Money or the ERP founding capital. In reality, these programmes do not reach the culture and creative industries. In expert discussions with support providers, banks and micro enterprises, it became obvious that here, as in business start-up programmes, there are conflicts counteracting the support programmes, as well as a lack of incentives. The support providers are often unable to grant the very small support sums required by the actors. Existing grant-giving procedures cannot effectively be carried out for such small sums, because the administrative overheads would, by far, surmount the granted amount.

Therefore, the support needs for improved financing of micro enterprises are presently not covered by federal support programmes. There is a need for **micro loans that can be granted with minimal bureaucratic effort, considering the specific situation of the culture and creative industries.**

Support programmes tailored to the needs of specific sectors could be able to reduce the deficits in some core branches. These programmes are, however, mainly situated in technology-oriented areas of the culture and creative industries. Due to the structure and background of micro enterprises, the divergence between the support measures and the needs of the enterprises is considered to be rather small - only being addressed by the federal awards and the Film Support Fund. These, however, have no specifications for micro enterprises and offer rather limited access to such firms.

Existing support programmes do not include solutions for the transfer of knowledge among the different actors. Therefore, there is a need for a **national platform for culture and creative industries.**

The relational analysis of support needs and support programmes for micro enterprises shows that important needs of the actors have not been addressed and that existing programmes do not reach large areas of the culture and creative industries. The effectiveness of

⁶⁰ See report of the Committee for the Enquiry of Culture in Germany of the German Parliament "Kultur in Deutschland" (2007): Existenzgründung und Existenzsicherung für selbstständig und freiberuflich arbeitende Künstlerinnen und Künstler, Aachen. See Betzelt, Sigrid (2006): Flexible Wissensarbeit: AlleindienstleisterInnen zwischen Privileg und Prekariat, Bremen

⁶¹ E.g. IBA-Labor Kreative Ökonomien in Hamburg 16/17-06-2008 and the Symposium STEP TWO, new talents/junge biennale 2008, in Cologne on 20/21-08-2008.

existing support programmes for the development of micro enterprises in culture and creative industries is, therefore, insufficient.

Table 18: Relational analysis of demand/supply micro enterprises

Relational analysis of demand/ supply micro enterprises	
Established support needs	Relevant support programmes
Coaching measures "on the job"	-
Knowledge transfer on a par level	-
Further research into business models and value added processes of micro enterprises	-
Development of market-oriented supply and marketing structures	-
Recognition of mode of action: product development = market development	-
Social acknowledgement of highly specialised talent as driver for innovation	Federal awards for selected core branches (i.e. design award of Federal Government)
Access to financial resources	Existing support programmes do not reach actors sufficiently

Source: Prognos 2009. Research by Prognos.

4.2.2 Small and Medium Enterprises

4.2.2.1 Support needs

Different from micro enterprises, small and medium enterprises need more financial support in the area of entrepreneurial activities.

Representatives of core branches of the culture and creative industries, e.g. of the music and film industries, point out that severe under-financing is a problem, because they are seen as high-risk areas with the usual consequences for the granting of loans. This prevents the optimal exploitation of the economic potential of these branches.

Underfinancing is also a problem in those core branches that focus on immaterial products and services. Small and medium enterprises in culture and creative industries are seldom able to provide securities customary in banking. According to representatives of culture and creative industries branches, loans without state sureties or support measures in the background are very hard to get. Therefore, there is a need to improve the financing opportunities of these enterprises.

The project-orientation of enterprises is an additional obstacle for obtaining financing: Banks and financial consulting firms engaged in the culture and creative industries say that interim financing solutions are a very important, but not sufficiently available, instrument for financing creative enterprises. The market does not provide flexible financing opportunities for content-oriented firms. If a project financed by traditional financing goes amiss, the entire enterprise goes bankrupt, under the existing system. A reduction of this very common

risk would, therefore, contribute tremendously to improving the financing situation.

Further support needs include the opening of markets for the culture and creative industries, especially concerning the presentation of immaterial products, e.g. through performances, trade fairs or federal awards. Due to difficulties in marketing and the unexploited economic potentials it involves, the need for support has great economic relevance for the core branches.

The demand for competence centres,⁶² articulated by representatives of micro enterprises, also applies to small and medium enterprises in the culture and creative industries. There is a need for knowledge-transfer across the entire sector, regardless of enterprise size. Small and medium enterprises have a great need for opportunities of knowledge-transfer for their innovative projects.

Small and medium enterprises stated that the harmonisation of educational standards is also an important framework condition. SMEs have higher staff requirements than micro enterprises and freelance professionals, especially of qualified junior staff. SMEs, have high costs for personnel recruitment, because training certificates and education histories are not comparable, leading to huge investments of time and effort into the search for suitable personnel and its assessment. Bringing down these costs is seen as a government responsibility. The growth process of enterprises may be slowed down if these transaction costs result in the insufficient employment of staff.

4.2.2.2 Support Programmes

The analysis of support programmes at the federal level led to the identification of 29 support programmes relevant to SMEs in the culture and creative industries. Among these programmes, 18 are restricted to select core branches. Most of these address technology-oriented branches of the culture and creative industries, e.g. software development, multi media, information and communication technologies.

These support programmes mainly focus on support to economic growth. Financial support aims at enabling SMEs to develop innovative products and services and to improve their competitiveness. Programmes like innovations with services, aim at intensifying market-oriented research and development in cooperation with science institutions. Financing programmes of KfW development bank are an example in this area. Most support programmes are, however, restricted to technology-oriented core branches of the

⁶² Deutscher Bundestag (2007): Drucksache 16/5110 vom 25.04.2007: Antrag d. Fraktionen CDU/CSU, SPD.

culture and creative industries. The Venture Capital Fund, endowed with 500 million Euros, as well the High-Tech Start-up Fund, that provides up to 500,000 Euros for newly founded businesses, are both restricted to the support of technology-intensive enterprises. The only exception in this field is the Film Support Fund.

The support field of research & development, aims at supporting the development of innovative products and services through knowledge-transfer and financing. It also provides a large number of support programmes that include coaching and innovation competitions and contests. Three out of seven programmes focus on projects from the technology-intensive area of information and communication technology (ICT).

The support field of education & skills development for small and medium enterprises aims at knowledge- transfer, further education and skills development of staff in order to improve or sustain the competitiveness of enterprises. Two out of four programmes are restricted to the area of technology.

There are only nine support programmes for SMEs from the culture and creative industries in customer acquisitions and market entry. These programmes support better international positioning of enterprises and their presence in the German market. For these purposes, they provide special loans for export financing or support participation in important trade fairs. The federal awards in support of improved brand awareness of outstanding products and services are also open for SMEs.

Table 19: Federal Government support programmes for SMEs

Federal support programmes for SMEs
Support to business start-ups
High-Tech start-up fund*
Support to economic growth
KfW-high-risk capital programme
ERP-capital for growth
Round Table of KfW bank
Entrepreneurial capital - KfW for work and innovation
Venture Capital Fund (EIF/ERP-umbrella fund)*
Innovation through services*
Film Support Fund Germany*
ERP-Start-up fund*
Research & development
BAFA-support to management consultancy
Information and training measures
International cooperation in science and research
New media in education*
Web 2.0-Technologies in professional qualification*
KMU-innovative (IKT)*
Multi media innovation programme*
Education & skills development
Support for stand-in staff
Meister-BAfÖG* (loans and grants for craftsmen qualifying as masters of their trade)
Technology-oriented visiting and information programme*
PRO INNO II*
Customer acquisition & market entry
AKA loans for export financing
Programme for trade fairs abroad
Participation in international lead fairs
German Internet Award*
Initiative Musik*
Design award of Federal Government*
German economic film award*
German award for musical instruments*

* Only open for selected core branches of culture and creative industries

Source: Prognos 2009. Research by Prognos.

The analysis shows a large number of support programmes for economic growth and business start-up. A great number of support programmes in other areas are restricted to technological branches or have formal restrictions or concepts that do not allow the support to

non-technology-oriented branches. There are 14 support programmes that are focused on technological enterprises.

Only four out of 18 programmes, restricted to certain branches of culture and creative industries, concentrate on non-technological areas. These are again, the three federal awards and the Film Support Fund Germany.

4.2.2.3 Relational Analysis Demand/supply SMEs

The Federal Government provides a great number of support programmes for SMEs, especially in the area of financial support. Nevertheless, the federal programmes do not adequately cover creative industries' specific support needs.

There are, for example, no support models for project-oriented or interim financing adapted to the needs of the culture and creative industries as described in Chapter 4.2.2.1. Therefore, there is a need for **specific financing programmes** that must consider the specificities of the modes of work, as well as small-scale grants and project-oriented loan terms.

Another difficulty in connection with financial support is the assessment problem of banks and providers of economic support. Many providers of economic support in Germany are not accustomed to dealing with enterprises of culture and creative industries. The assessment of business ideas and the provision of effective support still pose problems and partly prevent effective support through existing support instruments. The Federal Government has not yet sufficiently considered the **sensitisation of support providers and improving the public awareness of the culture and creative industries and their specific needs**.

Another support need area concerns the concept of innovation and development, not adequately provided for by the existing support programmes of the Federal Government. The share of "hidden innovations" is very high in culture and creative industries (as in the service sectors in general), thus making the assessment of innovative activities and effects of enterprises difficult. In addition, the existing support programmes have concepts of innovation that do not correspond to the modes of work and production in the culture and creative industries. Therefore, innovations are often not considered as innovation processes for immaterial products or services.

A similar situation exists in the lack of support and guidelines for immaterial goods and expenses, which are so important in the culture and creative enterprises.

Actors in the culture and creative industries have a need for support through **re-defining the concept of innovation and re-defining**

eligible expenses in the existing support programmes of the Federal Government, in order to improve innovation & development.

Support programmes in other segments for SMEs are clearly technology-dominated. In the area of support of economic growth, programmes like the Venture Capital Umbrella Fund concentrate exclusively on technological enterprises. Except for the Film Support Fund and the federal awards, there are virtually no specific non-technological support programmes.

The support of research and innovation projects are, at present, also geared towards technological enterprises. Therefore, there is a need for the **inclusion of the actors in all core branches of culture and creative industries into the existing support programmes for innovative enterprises**. There is also a need for **support programmes with a thematic focus on creativity or the creative act**, as the criterion uniting the creative industries.

Federal awards provide special support in the areas of customer acquisition, financing and market entry of enterprises, thus meeting many of the support needs identified for culture and creative industries. Considering the number of enterprises receiving support through these awards, only a small part of the support needs are covered. **The majority of enterprises still need support in the areas of customer acquisition, financing and market entry.**

The need of support for further internationalisation, as expressed by representatives of the culture and creative industries, is formally covered by the AKA loans for export financing and the support programme for trade fairs abroad. These are two important support instruments for the opening of new international markets. The definition of eligible expenses in the programmes is one reason why the respective branches seem to be unaware of these programmes. Enterprises whose activities consist of presentations by artists do not see ways of receiving support for their programmes. There is a need to **re-assess the support programme for trade fairs abroad** in cooperation with representatives of the creative branches in order to improve the support of internationalisation.

The detailed comparison of support needs and existing programmes for SMEs in the culture and creative industries shows that, although there are still gaps in the support measures, the needs of this type of enterprises are much better catered for than those of the micro enterprises and freelance professional. However, there are still deficits in the support programmes, which may be met by the further development of existing structures and by establishing new, innovative and adequate support measures for the different core branches.

Table 20: Relational analysis demand/ supply SME

Relational analysis demand/ supply SME	
Established support needs	Suitable support programmes
General need for financing (enterprises producing immaterial goods not eligible for loans) Need for interim and project-oriented financing Programmes of sureties	Various programmes in support to economic growth (e.g. ERP capital for growth, various programmes restricted to technological areas), but without specific requirements of culture and creative industries
Support to research & innovation Establishment of national centres of competence Strengthening of knowledge transfer	Various programmes in research & development (e.g. management consulting, international cooperation programme), but only little orientation towards culture and creative industries
Strengthening of support for trade fairs	Two programmes (trade fairs abroad, participation in international lead fairs)

Source: Prognos 2009. Research by Prognos.

4.2.3 Major Companies

4.2.3.1 Support needs

Support needs for major enterprises were identified in the area of financing. In the same way as SMEs, major companies are affected by the classification of culture and creative industries as a high-risk area. However, the support needs of major companies are considerably smaller than those of SMEs. Financing mechanisms of major enterprises show that risk allowances are needed and venture capital is not always available. However, there are no significant differences between financing practices of major companies in culture and creative industries and traditional industries.

Rapidly changing markets in culture and creative industries create another support need of major companies. They pose a challenge to major enterprises aiming at positioning themselves in new international markets. In this area, there is a need for adequate support programmes for the increasing internationalisation of companies in the culture and creative industries.

Due to the specific innovation processes in the culture and creative industries, major companies often depend on the inputs of micro enterprises. The production process is characterised by the creative act. The creative industries report of Switzerland explains the intensity of innovation capacities by the presence of experimental, mobile projects, most of which are run by small and micro enterprises. Major enterprises frequently refer to these projects in order to keep up their

capacity for innovation and are, therefore, strongly interconnected with innovative micro enterprises.⁶³

This special character of innovation processes creates a strong dependency of major enterprises on SMEs and micro enterprises or freelance professionals as the drivers of innovation. This strong interdependency of innovation processes creates a strong need for major companies to have a strong creative and innovative field. Qualification, financial support and professional improvement of micro enterprises and freelance professionals are, therefore, one of the most important support needs of major enterprises in the culture and creative industries.

4.2.3.2 Support Programmes

Available support programmes for major companies are fewer than those for SMEs and micro enterprises. Twelve support programmes for companies with more than 249 staff members and annual turnover volumes of more than 50 million Euros are available on the federal level. Eight out of these are restricted to selected core branches of the culture and creative industries, due to their regulations.

Table 21: Federal Government support programmes for major companies

Federal Government support programmes for major companies
Support to business start-up
Support to economic growth
Film Support Fund Germany*
Research & development
New media in education*
International cooperation in science and research
Web 2.0-Technologies in professional qualification*
Multi media innovation programme*
Further training & skills development
Support for stand-in staff
Customer acquisition & market entry
AKA-export financing loans
Support for trade fairs abroad
German Internet award*
Design award of Federal Government*

⁶³ Weckerle, C./ Gerig, M./ Söndermann, M. (2008): Kreativwirtschaft Schweiz. Daten. Modelle. Szenen. Basel, p. 133.

German award for economic films*
German award for musical instruments*

* Only open for selected core branches of culture and creative industries

Source: Prognos 2009. Research by.

Most support programmes belong to the fields of research & development and customer acquisition & market entry.

Support programmes in research and development aim at supporting the development of innovative projects, also in the area of major companies. The integration of scientific research institutions and the establishment of cooperations among companies are desired effects in this context. There are four support programmes restricted to technological branches in this field, most of them in the areas of ICT and multi media.

Generally, there are two different approaches to support in research and development. On the one hand, there are specialised support programmes providing financial support to innovation projects. They concentrate on a small support area (new media in education, Web 2.0 technologies and professional qualification). On the other hand, the multi media innovation support programme and the programme for strengthening international cooperation in science and research have a broader approach to support and strengthen networking. These programmes support knowledge- transfer between science and economy and concrete innovation projects in the ICT area.

There are four federal awards in the support field of customer acquisition & market entry, which are also attractive for major companies to improve their reputation and image. Major companies can also apply for support for their export and internationalisation strategies. AKA export financing loans and a support programme for trade fairs abroad are available at the federal level. The support field customer acquisition & market entry aims at supporting major German companies in making their products available in a larger market and gaining international reputation.

4.2.3.3 Relational Analysis Supply/Demand Major Companies

The relational analysis for major companies in culture and creative industries shows that their support mainly works indirectly through support to micro, small and medium enterprises. A strong basis with respect to quantity, as well as quality, is an important requirement for major companies. The expressed need for support of innovation can be met by the market, provided there are a sufficient number of micro enterprises in the market. Major companies benefit, in particular, from professional improvement and raised quality of economic know-how of micro enterprises. On the one hand, they are able to rely on a sufficient number of qualified experts; on the other hand, the quality of innovation used by the majors improves. Therefore, improved

support measures for micro enterprises, as described earlier, are also needed by the major companies.

As far as the need for support of improved internationalisation is concerned, major companies as well can apply for AKA export financing loans and support for trade fairs abroad. As for SMEs, these two programmes provide important support measures for opening up new international markets. Therefore, the support need formulated by representatives of the branches could be met by the adaptation of eligible expenditures in selected programmes (as already described for the case of SMEs) and through the creation of greater awareness of support programmes within the culture and creative industries. Proactive information sharing of representatives and enterprises is one of the possible options.

Support of financing in non-technological areas was one of the support needs mentioned in Chapter 4.2.3.1. It seems that the support needs of major companies in this area are sufficiently covered.

Table 22: Relational analysis supply/ demand major companies

Relational analysis supply/ demand major companies	
Established support needs	Suitable support programmes
Support to innovation	Support to innovation through supporting small and micro enterprises in culture and creative industries because of interdependencies of innovation process
Support to opening up new international markets	Given through AKA export financing loans and support for trade fairs abroad
Support to improve financing of companies	Various financing programmes, but mostly technology-oriented

Source: Prognos 2009. Research by Prognos

The comparison of support programmes provided by the Federal Government and the support needs identified by representatives of the culture and creative industries and through the analysis of research results, show a differentiated picture. There are significant differences in the support needs of the three size ranges of enterprises, concerning the needs of individual actors, as well as the identified support programmes.

Existing support programmes meet the needs of the different core branches to varying degrees. While technology-oriented segments of all size ranges find suitable support measures, this is not sufficiently the case for non-technological branches of the culture and creative industries.

Due to the heterogeneous character of culture and creative industries, gaps in the support structure must always be regarded with respect to specific target groups. Options for action must be developed for these support gaps and unsatisfied support needs in order to develop an effective support system for the development of the economic potential of the culture and creative industries in Germany. For this purpose, it is important to look at examples of good practices on the level of municipalities, *Länder* and other European countries.

4.3 Shared Identity & Marketing of Culture and Creative Industries – Internal/ External

4.3.1 Support needs

Perceiving the culture and creative industries as an economic branch of its own standing is an important precondition for the targeted approach of this branch by support measures making maximum use of opportunities for growth and potential. Different from many traditional industries, culture and creative industries consist of heterogeneous core branches with a great variety of enterprises and employees of the most diverse educational backgrounds and experiences. This special feature makes it very difficult to create a shared perception of belonging together. Representatives of the core branches are aware of the problem. This awareness, together with the knowledge that a shared identity is of great importance, has created a need to gain a shared self-perception internally, as well as externally.

Interviews with experts produced a great number of useful proposals for improving the shared identity, as well as the image of the sector and for improved internal and external marketing of culture and creative industries.

Accompanying measures like PR-campaigns and continuous media presence play an important role in this context. Some interviewees proposed an extension of the federal awards in order to create a uniform comprehensive corporate image of culture and creative industries. There are already competitions in selected areas (e.g. founders' competition in multimedia) giving awards to innovative ideas or products. Another proposal concerns the establishment of an award for culture and creative industries.

Better communication among the different core branches is another important way of improving shared identity and marketing. Each core branch should be addressed according to its characteristics and specificities. Support to organisations and associations will be important for improving communication and create a shared language among culture and creative industries. Improved political organisation of core branches of the culture and creative industries will be but a

first step towards shared identity and internal/external marketing. Due to the great heterogeneity of the sector, crosscutting organisational structures will also be needed. Cluster managers working across branches on the local or regional level must use the diversity in order to support innovative products and services. Different forms of communication across branches have been identified as another need. Representatives of the core branches see the organisation of regular hearings and thematic events as very positive and important for the development of shared identity.

Support of the dialogue between science, economy and culture is also seen as a basic need. Targeted support of crosscutting cooperation is assumed to have a high innovation potential in a crosscutting sector like the culture and creative industries, where cross sectoral and interdisciplinary work is prevailing. New alliances across branches and trans-disciplinary events show great synergetic potentials that could be further developed and utilised through cooperation projects.

Finally, it should be noted that the actors involved will only perceive such organisation structures as functional if they find recognition and are involved through maximum participation and shared responsibility. Support to proactive self-organisation in networking and marketing is seen as an essential precondition.

4.3.2 Support Programmes

At present, the *Initiative Culture and Creative Industries* is the central tool of the Federal Government to improve shared identity and marketing of culture and creative industries. Different instruments of support and communication provide programmes to enhance the understanding of the complex of branches and work towards a shared identity.

The Initiative includes the following areas:

- Hearings of branches in regions/cities with nationally or internationally important clusters of branches. These events, each concentrating on a special core branch, discuss current challenges and a diversity of topics. They also provide an opportunity for the representatives of core branches to present their importance within the culture and creative industries.
- In addition, there are hearings on topics cutting across all core branches to identify economic potentials and challenges. These meetings also help to present the sector to the wider public.
- These events and other meetings for specific branches, as well as an overall event for all core branches, will take place in Spring 2009 and will be accompanied by a press and media campaign. It will provide opportunities for the representatives of the core

branches to present their economic achievements and share about the special situation of the culture and creative industries.

- In connection with the *Initiative*, the federal awards for selected core branches have to be mentioned (e.g. Design Award of the Federal Government, German Internet Award). These awards are given to enterprises that connect artistic activities and commercial products or services and aim at making them known to the wider public.
- The Initiative also provides support to positioning culture and creative industries in the political landscape. In particular, Parliamentary State Secretary at the Federal Ministry of Economics and Technology, Dagmar G. Wöhrl, and Federal Commissioner for Cultural and Media Affairs, Bernd Neumann, lend strong political support to the culture and creative industries.

4.3.3 Relational Analysis Support Needs/Support Supply

Comparing support needs and support programmes, in the area of shared identity and marketing, shows that the Federal Initiative on culture and creative industries has addressed the problem.

Nevertheless, first experiences show that the majority of micro enterprises and freelance professionals are not (yet) reached by the programmes mentioned in Chapter 4.3.1. Participation in events and competitions seems to be, at least at present, rather low. This may be due to the lack of networking in the sector and because of its specific working and production structures.

In order to strengthen the sense of belonging to the culture and creative industries in micro enterprises and freelance professionals, there should be **additional sector-specific events**, for example a “Day of the Freelance Professional/ Micro Enterprise”. This event could also provide an opportunity to present the importance of micro enterprises to the sector, as well as to the wider public. In this context a bottom-up approach should be followed, motivating the actors to take charge of the events.

First results of support of improving shared identity and sense of belonging in the sectors have already become visible. According to the methods and instruments used by the *Federal Initiative Culture and Creative Industries*, a full coverage of the needs will only be possible once the *Initiative* is permanently established and sector discussions take place on a regular and institutionalised basis. Furthermore, the *Initiative* has not yet adequately addressed the **need for a nation-wide sector platform for culture and creative industries** to support the development of a shared identity and coordinate external marketing.

4.4 Intermediation Between Creative Actors and the Institutional Level of Support to Economy and Culture

Intermediation between the institutional level and micro enterprises is another field in culture and creative industries with great support needs. In this context, the institutional level comprises the different public and private institutions providing (economic) support at the level of municipalities, cities and *Länder*, but first of all, those of the Federal Government. In view of the great potentials of culture and creative industries with respect to value added, research has identified a special need to develop the economic potentials of micro enterprises. Besides the support needs mentioned in Chapter 4.2.1 and 4.3, a stronger network among the institutional level and micro enterprises is also needed in order to make full use of their economic potential. Various studies and interviews were evaluated in order to identify the support needs with respect to intermediation between these two groups of actors.⁶⁴

Very often, innovations (e.g. innovative services, products, competencies or processes) are not used to the economic maximum by the culture and creative industries. As the supply structure is either non-existent or too broad or not market-oriented, economic potentials remain unexploited (example: the supply structure included music lessons, band performances, sale of CDs and organisation of events without customer perspectives or economic prioritisation of the diverse markets).

The seemingly paradox appeal to the culture and creative industries “multiply diversity” describes a central characteristic of the often contradictory debate on support to culture and creative industries. In creative cultural professions the production of ever new and original perspectives is of paramount importance. Multiplying a cultural achievement, however, has often negative connotations in the cultural and creative field. Innovators are seen as important and indispensable for progress and economic success; however, the verification of economic potentials is greatly connected with the reproduction of immaterial value added.

The inherent economic potential of value chains in culture industries may gain importance through improved professionalism of the actors and intermediation between the often- hermetical structures of culture

⁶⁴ A study conducted by *Creative Business Consult (CBC)* pointed out basic conditions for approaches to the development of sustainable support measures intermediating between micro enterprises and the institutional level. This study on behalf of the cultural department of the Office of the Prime Minister of the Land of North Rhine-Westphalia will be published in the beginning of 2009. It is based on interviews with more than 80 experts from the cultural field from across the world.

and economy, and through the creation of synergies.⁶⁵ Improved **professionalism of micro enterprises and bringing them closer to providers of economic support** will be paramount to the widening and deepening of value chains in the culture and creative industries.

At present, there is no dialogue in culture and creative industries between micro enterprises and the demand side resulting from the recognition of synergetic potentials created by bringing together solutions and products of creative industries and market-oriented demand structures. The report of the Committee for the Enquiry of Culture in Germany points to the “[...] demand dimension in an economic area which is mainly a buyer’s market and where success and failure depend strongly on the consumers [...]”.⁶⁶ Constantly changing markets and shifts in the demand situation for cultural and creative ideas and products require a high degree of mutual adjustment across all core branches.

Micro enterprises in culture and creative industries are often “lone warriors”, strongly oriented towards the content side of their production and little concerned about marketing (for example: How do I acquire new, additional, or other types of customers? Are there any third parties that could help me with marketing and financing?). Measures promoting market access or exchange and networking with other participants in the market are, therefore, paramount for the economic development of micro enterprises and their coming closer to the institutional level. The **establishment of a contact point for micro enterprises** is, therefore, an essential requirement. There is, in particular, a need for measures to support micro enterprises in qualifying their markets or create new markets. This is not a support measure for the demand side in culture and creative industries – the issue is to provide support to the supply side, which then creates its own market.

Another essential requirement is often seen in supporting the dialogue among the different core branches, which usually act in total isolation. Therefore, there is a need for **information, communication and networking among all participants in the market**.

The analysis in Chapter 4.2.1 shows that existing support programmes have little effect on the development of micro enterprises in the culture and creative industries. These programmes do not fit micro enterprises for two possible reasons:

⁶⁵ The final report of the Committee for the Enquiry of Culture in Germany (Culture in Germany) states that “[...] the cultural industry has developed into a trend-setting industry with potential for growth and employment. Jobs and value added develop in this area - particularly in small and micro enterprises. They are the power centre of the cultural industry and the starting point of the value-added chain.” (Schlussbericht der Enquete-Kommission „Kultur in Deutschland“. Drucksache 16/7000, 2007, p. 7)

⁶⁶ Ibid., p. 447.

On the one hand, support providers find it difficult to develop suitable instruments and measures for the support of micro enterprises in culture and creative industries. Therefore, there is also a need to develop a **“trainee programme” for the providers of support to culture and economy.**⁶⁷ It should include new strategies to reach target groups and the development of flexible and targeted support programmes.

On the other hand, these enterprises do not do any lobbying and policy advocacy, and therefore, policy makers and providers of economic support have little opportunity to communicate with them and establish contacts. In this context, the Creative Industries Report Switzerland states: “The discussion of specific support programmes usually lags far behind the more attractive discussion of the dynamics of culture and creative industries. However, in the aftermath of a steadily growing number of culture and creative industries reports [...] policy makers and providers of economic support start raising the question “What to do?” with more and more urgency.”⁶⁸ Support to the development of micro enterprises in culture and creative industries, therefore, requires the speedy transformation of established insights into tangible and effective policy measures and into **a strengthened political organisation of the culture and creative industries as a sector.**

The analysis shows that there are three important requirements for the intermediation between the institutional level and the micro enterprises:

1. Creation of economic success of the actors
2. Social recognition
3. Cultural and creative self-fulfilment

These are essential objectives of the micro enterprises, which should be implemented in a support strategy of the Federal Government for the culture and creative industries, to be combined and used in individual ways.

At present, the Federal Government does not provide any special programmes for the needs of micro enterprises in culture and creative industries. Cultural policy support could also contribute greatly to the development of the economic potential of culture and creative industries by adapting support measures to individual artists. Measures for professional improvement could also contribute towards improved interaction between the public and private cultural sectors.

⁶⁷ Deutscher Bundestag (2007): Drucksache 16/5110 vom 25.04.2007: Antrag d. Fraktionen CDU/CSU, SPD.

⁶⁸ Weckerle, C./ Gerig, M./ Söndermann, M. (2008): Kreativwirtschaft Schweiz. Daten. Modelle. Szenen. Basel, p. 135.

Through such measures, the Federal Government could become a trendsetter in the recognition and acceptance of micro enterprises with innovation potentials on the national and international level.

4.5 General Frame Conditions

Besides the support needs formulated in Chapters 4.2 and 4.3 for the general improvement of competition and production conditions in culture and creative industries, the actors also have a great variety of demands towards general framework condition for the optimal development of the culture and creative industries in Germany.

However, the detailed analysis of such general frame conditions is not within the commission of this study, and these factors of influence will, therefore, not be part of the analysis. However, the identified issues will be formulated as suggestions for future investigation and study.

Actors in the culture and creative industries see opportunities for improving the general frame conditions, especially in education and taxation policies and in the field of legal conditions. Besides concrete measures to improve specific economic factors in the culture and creative industries, adequate frame conditions for their long-term success must be created. The competitiveness of the entire complex of branches will be strengthened if actors and enterprises of the culture and creative industries are integrated into a field that radiates positive effects.

Actors from the culture and creative industries point out that current discussions about education focus mainly on science and engineering, which are assumed to be of great (economic) importance. However, considering the enormous economic potentials of culture and creative industries, the high demand for qualified labour in this area should also receive attention. This means that training and study courses, with affinity to culture and creativity, should be newly introduced and existing courses should be checked for harmonised, quality standards. For a stronger orientation towards the economic frame conditions of the culture and creative industries, it would be advisable to establish connecting courses creating links between art and entrepreneurship.

Actors from the culture and creative industries would also like to see a stronger emphasis on the importance of structural change and sustainable urban development in public discussion. Culture and creative industries play an important role for urban development in urban economic regions. A diversity of cultural activity on the regional level contributes greatly to the attractiveness of that region. Thus, actors in the culture and creative industries contribute towards the positioning of regions as business locations, towards re-urbanisation

and towards sustainable urban development. Against this backdrop, it is important for regional policy makers and economic support providers to know the potential of culture and creative industries and support their frame conditions. Next to suitable education programmes and the improvement of local working conditions, actors from the culture and creative industries have also mentioned social policies and social security systems as important frame conditions.

In this context, the immense importance of the Artists' Social Insurance (KSK) was strongly emphasised. It provides an opportunity for freelance professionals to participate in the German social security system. However, culture and creative industries clearly develop into a profit-oriented economic sector. This causes a steady trend towards self-employment of artists and publicists, but also of other professional groups. There have already been discussions about the extension of the artists' social insurance law to other groups besides artists and publicists.

However, this solution would lead to greater legal uncertainty, because it would become much more difficult to define the differences against other freelance professionals. Extending the circle of beneficiaries also leads to financing problems. The economy, especially the creative industry as exploiter of creative works, would have to increase its contributions significantly. The main reason for the introduction of the artists' social insurance was the special importance of artists and publicists for cultural development. With the background of the increasing financial needs of the artists' social insurance, it may be risky to demand its extension to other professional groups. It may mean increased legal and financial risks for a successful system, the necessity of which is beyond any doubt.

Representatives of the branch see another possibility for improving the frame conditions for culture and creative industries, by strengthening the demand for their products and services. This could be a way of stabilizing the comparatively low incomes of the highly qualified actors in this field. Reduced VAT rates for various products and services could be a possible way. Such rates have existed for books, newspapers and journals, for many years. However, the possible effects of reduced VAT rates or a waiver for the value chain should first be discussed. It must also be asked whether strengthening the demand side really leads to the strengthening of the creative actors.

At present, market power in the culture and creative industries is mainly on the exploiters' side, leading to often inadequate remuneration for the creative act. New technologies lead to the increasing decoupling of producers and exploiters and may lead to the improved bargaining power of the creative workers, as making contact with consumers and marketing of products becomes easier. However, this remains to be seen. Fixed prices for culture industry

products or state interference into the free market should be out of the question.

Another measure in the legal field concern is strengthening the position of artists and cultural workers through amendments of the copyright law. The increasing digitisation of goods and the resulting possibilities of plagiarism call for action, especially in copyright-dependent core branches.

Copyright laws have to make sure that the owners of rights, i.e. the authors, publishers or exploiters, get adequate remuneration for the use of their works or products. This principle, which was developed for analogue media and for which successful instruments ensuring the remuneration of the rights owners were found in the past, has to be applied to digital content as well. The discussion about fair copyright laws should distinguish two important factors: More and more core branches of the culture and creative industries are faced with the unsolved problem of illegal downloads from the Internet. Besides the music and the software/games industry, photographers, designers and authors are increasingly affected by this phenomenon.

In this context, it is important that the application of existing law be enforced. The Federal Government should consider whether the congestion of German courts leads to a situation where the legal certainty of rights owners is no longer granted. Recent examples have shown that many courts are overburdened and can only deal with "serious cases". Actors in the culture and creative industries can only make a small contribution towards improving the situation. The actors will have to consider intelligent security systems and innovative distribution channels in order to, at least, reduce the amount of illegal copying of products.

A second important aspect of fair copyright concerns working in a value chain. Increasingly complex structures of value added, in the culture and creative industries, call for a regulation that is easy to handle and facilitates the fair treatment and remuneration of all actors. The copyright law is an important framework condition determining the distribution of market power and, therefore, of remuneration. The interests of the actors involved and of the core branches are often directly opposed. There is a need for more research into the question of how copyright laws should be conceptualised in order to contribute towards the maximum development of the economic potential of the culture and creative industries. It is important to find a healthy balance between the protection of intellectual property and the creative development of existing goods.

There are scopes for action in a number of policy fields for the long-term improvement of the frame conditions for the culture and creative industries. Keeping the Artists' Social Insurance, and its special model of financing, is of paramount importance. In education policy, adaptations for the improvement of competitiveness of enterprises in

the culture and creative industries are visible. Legal and fiscal policy conditions can be optimised. However, further research is needed for a final and more in-depth assessment of this field.

5. Analysis of Best-practice Support Programmes to Culture and Creative Industries on the EU Level, Länder Level and Municipal Level

The following analysis looks at successful examples of support to culture and creative industries in order to find solutions for needs identified and not yet covered by programmes of the Federal Government. The analysis focuses on the usability of the best-practice examples for Federal Government policies. It aims at identifying factors of success and deriving recommendations for action. These recommendations will then be combined with the results presented in Chapter 2 to assess possible effects on the culture and creative industries in Germany according to the scenario analysis presented in Chapter 1.

There are a great number of support programmes for culture and creative industries in Europe. The United Kingdom, the Netherlands and Austria, in particular, have developed a 'culture of support to culture (industries)' over the last decade. This led to a considerable growth of vibrant economic units on the local, regional and national level, with remarkable economic effects⁶⁹. This is also reflected in the cultural image of these countries: the UK has a reputation for being a breeding place of culture industry innovations, the Netherlands attract creative workers from all over Europe with opportunities for trans-disciplinary experiments and international cooperation,⁷⁰ and the Austrian Federal Government is seen as a trend-setter for the institutional support to actors in culture and creative industries. Germany, too, has quite a number of efficient approaches, especially on municipal and regional levels. However, these measures have seldom been evaluated, and therefore, there is little empirical data on their impact. One of the few exceptions is the *GründerZentrum Kulturwirtschaft Aachen* (Aachen Founders' Centre).

⁶⁹ See for example: <http://cida.org/stylesheet.asp?file=22032006130034> [accessed 10-09-2008]

⁷⁰ See also the Netherlands study "Die Struktur der Creative Industries in Deutschland im Hinblick auf die Möglichkeiten zur internationalen Verknüpfung" commissioned by the cultural department of the Netherlands Embassy in Germany, carried out by the German Architektur- und Kommunikationsbüro üNN.

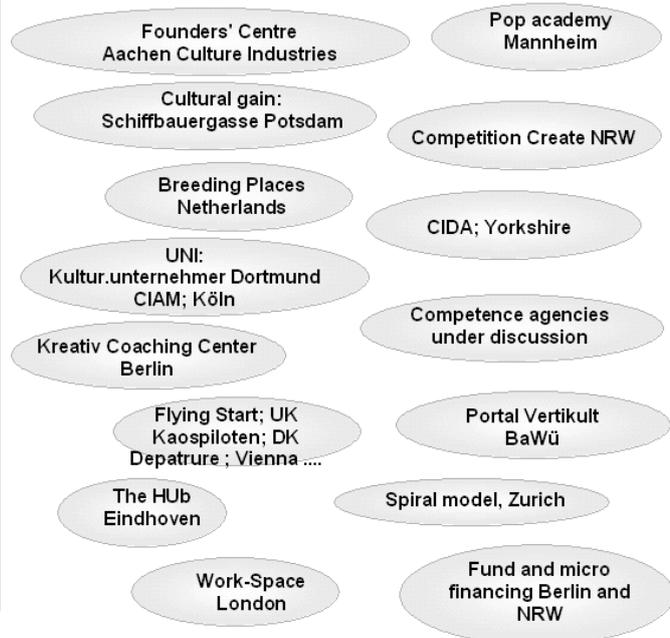
Figure 61: Analysis of support models and typology of measures for the support to culture and creative industries

Practice of support models and typology of measures Analyse der

- Infrastructure/Work space
- Project support
- Support to networks and dialogue
- Financing and business development
- Market- Making
- Branch-related vs. cutting across branches
- Improved professionalism/start-up programmes
- ...

- ⇒ **Focal question everywhere:**
- ⇒ **Who is to be addressed by the support and how?**
- ⇒ **What impact is to be achieved?**

Typology of support measures



The selection of best practices on the municipal, *Länder* and EU level reflects the heterogeneity of the sector. In the context of this study, only a few outstanding approaches can be exemplarily presented. The following structure follows the development stages of the examples or the proximity of the actors and measures analysed in the market. It is divided into three sections:

- Infrastructure
- Education & skills development
- Economic exploitation.⁷¹

⁷¹ It should be noted that some of the selected projects incorporate elements from all three areas. The classification of projects was done according to their focus.

The best-practice examples and their objectives are first presented and then assessed using a matrix of indicators.

The matrix consists of five assessment criteria on a scale from 1 to 13. The first criterion assesses the state of implementation of the respective project. As it is difficult to assess the impact of projects in their initial stage, low marks in this area cannot serve as an indicator for recommendations of action; in these cases the Federal Government should continue to observe the implementation process.

The second criterion of the matrix assesses the acceptance of the project by the creative scene. The assessment is based on statements of project executing organisations concerning the degree of reaching the target group, and on interviews and analyses of the respective target groups. Chapter 4.2 pointed out that the reachability of target groups is a problem; therefore, this criterion is an especially important indicator for assessing a project.

The third criterion deals with the actual impact of the best-practice example. Besides assessing the impact on the target groups, it compares how the support measures match the support needs of the culture and creative industries identified in Chapter 2.

The fourth criterion analyses possible courses of action resulting from the best-practice examples for the Federal Government. Possible courses of action range from the adaptation and implementation of projects by the Federal Government to merely communicative support to projects, e.g. through partnerships/sponsorships or presentations in the framework of the *Initiative Culture and Creative Industries*. Projects with particularly suitable ideas for action in the Federal Government were given three ticks.

The fifth criterion, "synergy effects centrally provided by the Federal Government," analyses from the point of view of regulatory policy, whether a project should be implemented, provided the principle of subsidiarity was applied. Projects scoring high marks can be much more easily executed by the Federal Government than by regional or local levels. This assessment of the projects will be helpful later on in determining the efficient role distribution among Federal Government, *Länder* Governments and municipalities.

Discrepancies between criteria No. 4 and 5 indicate whether the Federal Government should become active itself or whether regional executing organisations would be better suited to give impulses to projects or initiate them. Where Criteria 4 and 5 are both positive, the project could be adopted by the Federal Government.

5.1 Infrastructure

5.1.1 Kulturgewerbequartier Schiffbauergasse [Centre for Cultural Enterprises Schiffsbauergasse], Potsdam

Kulturgewerbequartier Schiffsbauergasse in Potsdam integrates cultural events and cultural enterprises in the same location, connecting artistic and cultural activities with a variety of commercial functions. The location also aims at providing important touristic impulses to the city.

In connection with the construction of a new building for the municipal theatre, a centrally located plot in the middle of Potsdam, on the banks of the river Havel, was developed for this purpose. There was already some cultural infrastructure, e.g. the Off-Theatre Factory or the event/artists house *Waschhaus*, to which some new buildings were added. Next to the superb architecture of the new theatre building, directly on the river, a new concert hall, a gallery and office buildings for a number of cultural associations were constructed. This enhancement of a formerly totally neglected city area led to the creation of a touristic attraction and the local concentration of artists and cultural workers in the city.

Attracting companies from the knowledge- economy, who were looking for urban and, at the same time, 'inspiring' business locations, was a second pillar of this centre for cultural enterprises. The centre was successful in attracting the VW Design Centre with about 50 designers, IT experts and modellers and the Potsdam office of Oracle, a software company employing another 110 people. More businesses followed, most of them smaller firms like event agencies and expensive restaurants. This is an example of the successful transformation of an industrial wasteland, situated in the area of the old city port and a former coke plant, into an urban location determined by creative and cultural workers.

The third pillar of this cultural business centre was the establishment of an agency with qualified staff providing support to the networking of cultural workers, as well as a coaching and training measure for the mutual strengthening of culture and business. This measure, initiated by INNOPUNKT, a programme of the *Land* (with additional support from the European Social Fund), provides support to the marketing of cultural products and to the start-up of businesses. The consultants of INNOPUNKT concentrate on three areas: 'art in founding' (support to marketing, financing and management of cultural productions), 'culture enterprise' (seminars, coaching on business orientation of cultural institutions) and 'network cultural industry' (artist agencies, facilitating contacts of artists and enterprises).

The concentration of these three rather diverse segments in the same location has proved to be a very successful concept. On the one

hand, the location became a new touristic attraction in the city and received a lot of publicity through the establishment of important new companies. On the other hand, the demand for consulting services for artists and cultural workers had been grossly underestimated. Almost 150 participants have used the services of the agency since its establishment. INNOPUNKT supported more than 40 cultural entrepreneurs to start or stabilise their businesses.

Moreover, INNOPUNKT consultancy was able to establish a great number of informal contacts and sensitise artists for the economic exploitation of their art. Cooperation projects between artists and business were also developed, e.g. through a cultural programme for a company party of Oracle and the artistic decoration of a hotel. The successful concentration process led to the idea of setting up a centre of competence for art and culture.

Support funds from the European Regional Development Fund (ERDF), the Federal Government, the *Land* and municipal funds were intelligently combined and supplemented by private investments to transform the site.

Enhancement and transformation of industrial wasteland through business development is a standard strategy of urban development. The transformation of the Potsdam Schiffbauergasse shows that the consequent orientation of such restructuring measures towards a healthy mix of culture and creative industries can be very successful under certain conditions.

Table 23: Assessment Kulturgewerbequartier Schiffbauergasse

Assessment				
<i>Kulturgewerbequartier Schiffbauergasse</i>				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Gvt.	Synergy effects if adopted by Federal Gvt.
+++	++	++	++	+

Support measures for the *Schiffbauergasse* project were started several years ago. Therefore, the assessment is sufficiently backed by experience. High acceptance by the creative community is indicated by the fact that 150 persons received support. The number of 50 newly established businesses also shows a positive impact. The support measure is also suitable for deriving possible courses of action. However, as no special synergy effects are to be expected if the measure is provided on the federal level, it should not be directly adopted by the Federal Government. The Federal Government should

instead provide support to organisations carrying out similar programmes on the regional level.

Factors of Success

- Integrated conceptualisation by project executor and coordinated implementation by INNOPUNKT.
- Proximity of major cultural/creative enterprises and micro enterprises/freelance professionals opened new avenues of cooperation and collaboration.
- Intelligent combination of financial support from different portfolios and different sources.

5.1.2 Leipziger Baumwollspinnerei [Leipzig Cotton Spinning Mill]

The slogan “From Cotton to Culture“ adequately summarises the development of this former factory site of about eight hectares in size. From 1884 to 1990 it accommodated a large factory. Thanks to a well-balanced concept, this Wilhelminian-style factory building became a home to galleries, craftsmen and painters. Mainly due to the initiative of the artists to whom it provides inexpensive and centrally located studios, the site gradually became a top address in the international art scene. Today it accommodates 80 studios and eleven galleries, plus more facilities for offices and shops.

The importance of the Leipzig Cotton Spinning Mill, for the international art scene and international art collectors, is partly based on the fact that it is home to the so-called “Neue Leipziger Schule,” whose art works are traded at top prices in the international art market. Its most popular representative is Neo Rauch.

But the vast area of the Cotton Spinning Mill is not reserved to artists alone. Renting out suitable office and business space to enterprises from the creative field is an important part of the concept. Besides a number of craft enterprises and a computer retail store, there are today a great number of architectural and engineering offices, designers, printers, musical instrument makers etc. Besides galleries and exhibition spaces, there are a total of 65 smaller and medium sized businesses. 110 jobs have been created on this site since 2002. Out of a total business area of 70,000 square meters, 30,000 square meters had been rented by the beginning of 2007.

The property management firm responsible for renting out space and marketing the site is also the intermediary for the different branches. The managers of the property management firm have an artistic or creative background and know the special needs of the field very well. Instead of carrying out an elaborated and expensive renovation of the buildings, the managers have, for example, concentrated on the modernisation of important facilities like sanitation and power supply.

This kept the rents low and preserved the character of the Wilhelminian-style buildings. Overall investment into the modernisation of the buildings amounted to several million Euros.

This concept is remarkable for the very modest amount of financing support it received. It is based on the private initiative of artists and cultural workers who discovered the site for their purposes. In the beginning, the rent was paid by the municipality; starting from 2002 they were rented by a private real estate firm. According to the investment company, there are no plans of transforming the area into luxury apartments and expensive shops, as has been the case so often in similar situations.

Establishing attractive, low-rent locations for world renown artists, together with creative businesses, has proven to be a very successful concept in Leipzig. Internationally renowned galleries like Fred Man or Pierogi have established dependencies, and the number of exhibitions, as well as the number of artists working there is on the increase.

The cultural business location, Cotton Spinning Mill, has also had a number of positive side effects. The city of Leipzig has benefited from the image improvement and gained another tourist attraction. The concentration of cultural and creative establishments in one place has had a couple of synergy effects. The central business location for crafts, artistic products etc. facilitated marketing and advertising and, therefore, made contact with potential customers.

The example shows that creative industry areas with a strong market potential can create infrastructures and business environments of their own accord. In order to empower actors of the culture and creative industries to realise similar concepts, federal support through start-up financing, or the provision of guidelines and consultancy, could be adequate and helpful.

Table 24: Assessment Leipzig Cotton Mill

Assessment				
Leipzig Cotton Mill				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Govt.	Synergy effects if adopted by Federal Govt.
Support	+++	++	+++	+

Support measures for the Cotton Spinning Mill project were implemented in 2002. The assessment is, therefore, based on ample experience. The acceptance by the creative scene is shown by its reputation in the international art scene. Therefore, acceptance received three marks. 65 enterprises established their businesses on the site, showing a positive impact. However, quite a number of premises are

still unused, and therefore, impact received only two marks. Due to the acceptance by the creative scene and the positive impact, the project is a best-practice model for support to culture and creative industries. However, as there are no synergy effects to be expected if the project is implemented on the federal level, it should not be directly adopted by the Federal Government. As in the previous case, the Federal Government should support organisations running similar projects on the regional level.

Factors of Success:

- Integration of actors into concept development and project implementation.
- Intelligent use of financing support for start up, application of 'self-help-principle.'
- Solutions across portfolios of economic support and sustainable urban development created an adequate atmosphere for successful contemporary art from Leipzig.
- Upkeep of independence, because government support was kept to a minimum. Restricting renovation work to the most indispensable measures kept rents low and facilitated an interesting mix of businesses.

5.1.3 Kulturschiene Barnim [Barnim Cultural Rail]

The initiative "Barnim Cultural Rail" appeals to artists and cultural workers to take over unused railway stations along little used or disused railway lines and fill them with cultural life. Inoperative railway sections are also available for artistic and cultural use.

Barnim Cultural Rail is a project of the economic and touristic society of the county of Barnim (situated in the north-east of Berlin), jointly financed by the European Social Fund and the *Land* Brandenburg. The project is part of a campaign by LASA Brandenburg called INNOPUNKT 14. Local business people, representatives of the county, cultural workers, tourism companies and railway corporations participate in the project.

The initiative consists of four projects, all making use of former or still operational railway infrastructure. Well developed hiking and biking touristic activities in the region make frequent use of the railway infrastructure.

One of the projects is integrating art and culture into the development of railway stations. A number of railway buildings in the county were transformed into exhibition spaces, theatres or performance venues. The former *Kaiserbahnhof Joachimsthal*, a protected historic site, was

transformed into a so-called ‘radio play station’ where radio plays, readings and performances of local artists and musicians take place.

The projects also include cultural festival events in railway stations. involving local artists. -The town of Eberswalde organised a festival of illuminations. In another project, artists from the region designed the interior and exterior of a rail car.

The fourth project connects railway stations and railway lines to cultural heritage sites. Numerous contact points have been created along the central railway line of the county, and guided tours are provided.

The initiative improves the cooperation between artists and railway corporations. The project provides opportunities for artists and cultural workers to test the marketability of their products in highly frequented venues. The cultural train facilitates networking of artistic products and services and cultural heritage sites, thus improving the attractiveness of the region. Well-placed advertising directs travellers towards producers of culture presenting and selling their goods. The alliance of railway corporations, artists, regional business and cultural institutions leads to the development of business potentials and creates a distinctive image for the county as a culture and tourism region. The project created or stabilised (self-) employment for a total of 35 artists and employees from at least ten different enterprises.

The connection of tourism, industrial wasteland and artists/creative individuals proved to have a strong potential for the improvement of the regional economy. The concept can be transferred to other regional contexts and help to integrate regional actors in the culture and creative industries.

Table 25: Assessment Kulturschiene Barnim [Barnim Cultural Rail]

Assessment				
Kulturschiene Barnim				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Gvt.	Synergy effects if adopted by Federal Gvt.
+++	++	+	+	+

The support measure ‘Barnim Cultural Rail’ was implemented in connection with the INNOPUNKT 14 campaign and has, therefore, collected sufficient experience for assessment. Acceptance by the creative scene is shown by the participation of creative enterprises and receives two points. The support effect of the project strongly depends on the strengthening of demand for cultural products and

their marketing in the region. Therefore, there are some positive solutions for support needs identified in the analysis. As many of the conditions in this project are very specific, it has only limited value as an example of best-practices. As there are no synergy effects to be expected if the project is implemented on the federal level, it should not be directly adopted by the Federal Government. The assessment comes to the conclusion that the Federal Government should support such projects through public relations measures.

Factors of Success:

- New ways of using railway stations, railway tracks and railway territories, most of them centrally situated in an attractive touristic region
- Revaluation of wasteland close to town and city centres
- Close cooperation between artists, policy makers and railway corporation
- Combination of various objectives of support to tourism, urban development etc.

5.2 Education and Skills Development

5.2.1 Mannheim Pop Academy (founded 2003)

In order to develop the potential of culture and creative industries more adequately, the Land of Baden-Württemberg and the City of Mannheim have jointly created a music industry cluster reflecting the entire range of the value chain in this branch.

The "Mannheim Model" is a unique combination of a newly created college for popular music and a centre for business start-ups, called the *Musikpark*. The college currently trains 178 students in two study courses: music business and pop music design. It also offers a great number of training measures for artists and creative individuals.

The business start-up centre, situated next to the college, provides business space for 47 firms, which together provide about 120 jobs. These enterprises cover all important areas of the music industry. In addition, there are targeted consulting services for business start-ups, financial support and artists.

Once the infrastructure was in place, municipal support paid more attention to promoting young talents, which has now become a focal point. Music schools, cultural institutions and youth centres are supported and networking with the college is facilitated.

The so-called pop-commissioner of the City of Mannheim is the direct contact partner for college, businesses and arts scene. Due to his excellent contacts with all parts of the music industry, he is responsible for creating networks, improving mutual understanding and representing the interests of the local music industry in- and outside of the city. A committed, renowned and charismatic personality is of great importance for this job.

The economic viability of artists and their products has been an important issue in the concept of the college. The business start-up centre is, therefore, planned as a spin-off of the college. It facilitates knowledge- transfer between students and graduates on the one hand, and established enterprises on the other. Internships, project seminars and employment of college graduates create a steady flow of knowledge between the college and the enterprises of the start-up centre. The involvement of private enterprises in the financing of the college shows that they benefit from it. Besides financial funds from the *Land* and the municipality, a number of private enterprises contribute to the financing of the college.

The success of the "Mannheim model" is shown by a number of projects emulating the concept, e.g. the *Musikhaus St. Pauli* and the *Dortmund Music Mall*. However, none of these projects include the direct connection between a music college and the music industry.

The success of the project is also shown by its good acceptance in the culture and creative industries. Actors of the culture and creative industries do not only appreciate the proximity of the most diverse music service providers, but also the relatively low rents and the attractive environment. Due to the superb architecture of the *Musikpark* and its attractive situation directly on the banks of the river Neckar, facilities in this centre are in very high demand (capacity utilisation 100%). Places at the college are also very much sought after. According to the dean of the college, the establishment of these two complementary institutions led to the creation of viable local networks. The establishment of music industry enterprises also makes it possible for graduates to stay in the region.

A growing number of artists and cultural workers have moved to the city quarter where the music cluster is situated. This contributes to the gradual revaluation of this social problem area with high rates of youth unemployment. As there has been no evaluation, the economic effect cannot be quantified at this stage. A significant positive effect is, however, quite obvious.

Table 26: Assessment Mannheim Pop Academy

Assessment				
Mannheim Pop Academy				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Govt.	Synergy effects if adopted by Federal Govt.
+++	++	+++	++	+

The assessment shows that the implementation is complete and sufficient experiences have been gained. It is obvious that the close interrelation of college education and business initiative in a narrow field of the culture and creative industries led to new impulses to the economy, and also to urban development. The acceptance by the creative scene and the impact of the support show that this project has contributed greatly to the development of the culture and creative industries in Mannheim.

It is, however, not easy to transfer such projects entirely to other regions. Nevertheless, there are comparable regional opportunities for development in other core sectors of the culture and creative industries, e.g. concerning the importance of the town of Jena for internet services or the city of Potsdam as an attractive location for script writers and TV producers. Recommendations of action for the federal level are derived from the fact that these examples promote regional core competences. However, it is not recommended that the Federal Government adopt and implement such projects directly. It should play a multiplying role, making such regional projects better known and initiating new ones.

Factors of Success

- Vicinity and close institutional interconnection between practice-oriented studies (pop academy) and music industry.
- Strengthened knowledge- transfer through business start-ups out of the college and transfer of graduates into the local music industry.
- Strong support by the municipality and the *Land*.

5.2.2 Departure-experts: Consulting Platform for Creative Industries Enterprises in Vienna

Professional support and examination from an outside perspective are indispensable for the sustainable development of all enterprises. Young enterprises in the culture and creative industries need this support even more, as their sector is characterised by rapid development and a great diversity of opportunities.

“departure_experts,” a Vienna-based economic support organisation, created a platform where creative workers find specific

advice from experts and mentors of the creative industries. The profiles of about 70 experts can be retrieved from the website <http://expertenpool.departure.at>. Experts from business and management consultancies, marketing, PR, advertising and tax consultancies are represented, but there are also experts from special branches making their knowledge in areas like fashion, music, design, art market and architecture available. Although the experts' pool was established in connection with the local support programmes, it is publicly accessible.

The experts are included in the data base for a period of three years. Their inclusion is approved by a special committee. The list of available experts is evaluated and updated on a regular basis.

The pool of experts is used for the Vienna-based support programme "departure_experts." The project was developed to meet the special need of enterprises in the culture and creative industries for specific counselling and training. The programme supports the development of micro and small enterprises through the qualified know-how of experts. Enterprises receive a voucher for consulting services of up to 15,000 Euros to buy external knowledge. The approach of "departure_experts" puts special emphasis on the importance of the exchange of knowledge and knowledge advantage.

Six different areas of consultancy have been identified, ranging from the evaluation of existing business concepts to the development of distribution and marketing strategies, organisation and management consultancy to classic mentor services.

Expert-Speed-Dating is another concept of "departure_experts" to lower the inhibition threshold of creative business people to take up contact with consultants. Selected experts are available for young entrepreneurs for a limited time during an evening. They can thus get first hand advice and tips for their enterprise, make informal contacts and exchange knowledge.

In a sector like culture and creative industries, which typically develops innovative products and services, consulting services and knowledge- transfer are essential factors of success. Making contacts with competent experts, easily available for business people and founders in the culture and creative industries, is therefore of great importance. An easily accessible data base of experts, combined with an opportunity to read the assessments of other entrepreneurs from the fields is an easy and effective form of giving support to young business people. The creation of a uniform platform is a recommended option for the Federal Government, as the central provision creates significant synergy effects.

Table 27: Assessment of "departure_experts"

Assessment				
„departure_experts“				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Gvt.	Synergy effects if adopted by Federal Gvt.
+++	++	+++	+++	+++

"departure_experts" has already been implemented, and the experts have started their consultancy work. Therefore, there is a sufficient amount of experience to assess the support measure. The measure has been well received by actors in the creative field. A wide range of experts address the support needs identified in Chapter 2, very well. The impact is very positive. Due to its acceptance by cultural and creative actors, the support measure may serve as an important example of best practice for support to culture and creative industries. Due to its high synergy effect in the case of central implementation, its direct adoption by the Federal Government can be recommended.

Factors of Success:

- Wide range of experts from a variety of relevant areas, evaluated by an institutionalised process on a regular basis. A great number of experts from all core branches of the culture and creative industries are available.
- A number of special events help to lower the inhibition threshold of using consultancy services.
- The data base of experts' profiles is publicly accessible and open for recommendations.

5.2.3 Aachen Founders' Centre Culture Industries and Programme *Kulturunternehmen!*

Since 2004, the Aachen Founders' Centre Culture Industries provides advice for business start-ups. The programme includes initial consulting before the start-up and accompanying consulting. It also supports networking of creative workers in the region.

The training programme 'Kulturunternehmen!' [a play with words, meaning 'Cultural enterprise' as well as 'venture into culture!'] is the most important offer of the Founders' Centre. Selected creative individuals receive opportunities to improve their entrepreneurial skills. The first step in the application process is an interview with the management of the Founders' Centre. If the interview shows that there is a need for intensive counselling and good prospects of success, the creative worker is accepted into the programme *Kulturunternehmen!*.

The participants are addressed as independent entrepreneurs from the very beginning, even though most of them do not yet perceive themselves in that way. The approach of the programme leaves it to the future founders to develop their own strategies and measures. This helps the participants to exercise themselves in business decision making. Leaving the theoretical level and going into practical exercises is an important quality of the programme. The main counselling method consists of individual discussions. This helps to create an atmosphere of mutual trust where new ideas can develop.

Individual coaching and shared workshops are at the centre of the programme. Consultants often question the ideas of creative workers with respect to their economic viability. They are frequently confronted by prejudice and ignorance when searching for realistic solutions for improving the situation of the participants. The counselling aims at fighting these prejudices by practical experience from economic life.

Table 28: Economic effects of the Aachen Founders' Centre Culture Industries

Economic Effects
Aachen Founders' Centre Culture Industries Start 2004, evaluation after one year (June 2004 to June 2005):
<ul style="list-style-type: none"> ■ 185 initial consultancies ■ 53 further consultancies ■ 21 jobs created and stabilised ■ 56% of participants declare annual profits between 10,000 and 40,000 after the consultancy ■ Best-Practice on EU level, multiplication is under discussion

Source: Kulturwirtschaft in Aachen. Potenziale einer Stadt. Aachen o.J.[Culture industries in Aachen. Potentials of a city, without year]

Quarterly workshops for participants to present business ideas, to talk about problems and challenges and to exchange advice with others, are other focal points of the programme. The emphasis here is also on strengthening the business skills of the young cultural entrepreneurs by letting them find their own solutions. Looking at the challenges faced by others helps them to recognize the nature of their own problems. As the participants are all in different phases of the founding process, this knowledge- transfer works well. The project has become a best-practice model on the European level, known as 'Aachen Model.' The cities of Nantes and Anger are presently in discussion about whether to adopt this model. On the European level, the Founders' Centre also works with the Economic Clusters of Cultural Enterprises network (ECCE) and functions as project director for the European programme for trans-national cooperation, Interreg.

The training approach of the Aachen Founders' Centre is optimally adapted to the specific needs of cultural workers. Openly addressing the often prevailing prejudice against economic rationality is an important factor of success. The project also shows that empowerment and the creation of trust in one's abilities is of great importance for the success of qualifying measures. The conclusions are also relevant for the hesitation to access support measures of the Federal Government, which should not be forgotten. The project also shows that the success of support measures does not only depend on selecting the right content; the manner of addressing actors in the culture and creative industries is also of great importance. The multiplication of this project on regional levels is, therefore, a possible course of action for the Federal Government.

Table 29: Assessment GründerZentrum Kulturwirtschaft Aachen e.V.

Assessment				
GründerZentrum Kulturwirtschaft Aachen e.V.				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Gvt.	Synergy effects if adopted by Federal Gvt.
+++	++	+++	++	++

The Aachen Founders' Centre Culture Industries has already been implemented, and there is a sufficient amount of experience to assess the support measure. The measure has been well accepted by creative actors in the region. A wide range of experts address the support needs, especially of micro enterprises listed in Chapter 2, very well. The impact can, therefore, be seen as very positive. Due to its acceptance by cultural and creative actors, the support measure may serve as an important example of best-practice for support to culture and creative industries. As central implementation of such creative industries centres by the Federal Government would not produce significant synergies, the Federal Government should concentrate on support to such regional centres.

Factors of Success:

- Intermediation between actors and institutional level increases impact of support.
- Special strategies to address actors in culture and creative industries lower inhibition thresholds and reduce prejudice against economic support.
- Strengthening of business skills through special consulting approach.

- Improvement of professional skills resulting in less prejudice against economic rationality.

5.2.4 Ideenlotsen Bremen [Bremen Ideas Pilots]

The consulting service 'Ideenlotsen' has been in existence since 2007. It addresses freelance professionals in creative industries in the region of Bremen. The consulting service aims at helping individuals and supporting the development of business skills and creativity. It also aims at creating, developing and securing jobs in the creative branches.

The 'Ideas Pilots' are a joint programme of BIG Bremen - Economic Development and the centre for rationalisation and innovation of the German economy (RKW), aiming at management and organisation development for micro enterprises. The programme is supported by the European Commission through the European Regional Development Fund (ERDF).

The programme provides coaching and workshops for founders and entrepreneurs from culture and creative industries to enable them to work out sustainable ideas and develop their enterprises.

The support measure addresses various target groups. Its consulting services address established enterprises in the core branches of the culture and creative industries and also potential founders in these branches.

As many cultural and creative workers have reservations against economic support, the economic consulting focuses on the individual cultural and creative concepts of the (cultural) entrepreneurs. Thus, participants may find their own access to their entrepreneurial role. Targeted and individual consulting services and workshops facilitate the analysis of business processes and develop practical, individual strategies for business start-up, stabilisation and economic growth.

Table 30: Economic effects of "Ideenlotsen Bremen"

Economic effects
"Ideenlotsen Bremen", start 2007, evaluation after one year (April 2007 to March 2008):
<ul style="list-style-type: none"> ▪ 207 requests for consulting ▪ 152 initial consultancies ▪ 41 further consultancies ▪ 53 jobs created and stabilised

Source: Internal evaluation CBC/Ideenlotsen

The programme offers coaching on a regular basis. Here, the consultants carry out individual personal consulting of about one hour's duration in cooperation with established entrepreneurs. The network consists of selected outstanding consultants from culture and creative industries, experienced in the implementation of similar successful projects. Depending on business development and support needs, enterprises can take part in several such coaching, or new businesses can be included.

In addition to its individual consulting service, the programme also offers quarterly workshops for selected participants. Guided by a moderator, they present their development, exchange experiences and engage in discussions.

"Ideenlotsen Bremen" combines two important factors of success for training founders in culture and creative industries. On the one hand, consultants from the specific branches and with a similar background address the actors in culture and creative industries. On the other hand, the transfer of know-how is facilitated by "pilots", i.e. experts from the core branches.

Table 31: Assessment "Ideenlotsen Bremen"

Assessment				
"Ideenlotsen Bremen"				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Gvt.	Synergy effects if adopted by Federal Gvt.
+++	++	+++	+++	+++

"Ideenlotsen Bremen" has already been implemented, and there is a sufficient amount of experience to assess the support measure. The measure has been well accepted by creative actors in the region. The combination of consulting services, professional improvement and reduction of inhibition thresholds addresses the support needs in Chapter 2, especially of micro enterprises. The impact can be seen as very positive.

Due to its acceptance by cultural and creative actors, the support measure may serve as an important example of best-practice for support to culture and creative industries. Due to its high synergy effect in the case of central implementation, its direct adoption by the Federal Government can be recommended.

Factors of Success:

- Combination of two support strategies, namely skills development through workshops etc. and a mentoring model.
- Quality assurance in selection of mentors ('pilots').
- Direct approach and decreasing prejudice against economic rationality improves economic integration of creative workers.

5.2.5 Cultural Industries Development Agency (CIDA), London⁷²

CIDA was founded in 1999 and provides support to cultural and creative businesses, marketing development and creation of jobs. As a partnership organisation, it is funded by the Arts Council of England, the European Structural Fund (ESF, ERDF) and many others. Its activities are centred in the London region.

CIDA provides a number of support measures and services for culture and creative industries. These are consulting services for business and organisation development, financing support, provision of information platforms, development of value chains and clusters and the creation of networks, to name just a few. Workshops, information meetings and conferences support the transfer of knowledge.

CIDA is an umbrella organisation for numerous projects with a variety of thematic, regional or local focuses, including the following:

Creative Space Agency

Public-private partnership organisation to identify potential temporary or permanent spaces for offices, exhibitions and events in London for creative individuals, enterprises and organisations from creative clusters, also facilitating networking.

Creative Business Club

This regular event offers panels with experts, innovators and experienced practitioners for freelancers and businesses from culture and creative industries.

Creative Links Expo

This annual fair lasts several days and provides opportunities for freelancers, micro enterprises and established small and medium enterprises. Workshops, seminars, discussions and other events like movie screenings or design shows take place alongside the fair. Information, presentations and services of enterprises are made available on a networking internet platform to facilitate direct exchange and to make new contacts.

A comprehensive approach uniting several components for support to the culture and creative industries is at the centre of CIDA's support and contributes greatly to its success. The high economic relevance of culture and creative industries for the metropolitan region of London requires powerful support organisations that can also function as nodes in the network of actors. In the Federal Republic of Germany, the implementation of similar agencies would be especially

⁷² <http://www.cida.co.uk>

effective in regions where the culture and creative industries contribute a high share towards value added, in order to strengthen the activities and create networking among the core branches.

Table 32: Assessment CIDA, London

Assessment				
CIDA, London				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Govt.	Synergy effects if adopted by Federal Govt.
+++	+++	+++	+++	+++

CIDA, London has already been implemented, and there is a sufficient amount of experience to assess the support measure. The measure has been well accepted by creative actors in the region. The comprehensive approach addresses a wide range of the support needs identified in Chapter 2. The impact can be seen as positive.

Due to its acceptance by cultural and creative actors, the support measure may serve as an important example of best-practice for support to culture and creative industries. Due to its high synergy effect in the case of central implementation, the implementation of a nationwide platform by the Federal Government can be an important course of action.

Factors of Success:

- Mixture of initiative approach and practical measures of support for the culture and creative industries.
- Comprehensive, inter-related support approaches.
- Strong networking activities of actors in the culture and creative industries.
- Public-private partnership activities assure networking and participation of micro enterprises and freelancers.

5.2.6 Creative Industries Development Agency (CIDA), UK

This organisation, based in Huddersfield, UK, has grown to be the largest independent national organisation for the support and development of the culture and creative industries. The total amount of project funds grew from GBP 200,000 (EUR 250,000) in 2000, the year of its inception, to one million GBP (1.3 million Euros) in 2005. All of the 18 staff members have a culture and creative industries background and bring their practical experiences into the support programme. Objectives include:

- Facilitate access to the sector of culture and creative industries and development employment perspectives.
- Provide support to the professional improvement of entrepreneurs and enterprises.
- Support freelancers and micro enterprises through consulting services and networking.
- Create growth of the sector.
- Develop the cultural diversity of the sector.

Support and consulting services include:

- Supply of information and individual support through phone hotlines, a newsletter and internet-based portals for information and networking.
- a great number of regular events (panels, workshops etc.) with local, national and international experts.
- Organisation of and integration into numerous contests and competitions for culture and creative industries
- Individual coaching and consulting adapted to specific situations and locations for freelancers, entrepreneurs and policy makers.
- Cooperation and projects with several national and international support programmes in the area of culture and creative industries, e.g. the UK economic support programme Local Enterprise Growth Initiative (LEGI) and the European network Economic Clusters of Cultural Enterprises (ECCE).

Table 33: Economic effects of the Creative Industries Development Agency (CIDA)

Economic effects
Creative Industries Development Agency (CIDA), start 2000, impact up to now (2000 to 2008):
<ul style="list-style-type: none"> ▪ 2893 businesses supported ▪ 348 businesses founded ▪ 643 jobs created and stabilised

Source: www.cida.org [accessed 09-09-2008]

Table 34: Assessment Creative Industries Development Agency (CIDA), UK

Assessment				
Creative Industries Development Agency (CIDA), UK				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Gvt.	Synergy effects if adopted by Federal Gvt.
+++	++	+++	+++	+++

CIDA, UK was already implemented in 2000, and there is a huge amount of experience on the side of the actors and on the institutional level to assess the support measure. The measure has been well accepted by creative actors in the region. The comprehensive approach addresses a wide range of the support needs identified in Chapter 2. The impact can be seen as positive. Due to its acceptance by cultural and creative actors, the support measure may serve as an important example of best-practice for support to culture and creative industries. Due to its high synergy effect in the case of central implementation, the implementation of a nationwide platform by the Federal Government can be an important course of action.

Factors of Success:

- Coordinated and well-balanced initiative for the support to culture and creative industries.
- Simultaneous consulting services on venture capital lending increase prospects of success.
- Consulting services are also available to enterprises of the culture and creative industries that received capital investment from other investors.

5.3 Economic Exploitation

5.3.1 Advantage Creative West Midlands Ltd.

Advantage Creative West Midlands was established as a public-private partnership in 2003 and aims at the development of the culture and creative industries in the region. The organisation offers consulting services for enterprises as well as investment funds. It is divided into two sub-organisations, Advantage Creative Fund and Advantage Creative Services.

At its inception in 2003, Advantage Creative Fund was the first ever capital fund for creative industries. A capital volume of GBP 5 million

for the period 2003 to 2005 was financed by public funds from the European Fund for Regional Development, ERDF, the regional economic support organisation Advantage West Midland (AWM) and the Arts Council England. The organisation aims at supporting the culture and creative industries in the West Midlands region of the UK through investing into enterprises.

A business plan, which can be compiled with support from the organisation, is submitted by individuals or enterprises. On this basis, the organisation decides on loans of up to GBP 250,000. Start-up projects from the culture and creative industries can apply, as well as established enterprises. The organisation is not-for-profit and re-invests profits from successful investments.

Advantage Creative Services has a wide range of consulting and services, including consulting on:

- Development of business plans
- Strategic enterprise development
- Acquisition of funds and consolidation
- Specific questions concerning individual branches.

There are also consulting services for enterprises after having received investment loans from the Advantage Creative Fund or other investors.

Table 35: Economic effects of Advantage Creative West Midlands

Economic effects
Advantage Creative West Midlands, start 2003, impact until now (2003 to 2008):
<ul style="list-style-type: none"> ▪ Investment volume of 5 million GBP ▪ 70 investments in 52 enterprises ▪ Additional ERDF funds granted in 2008

Source: www.advantagecreativefund.co.uk [accessed 09-09-2008]

Table 36: Assessment Advantage Creative West Midlands

Assessment				
Advantage Creative West Midlands				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Gvt.	Synergy effects if adopted by Federal Gvt.
+++	++	++	++	+++

Advantage Creative West Midlands started in 2003 and will be continued beyond 2008. Evaluation results show that the support has been well accepted by the creative actors in the region. It addresses a wide range of the support needs listed in Chapter 2. Due to its acceptance by cultural and creative actors, the support measure may serve as an important example of best-practice for support to culture and creative industries. Due to its high synergy effect in the case of central implementation, the implementation of a nationwide platform by the Federal Government can be an important course of action.

Factors of Success:

- Transfer of bank know-how in the area of venture capital lending to enterprises in culture and creative industries.
- Simultaneous consulting services on a variety of topics increase prospects of success.
- Consulting services also provided to enterprises of culture and creative industries that received capital loans from other investors.
- Participation of the initiative in enterprises strengthens connection and lowers prejudice against the institutional level.

5.3.2 'PRODUKT trifft Kunst' [PRODUCT meets art] – Municipality of Werl

The small town of Werl (situated east of the Ruhrgebiet) has defined an overall strategy for economic and urban development, including actors from all areas of industry and trade. The project 'PRODUCT meets art' was developed in this context in the spring of 2007. It is implemented in cooperation with the local art and culture association and the economic circle of Werl. It aims at creating contacts between economy and creative individuals and enterprises in the town of Werl. The participating artists use selected products of enterprises from Werl to create a diversity of art. 16 artists and 12 local enterprises participate in the project. It is financed by the municipality of Werl.

Both sides bring their specific activities, skills and know-how into the project. According to the project group, artists are granted absolute creative freedom; there are no specifications. This leads to the creation of art reflecting the creative diversity of the art scene on the one hand, and the profile of local business community on the other.

A great variety of cooperations have been created. A photographic work resulted from the cooperation with a local producer of baking ingredients, a sculpture was created in cooperation with a factory

producing steel pipes, and another sculpture resulted from the cooperation with a local firm specializing in marble.

The "art products" thus created, were presented in a vernissage. The artists were given an opportunity to describe their work and the cooperating firms presented their products, their areas of usage and technologies. After the vernissage, the art was exhibited in selected shops in the town centre of Werl to present them to the wider public of passers-by and customers. At the end of the project, all 20 works of art were auctioned; the proceeds were used for charitable purposes.

Besides an innovative approach towards connecting the local art scene and business community, the project had important awareness-creating impulses for the municipality and beyond. Through its unconventional approach and the art work created, the project of Werl stands out compared to commonly used communication strategies.

This local level project shows how endogenous factors can be used to integrate creative workers and businesses into a shared project in order to market their works. All actors involved had to cross borders, and they created innovative goods and services through trans-disciplinary work. Such processes could be supported on the federal level by creating a federal award for successful cooperation projects between artists and enterprises.

Table 37: Assessment 'PRODUKT trifft Kunst'

Assessment				
"PRODUKT trifft Kunst" [PRODUCT meets art"]				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Gvt.	Synergy effects if adopted by Federal Gvt.
++	++	++	+++	++

"PRODUCT meets art" has been carried out since 2007. The participation of creative individuals in the first year shows that artists were addressed well and that there is a need for cooperation between traditional economic branches and the culture and creative industries. The acceptance by the creative scene is, therefore, positive. The project leaves room for the free development of creative ideas and allows the creative individuals to gather experiences with traditional industrial branches. Therefore, important support needs of the actors are also met. The project is an example of best-practice for support to cooperation projects between traditional industries and artists from the culture and creative industries. The initiation of a similar project on a nationwide level would have synergy effects and can, therefore, be recommended to the Federal Government.

Factors of Success:

- Close cooperation among different portfolios.
- The cooperation between artists and enterprises is only temporary, therefore creating a motivation for testing it out.
- The entire project is motivated by the shared objective of making the town, the artists and the companies better known.

5.3.3 YD+I Young Designers and Industry Amsterdam

This Amsterdam-based initiative of young designers and industry, (YD + I) brings together talented young designers and businesses to carry out a variety of design-oriented projects. YD + I applies the creative methods of artists and creative individuals to practical projects, achieving an innovative combination of economic, social and cultural elements.

Young designers from across Europe are given opportunities to work on trend-setting design projects with companies like Heineken, Rabobank (the largest bank in the Netherlands) and the Dutch Ministry of Social Affairs. YD+I brings together a multi-disciplinary design team for each project. 38 designers and design managers from eight countries took part in YD + I projects in 2007.

Projects range from the development of an old-age home for people of diverse cultural and ethnic backgrounds to landscape designing a new city quarter to fashion workshops for young people from socially disadvantaged city quarters.

Selection procedures ensure that the pairing of designers and enterprisers corresponds to the mutual requirements.

There are very few artists' agencies that insist on the working methods of talented artists, while cooperating with major companies at the same time. The success of this project is granted by its excellent contacts with companies and public institutions, which makes it very attractive for young designers. A lesson learnt from this project is that it is possible to strengthen interdisciplinary competences on the side of the companies, as well as on the side of the creative individuals. It is therefore, a possible course of action for the improvement of knowledge- transfer and networking.

Table 38: Assessment YD+I Young Designers and Industry

Assessment				
YD+I Young Designers and Industry				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Gvt.	Synergy effects if adopted by Federal Gvt.
+++	+++	+	+	+++

YD + I Young Designers and Industry has been carried out in Amsterdam since 2007. Participation of creative individuals in the first year showed that artists are addressed well and there is need for cooperation between traditional and culture and creative industries. The acceptance by the creative scene is therefore, positive. The project mainly creates reference project commissions for the designers. There is little structural support as defined in Chapter 2. As the contracting parties are often public institutions, cooperation projects with the business community are rather limited. The project is therefore, of limited value as a model project for the support to cooperation projects between traditional industries and artists from the culture and creative industries. The Federal Government could implement a similar project efficiently on the federal level, therefore the synergy effects receive positive marks.

Factors of Success:

- Well-known prestigious companies have been attracted to participate in cooperation projects, in turn leading to the attraction of successful young designers for the initiative.
- Well balanced ratio of cooperation with companies and public/social projects is especially attractive for young artists.

5.3.4 Games Convention

The Games Convention (GC) is an annual trade fair for interactive entertainment, infotainment, hardware and entertainment and computer games, founded in 2002 and takes place in Leipzig.

The three-day fair is organised by the association of providers and producers of entertainment software in Germany (BIU) and is carried out by the *Leipzig Messegesellschaft*. In 2008, 500 exhibitors from 28 different countries were expected. More than 250 game premiers are presented, making the fair one of the most important events in culture and creative industries.

When the fair started in 2002, there were only 166 exhibitors, presenting their products on 30,000 square meters of exhibition space. In six years, the fair grew tremendously, showing the increasing importance of the games industry. Different from other core branches like the music industry, the games industry did not experience massive declines in turnover, but annually growing turnover volumes. In 2007 it registered a turnover growth of 21% and steadily growing numbers of employees liable to social insurance deductions.

Alongside its significant growth over recent years, the games industry also got rid of its dubious reputation, resulting from the perception of

computer games as intellectually undemanding and brutal. Meanwhile, computer games have become accepted as a form of family entertainment. Subsequently, there is a large area exhibiting family and educational games.

The development of games for computers and play-stations requires a high degree of division of labour. Artists from various branches, e.g. script writers, scenographers, composers, musicians, visual artists and graphic designers contribute towards the product. There are about 200 game development studios in Germany alone, employing about 2,800 to 3,300 persons. Special opportunities for freelance artists result from the fact that highly specialised skills are expected.

The Game Convention has become an important indicator for the development of the culture and creative industries in Germany. The favourable economic development of this branch turns it into an interesting area of employment for artists and creative individuals. The 2008 fair introduced a new exhibition area centred on jobs and career opportunities. The "Job & Career Day" provides a full day of opportunities for personnel managers and job seekers to get into direct contact.

In 2009 the fair will move to Cologne and subsequently, be called GamesCon. This is a logical step, as major companies like EA Games and Nintendo have their seat in Cologne and the city of Cologne works towards improving its reputation as a business location for culture and media industries.

Leading trade fairs like the Game Convention have an important impact on the exchange of knowledge between the players in the market and the reputation of Germany as a business location for game developers. It also directs attention to a young core branch comparable to the film industry, but having far less support opportunities. Support to stands at the fair of artists working with digital media could give important impulses to the entertainment software industry. The success of this project shows that it could be an important course of action for the Federal Government.

Table 39: Assessment Games Convention

Assessment				
Games Convention				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Gvt.	Synergy effects if adopted by Federal Gvt.
+++	+++	+++	++	+

The Games Convention in Leipzig was founded in 2002 and has been very successful since then. The high number of participating

enterprises from culture and creative industries shows its success. The fair has also developed into an important meeting point for the branch, providing support to networking within the core sector of software/games. Therefore, marks in these two areas are very positive. The support to similar leading fairs could be an important course of action for the Federal Government. However, the Federal Government could not effectively organise or carry out such fairs itself. Support should be aimed at the initiatives of associations of the core branch or of regions.

Factors of Success:

- Recognised sector meeting, facilitating valuable contacts between enterprises, but also between freelancers and enterprises.
- Connection to international companies facilitates the recognition and implementation of new trends.
- Job opportunities for artists and creative individuals through large job and contacts section at the fair.

5.3.5 Venture Capital Fonds Creative Industries Berlin

At the beginning of 2008, Investitionsbank Berlin, a bank owned by the Land of Berlin, introduced a unique, and hitherto, unprecedented support programme for enterprises of the culture and creative industries in Berlin. The Venture Capital (VC) Fonds Creative Industries provides venture capital amounting to a volume of 30 million Euros for participation in enterprises aiming at realising a profitable advancement (going public, trade sale). The Fonds is financed by the Investitionsbank Berlin (IBB) and the European Fund for Regional Development (EFRP). It is administered by the Land of Berlin.

VC funds are usually interested in the participation of young enterprises that have not gone public yet and whose life cycle is still in the beginning, in most cases connected to a high risk of failure. Most capital lenders, as is also the case with *VC Fonds Kreativwirtschaft* also provides expertise and know-how to the enterprises. *VC Fonds Kreativwirtschaft* supports enterprises through active management consultancy.

Like other VC funds, IBB has a number of requirements for participation: besides a high potential for value increase and growth, there has to be a concise business concept and an entrepreneurial personality. Profit orientation is less at the centre than in "classic" VC funds.

The Fonds carried out their first evaluation after four months and found a great variety of requests for high quality participation. It also became clear that enterprises in the culture and creative industries are very interested in Berlin as a business location. Almost half of the requests for participation came from the software/games industry (43%). Other important requests came from the areas film and TV industry (24%), music industry (12%) and design & fashion (9%). Eight months after the foundation of the Fonds, four participations had been realised, involving three TV production firms and a Web 2.0 platform for active athletes.

VC Fonds Kreativwirtschaft contributes up to 1.5 million Euros per financing cycle; each enterprise can receive up to 3 million Euros of capital support. The duration of the participation is limited to a period of three to five years. Another condition is the co-investment requirement, i.e. additional VC companies, Business Angels or strategic partners must also participate in the enterprise.

IBB made a detailed analyses of different types of funds abroad prior to setting up the Fonds, in order to achieve optimal and effective usage of the financing. From the experiences of Creative Capital Fund, London, for example, it learned that consulting services for creative enterprises are of great importance because there are often deficits in this field.

VC Fonds Kreativwirtschaft is a good example of the fact that the increasing economic relevance of culture and creative industries has not yet been fully realised by private financing institutions. Venture capital funds support the development of these enterprises through capital and adequate management consulting services. Before this model can be adopted on a nationwide scale, its impact and acceptance in Berlin should be further investigated.

Table 40: Assessment Venture Capital Fonds Kreativwirtschaft

Assessment				
Venture Capital Fonds Kreativwirtschaft				
Implementation carried out	Acceptance by creative workers	Impact of Support	Options for action of Federal Gvt.	Synergy effects if adopted by Federal Gvt.
+	?	?	?	+++

Venture Capital Fonds Kreativwirtschaft started only last year. There is little experience with the acceptance of the Fonds by creative enterprises. At present an assessment is, therefore, not possible. In case it is well received by the actors in the culture and creative industries, the Fonds, due to its structure, will have a high support effect on the financing of many enterprises. The issue of such a fund by the Federal Government would already have important synergy

effects, notwithstanding its support effects. A central venture capital fund for Germany could be managed much more efficiently than the issue of several funds on the *Länder* level. For smaller federal states, it would also be difficult to generate sufficient demand for such funds.

Factors of Success:

- Unique connection of an up- to- date financing instrument and economic support to the culture and creative industries.
- Besides the financing, the capital lender provides know-how and influences the positive development of the business.

5.4 Summary of Assessment of Best-Practice Examples

A wide range of examples shows that there is a great diversity of support measures for the heterogeneous culture and creative industries sector. The analysis led to important insights for the possible future course of action of the Federal Government. There are two basic guiding questions for deriving courses of action:

- Which are the factors of success in the respective support measure to the culture and creative industries that should be considered when supporting the economic potential?
- Are the projects suitable for direct adoption by the Federal Government or should the Federal Government prefer to support the projects of local and regional actors?

The projects show that political determination and competent and strong project steering are important factors of success for support measures to the culture and creative industries. Successful support is based on long-term development plans leading to sustainable effects through the continuous financing of programmes and measures. Experts also stress the importance of **cooperating with local competences and of networking between the diverse actors**. This requires reaching a consensus already in the run-up to the project and an agreement on the course to be followed. **Transparent and authentic communication** throughout the process has been stressed as a prerequisite to gaining the trust of the actors and their readiness for cooperation. However, the examples listed differ greatly in their basic approaches, regional levels of impact and the influence of government actors.

Three of the analysed examples concern infrastructure. These examples show how urban development and organisation can create a conducive environment for culture and creative industries. Structures like industrial wasteland and disused railway structures

were used for the creation of attractive spaces for exhibitions and performances, workshops and spaces for theatre and the arts. The Leipzig Cotton Spinning Mill shows clearly that **small start-up financing can result in very good support effects if there is already a certain market potential on the side of the actors.**

The assessment shows that options for action for the federal level may be derived from the examples analysed. However, **it does not make sense for the Federal Government to implement such projects directly.** Regional creative potentials can best be developed through local projects. Contributing towards the multiplication of such model projects through targeted advertising and support could be a possible course of action for the Federal Government. The Federal Government could also initiate, support and promote local projects.

Six practice examples from Germany and Europe were identified in the field of education & skills development. All of them show that measures like mentoring programmes, specific consulting services and practice-oriented study courses have a great potential for the culture and creative industries. The positive impact of these examples shows in their high support effects and good acceptance by the actors of the culture and creative industries.

The programme “departure_experts” by the Vienna economic support society deserves special attention in this context. It acknowledges the **high importance of consulting and skills development by experts from the respective branches for the success of young business start-ups.** Besides entrepreneurial decision making skills, the realisation of market niches is of great importance in this complex of branches. Here, highly qualified experts could be won for the support of business start-ups, accessible via a public internet platform.

A publicly accessible pool of experts can give important impulses to young founders and entrepreneurs. This is shown by the positive marks across all assessment criteria. It may be assumed that **such a platform on the national level would be very attractive for potential highly qualified experts/consultants.** It could also prevent overlapping and therefore, less effective programmes on regional levels.

The Aachen Founders' Centre and the Bremen Ideas Pilots contribute ideas for another important support measure. In their consulting services for founders and entrepreneurs, they address the differing cultures of "culture" and "economy" in a very consistent manner. Reservations against economic rationality, largely prevailing among artists and creative individuals, are openly addressed. The facilitation of a pool of experts coming from a related background, can enable more efficient communication and lead to a great number of successful business start-ups. These experiences show the importance of considering specific individual attitudes and experiences when supporting start-ups of artists and creative

individuals. As already shown in Chapter 4.2, micro enterprises and freelancers benefit most through individual and personalised support.

The concept of the Cultural Industries Development Agency (CIDA) in London is situated on a different level. As a central economic support organisation for all branches of the culture and creative industries in the London region, it steers all support measures for the support to local culture and creative industries. As a kind of **one-stop-agency** CIDA London provides, for example, workshops for skills development, consulting services for financial support, steers scientific research on the culture and creative industries and actively promotes networking with representatives of traditional industries. Despite this wide range, the focus remains on the regional level to ensure greater ability for action.

An institution like this, incorporating the functions of a competence centre and an economic support organisation for the culture and creative industries, could also be imagined for the German situation. **The establishment of a similar platform of branches could be a possible course of action for the Federal Government**, especially in regions that have already developed strong economic activities in the culture and creative industries.

The examples of programmes for **venture capital lending for the culture and creative industries** could also produce **synergy effects if implemented centrally by the Federal Government**. Adequate incorporation into programmes on the federal level could create synergy effects and grant efficient allocation. However, both examples presented show that until now, mainly medium enterprises have benefited from the programmes on the regional level. Nationwide regulation could ensure effective access to venture capital for the culture and creative industries. The very short lifetime of the Berlin Venture Capital Fonds does not yet allow for a final assessment of the impact of the measure. The Federal Government should, therefore, await the further development of the model before adopting it as a course of action.

The Games Convention is another very successful example of a central event in a core branch of the culture and creative industries. Such trade fairs can function as **places of knowledge exchange and networking**. It is also a good way to attract **media attention**. It is recommended to transfer the experience to other core branches of the culture and creative industries, all of which suffer from lack of networking and media attention. Initiation and support to such events should, therefore, be included in the list of possible options for action.

Table 41: Overview of assessment of best practice examples

Analysis of Practise	Evaluation				
	Implementation	Acceptance by creative	Conveying effects	Acting options for	Synergistic effects if

		individuals		Federal Government	implementation by Federal Government
Infrastructure					
Kulturgewerbequartier Schiffbauergasse, Potsdam	+++	++	++	++	+
Baumwollspinnerei, Leipzig	+++	+++	++	+++	+
Kulturschiene, Barnim	+++	++	+	++	+
Education & Qualification					
Popacademy, Mannheim	+++	++	+++	++	+
„departure_experts“	+++	++	+++	+++	+++
GründerZentrum Kulturwirtschaft Aachen e.V.	+++	++	+++	++	++
IDEENLOTSEN, Bremen	+++	++	+++	+++	+++
CIDA, London	+++	++	++	+++	+++
Creative Industries Development Agency, UK	++	++	+++	+++	+++
Economic Output					
Advantage Creative West Midlands	+++	++	++	++	+++
„Produkt trifft Kunst“ (Product meets Arts)	++	++	++	+++	++
YD+I Young Designers and Industry	+++	+++	+++	+	+++
Games Convention	+++	+++	+++	++	++
Venture Capital Fonds Kreativwirtschaft/Creative Industries	+	?	?	?	+++

Source: Prognos AG, CBC, 2009

6. Deriving Recommendations for Improvement of the Support Framework of Culture and Creative Industries

Four important fields of action for support to the heterogeneous culture and creative industries could be identified in the analysis of the context of support on the federal level. The analysis showed the specific support needs of these different groups of actors. These support needs, described earlier in detail, are met by a wide range of support measures through programmes, initiatives, federal awards and public relations measures. However, the relational analysis revealed that in all fields of action there are still unmet support needs within the support measures. These unsatisfied support needs hamper the optimal development of enterprises in the culture and creative industries, as well as the full exploitation of the economic potential of the culture and creative industries in Germany.

The analysis of best-practice examples on local, regional and international levels in Chapter 5 showed that the Federal Government can refer to a wide range of experiences from other forms of support to the culture and creative industries in its consideration of options for action. The assessment of the examples presented shows that there are numerous approaches for achieving a high impact of support, as

well as reaching the target groups. Recommendations of action will be developed based on these approaches and on the support needs revealed in Chapter 4. There are three relevant levels of action:

- Specific and new opportunities and forms of support to the culture and creative industries.
- Existing forms of support requiring intermediation between the creative actors and the institutional level in order to achieve a sufficient support effect for the culture and creative industries.
- Existing support programmes of the Federal Government, which need to be opened formally and with respect to content, in order to be used for the development of enterprises in the culture and creative industries.

6.1 Need for Specific, New Opportunities and Forms of Support

The relational analysis revealed a number of support gaps for micro enterprises. It showed that existing support programmes for a large part of the culture and creative industries have only very limited impact on the development of micro enterprises. Existing support programmes, especially those for the financing and consulting of business start-ups, do not attract micro enterprises from culture and creative industries. They are not geared towards the particularities and problems of culture and creative industries, which sometimes differ greatly from those of traditional industries. The analysis of practice examples also shows that there are already experiences counteracting the specific problems of micro enterprises in the culture and creative industries, on the regional level in Germany, as well as in other European countries.

All relevant examples (e.g. Aachen Founders' Centre, Creative Development Agency, UK and "departure experts," Vienna identified consulting services and individual coaching by experts as important factors of success for the professional improvement of micro enterprises. The connection of grants, loans, bridge-money and investment grants with individual counselling is especially suitable for supporting the development of enterprises in the culture and creative industries. Therefore, a possible **course of action includes closing the support gap by establishing a specific consulting network for the support of business start-ups and the professional improvement of micro enterprises from the culture and creative industries.**

The analysis in Chapter 4 also revealed a substantial need for financial support in the culture and creative industries. As in other high-risk areas, there is a lack of capital for the financing of growth

processes in the culture and creative industries in Germany. There is often no access to forms of financing the development of innovations in the area of immaterial products and services and for innovative business models. The structures of commercial forms of financing, as well as those of financial support from the Federal Government, do not adequately fit the needs of the culture and creative industries

Thus, the growth potential of many enterprises in the culture and creative industries is not fully exploited. The Venture Capital Fonds is an example in this respect. However, due to the lack of data to assess its impact on the target group, this is only a potential option for the Federal Government. Detailed results e.g. from the project in Berlin must be provided before implementation plans can be considered. Current financing needs could be met by **the further development of existing programmes with small scale support grants and the development of new models, like interim financing solutions.**

6.2 Intermediation between Creative Actors and the Institutional Level of Support to Economy and Culture

The analysis in Chapter 4 shows that the support needs of the actors in culture and creative industries are met by a wide range of support programmes by the Federal Government. However, these programmes are hardly approached by the actors due to information deficits and other barriers. Many creative individuals with economic potentials are already weeded out at a very early stage because they are classified as "precarious livelihoods."⁷³

Existing support programmes could be made accessible through intermediation and measures to familiarise enterprises of the culture and creative industries with the support institutions. Many financing programmes are structured in a way that makes it difficult for micro enterprises to see their creative processes adequately accepted. However, many creative entrepreneurs see this process as the main prerequisite for their products and are very sceptical towards economic optimisation processes. At this interface, the different cultures of "culture" and "economy" usually clash in an abrupt manner. Intermediation between the two levels would, therefore, help to make existing programmes more accessible for the culture and creative industries.

⁷³ See Gutachten für die Enquete-Kommission des Deutschen Bundestages „Kultur in Deutschland“: Existenzgründung und Existenzsicherung für selbstständig und freiberuflich arbeitende Künstlerinnen und Künstler, Aachen 2007, p. 94.

The capacity for innovation of enterprises in the culture and creative industries relies on the creative act and on creative ideas. This specific mode of production allows planning only to a limited extent; the results are often uncertain, and it is based on using experimental and flexible projects. The normal mode of production in the culture and creative industries is comparable to innovation processes in traditional industries. The majority of these innovation processes take place in creative micro enterprises. Major companies and larger medium enterprises recur to these projects to sustain their capacity for innovation and are, therefore, strongly dependent on innovative micro enterprises. Increasing the acceptance of current support programmes for micro enterprises has, therefore, also had an impact on larger companies in the culture and creative industries.

The analysis of best-practices has identified approaches to familiarise micro enterprises with existing support programmes. The "Idea Pilots" of BIG Bremen use "pilots" with competencies in economic support, plus a profound knowledge of the creative scene to guide micro enterprises individually. This helps to overcome reservations against economic support measures and to develop concepts that enable micro enterprises to make use of government support for their further development and professional improvement. The **establishment of a network of experts to familiarise creative individuals with existing support programmes** is, therefore, a possible course of action for the Federal Government.

The analysis of the action field 'self-perception and marketing' internally and externally shows that the *Initiative Culture and Creative Industries* of the Federal Government meets the support need for networking by facilitating contacts and branch marketing. However, as the process is still ongoing, a final assessment of the impact is currently not possible. The current experiences indicate that networking and strengthening the organisation of enterprises in the culture and creative industries is an important objective that has not been achieved so far, and should be further pursued.

Promoting the dialogue among science, economy and culture is another important support need in this field of action. In a cross-cutting branch like the culture and creative industries, which is interdisciplinary and working across branches to a high degree, a great potential for innovation lies in the targeted support to cross-cutting cooperation. The influence of the culture and creative industries on the innovation process in traditional economic branches can only be increased through improving the dialogue between the culture and creative industries and the targeted branches.

Addressing the general public has been identified as another support need. The development of a shared identity of the actors in the culture and creative industries and of a corporate identity in the perception of the general public can only be achieved through supporting the actors by a nationwide and international PR and communication strategy.

The examples of the Aachen Founders' Centre and CIDA can be taken as examples for activities taken on by the Federal Government. CIDA, as a kind of one-stop-agency for the London culture and creative industries, provides workshops on skills development, consulting services for financial support, steers scientific research on the culture and creative industries and actively promotes networking with representatives of traditional industries. This example from the UK shows how the target groups can be adequately addressed and effectively supported by a central organisation.

For the Federal Government, it shows a way of integrating existing support structures and approaches into an overall support strategy in order to achieve a high impact. Through the establishment of a **national platform of branches**, the Federal Government could gain a central position in their approach to the target groups and receive effective support on the national level.

6.3 Support Programmes of the Federal Government that Need to be Opened Formally and Content-wise to the Culture and Creative Industries

Besides intermediation and familiarising the culture and creative industries with existing support programmes and instruments, formally opening the wide range of existing support programmes, and making them content-wise, would help provide access to the support measures of the Federal Government for innovative enterprises.

A central result of the relational analysis of the support needs and the existing programmes in the culture and creative industries is the necessity to integrate the concept of innovation into the support landscape. In many cases the concept of innovation on the side of the support providers does not coincide with the modes of work and production in the culture and creative industries. A purely technological definition of innovation leads to the non-eligibility of innovations in the culture and creative industries for the existing support programmes, because these innovations are often content-oriented or consist of innovative business concepts. They often apply hard indicators for innovation appropriate for traditional economic branches, such as expenditure for research and development or patents. This approach is diametrically opposed to innovation processes in the culture and creative industries. Here, the development of new ideas and their introduction to the market is often the business model itself, and therefore it is not patentable.

This situation creates an important barrier for the inclusion of enterprises of culture and creative industries into support measures and therefore, prevents optimal support to the development of this

branch. **Adapting the concept of innovation to the specificities of the culture and creative industries** is therefore, an important option for action of the Federal Government to open existing support programmes.

Other support programmes exclude the culture and creative industries per se, due to their support guidelines. A great number of support programmes are not accessible to enterprises in non-technological core branches of the culture and creative industries. **Opening these support programmes to innovative enterprises** is, therefore, an important course of action for the Federal Government to enable effective support to the development of the culture and creative industries.

The relational analysis also shows another aspect of opening existing support programmes. Banks and economic support providers have no experience with the particularities of the culture and creative industries. This is an important reason for the challenges this branch is facing. As there are no criteria to assess the business models of culture and creative industry enterprises and their innovation potentials, the lending practice of banks and regional economic support providers is often very restrictive. The development of assessment criteria for the culture and creative industries, to be developed in close cooperation between banks and economic support providers and the relevant groups of actors, is therefore, a possible course of action for the Federal Government.

It also became obvious that the culture and creative industries need essential support by the Federal Government to improve the marketing and exploitation opportunities of their products. The Federal Government has a wide range of support measures in the areas of marketing and market access, through a number of federal awards. The awards help the award winners to gain worldwide recognition and facilitate the marketing, not only of individual enterprises, but also of entire branches. However, not all core branches of the culture and creative industries are eligible for these competitions; therefore, only few enterprises have access to this kind of support. The support is limited to a small number of award winners and does not cover the support needs of the entire branch.

Regionalisation of the federal awards could be a possible way of multiplying the number of enterprises getting support. By introducing several regional levels of the federal awards, in the form of a pyramid leading from numerous regional award winners to a few national award winners, the Federal Government would have a possible course of action. The extension of the federal awards to more core branches would be another option to include more core branches in the support. Moreover, the Federal Government could establish an **overall award for culture and creative industries** to meet the need for networking across branches and promote a shared identity.

Support to the participation of young innovative enterprises in international leading fairs in Germany and abroad is another support measure of the Federal Government in the area of market access and marketing. The relational analysis showed that both support programmes for the participation of German enterprises in trade fairs are hardly used by the culture and creative industries. The currently defined eligible expenditures for these fairs are irrelevant for many areas of the culture and creative industries. They need support to immaterial products like shows and performances.

Participation in a trade fair provides opportunities to introduce products into the market, but also for improved exchange of knowledge within a branch. Increased participation of culture and creative industries enterprises in international trade fairs also meets the identified need for exchange of knowledge and support to market access. The **extension of support to trade fair participation** and the **adaptation of the expenditures supported by these programmes** to the modes of work in the culture and creative industries are important courses of action for the Federal Government.

Based on these results, a scenario analysis will be carried out to check the impact of the options for action identified, and come to a prioritisation:

- Establishment of a network of experts for the actors in the culture and creative industries
- Development of programmes granting small-scale financial support
- Establishment of a nationwide platform of culture and creative industry branches
- Extension of federal awards
- Extension of support for trade fairs
- Definition of innovation concept for the culture and creative industries
- Open current support programmes to innovative enterprises from culture and creative industries

The first step in developing a catalogue of recommendations for the support of the culture and creative industries by the Federal Government is to show and verify the impact of options for action on the target group. This will enable the much-debated establishment of effective and targeted support measures for the culture and creative industries on the local, regional, national and supra-national level and enable efficient support provided by the Federal Government.

7. Scenario Analysis to Assess Possible Options for Action

Having derived possible courses of action from the results of the relational analyses and the experiences of current support measures in the previous chapter, the impact of these instruments shall now be analysed, before final recommendations are developed. Interdependencies among support instruments need to be identified and options for action prioritised.

A scenario analysis is used to investigate the impact of the support options identified; for this purpose the support options are presented as impact chains. The scenarios refer to the impact of the options for action open to the Federal Government, presenting each possible support scenario for the culture and creative industries in the form of an impact chain.⁷⁴ In each impact chain the support scenario leads to the overall goal of increasing the economic potential of the culture and creative industries.

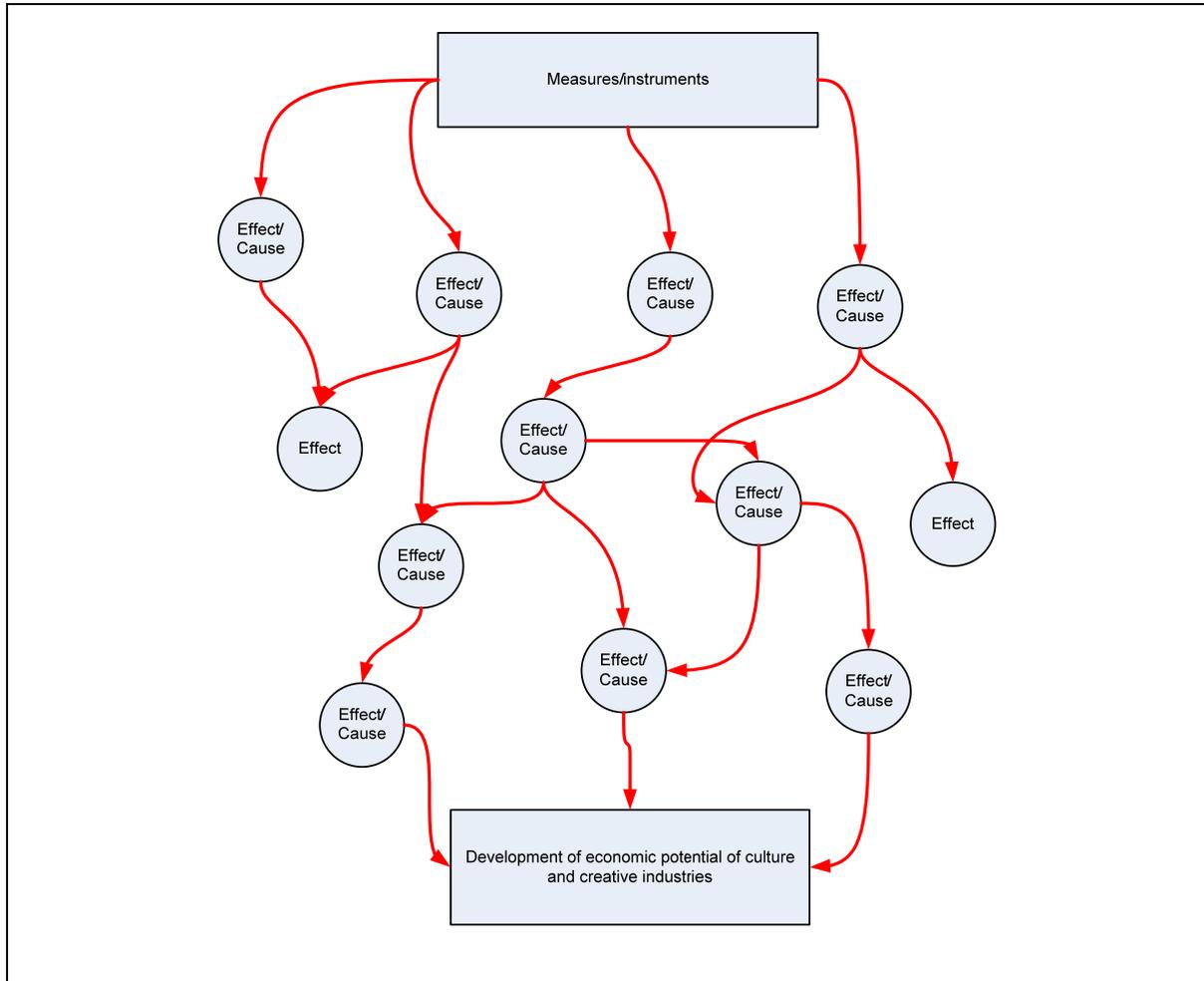
Impact chains are an adequate methodology for the evaluation of target achievement in this context, because the quantitative impact of complex support measures, with numerous side effects and interdependencies on the economic potential of an entire sector, cannot be predicted exactly and it is also difficult to establish unambiguous support-effect-relationships *ex post*.

It is beyond dispute that measures to support business start-ups, for example, reduce the risk of failure for newly founded businesses. However, it is not possible to verify the share the support had in subsequent business success, and it is also unclear, whether the support was the single cause or whether other effects, like the general environment or additional support instruments, had an impact on business success. The indisputable fact is that the support measures made a general contribution towards improving the economic situation and the qualification of the entrepreneurs.

The impact chain methodology departs exactly at this point. It is not sufficient to identify simple causalities between the instruments and the overall goal of developing the economic potential of the culture and creative industries; multiple and interrelated effects of the different support instruments have to be presented.

⁷⁴ Development and evaluation of the impact chains are based on the context analysed in Chapter 4.

Figure 62: Impact chain model



Source: Prognos AG

A single support measure (cause) for an economic branch often has several effects (multi-finality), and a single effect often has several causes (multi-causality). These effects continue to have more effects, and in case these are positive, they create an important impulse for the overall goal of improving the economic potential of the culture and creative industries. An effect influencing many other factors and effects is called a descriptor. These factors have a multiplying effect on the development of the culture and creative industries and are, therefore, of special importance. They are the nodes in the network of culture and creative industries and have a very strong impact on each other and on other factors, as well as on the overall goal of improving the economic potential. Support tools are, therefore, indirectly aimed at giving impulses to these multiplying descriptors.

If impact chains are used to work out objectives and indicators before the implementation of a measure starts, possible effects can already be estimated in the planning of the support instruments. It is possible to determine sub-goals: 'This is what we want to achieve!', and possible undesired effects can also be identified. The presentation of the network of effects makes it possible to identify aspects that need special attention. Disturbances, barriers or additional requirements for goal achievement and for the stimulation of sub-goals must be clearly pointed out in the impact chains. The analysis of impact chains differentiates between instrument, impact steps and disturbances.

Instruments

Instruments are the primary impulse providers and starting points of each impact chain. In these scenarios the support instruments are used by the Federal Government to achieve the overall goal of developing the economic potential of the culture and creative industries. The instruments give an impulse to operationalised impact steps.

Impact Steps

Impact steps are the outputs in an impact chain. Together with the instruments and the disturbances, they influence the course of the impact chain. Impact steps can be undertaken by different actors; they do not always have to be taken by the Federal Government like the support instruments in our example. One impact step is again cause for the following one and finally leads to the intended overall goal. The impact steps are derived from the analysis of support conditions in Chapter 4. All steps that could have an influence on the content are hypothetically examined.

Disturbances

Disturbances are impact factors in an impact chain that do not have an effect on the course of effects. They are impact factors that block an impact chain either deliberately or unknowingly, thus preventing the instrument from achieving the overall goal or important sub-goals. They can be avoided or neutralized by using additional instruments to achieve the intended effects. Due to their impact on a maximum number of sub-goals, these instruments may then become more important for the overall result than the original instrument.

Disturbances are only partly visible in the impact chain – therefore the results of Chapter 5 and other research results will also be included in the description of the culture and creative industries.

Following the analysis of the impact chain for each scenario, an analysis of the interdependencies of the different support scenarios needs to be carried out.

The cross-impact-analysis of the support scenarios examines the impulses provided by important descriptors and identifies disturbances and additional instruments improving and strengthening the current impact. This step is of special importance, as it logically

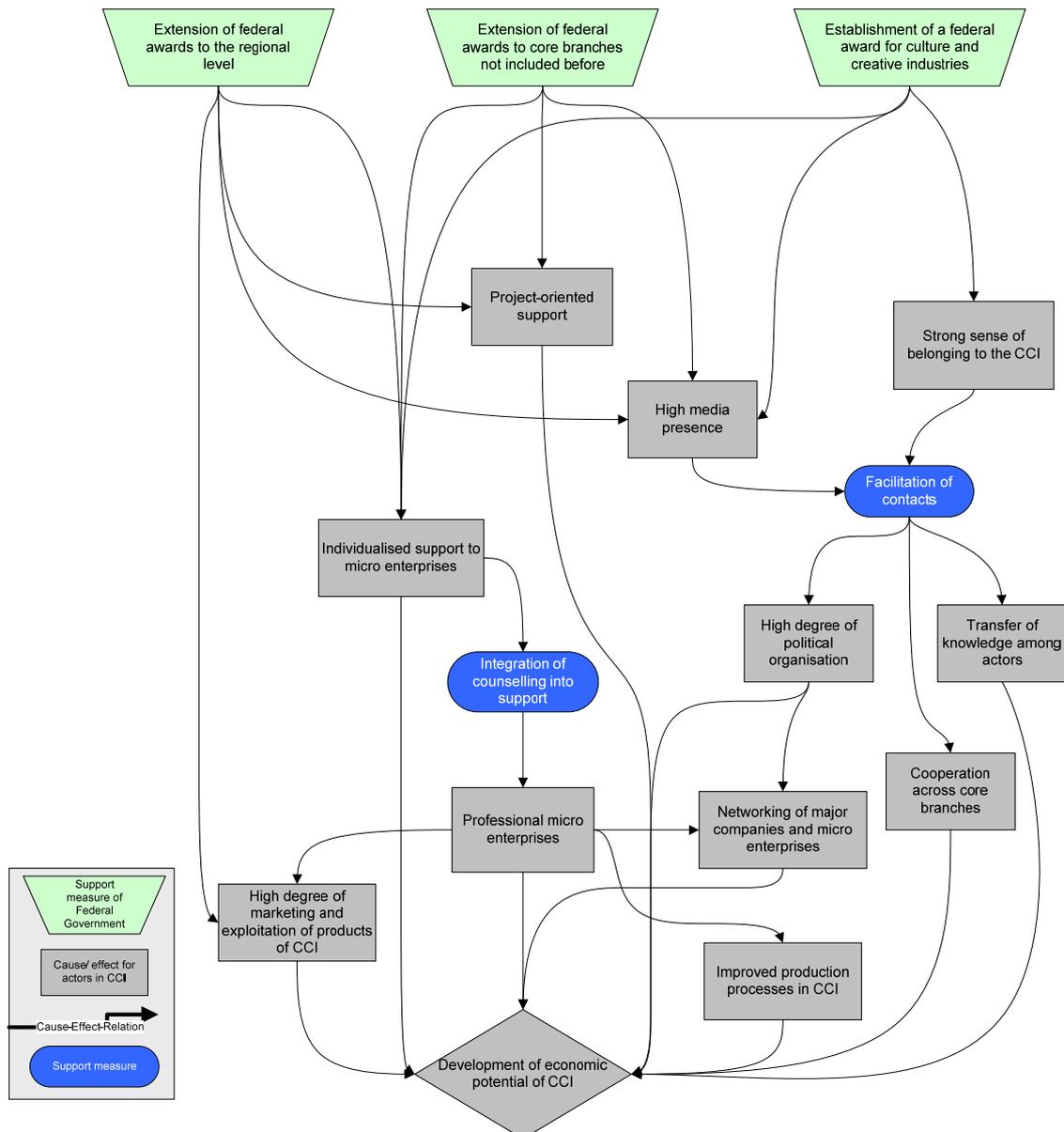
connects support approaches that were previously analysed separately. Basic factors of central importance for the development of the culture and creative industries are thus made transparent. Based on this analysis, an adequate and efficient range of instruments for the support of the culture and creative industries can be recommended to the Federal Government.

7.1 Analysis of Support Scenarios

Support Scenario 1: Extension of Federal Awards

Federal awards are extended to core branches that were not previously eligible, and the Federal Government initiates an overall award for the culture and creative industries. The extension of the federal awards also includes an increase in the number of supported enterprises and award winners. In order to increase the number of enterprises receiving support, the awards are carried out on different regional levels; this is done in close dialogue with the core branches concerned. The example of other successful federal awards should be emulated, where the winners of regional or *Länder* awards become the nominees for federal awards. Each federal state initiates regional competitions, and the winners are nominated for the final on the federal level.

Figure63: Impact chain of scenario 'Extension of Federal Awards'



Source: Prognos AG

The impact chain above shows a congruent increase in the descriptor 'media coverage' of the culture and creative industries as a consequence of extending the current federal awards to core branches not previously included, e.g. performing arts, architecture, art market and the introduction of an overall award for culture and creative industries. Good media coverage, in turn, stimulates networking across core branches. However, this effect can only take place if there are opportunities for contact-making and networking. The non-existence of such opportunities is a major disturbance limiting the impact of the extension of federal awards at this point.

The initiation of a federal award for culture and creative industries also increases the sense of belonging among the actors in the entire complex of core branches. The descriptor 'actors' sense of belonging to the culture and creative industries' also has a direct impact on the degree of political organisation and on the transfer of knowledge within the culture and creative industries. However, this impact is at present weakened by the lack of opportunities for contact-making and networking.

The awards have a major influence on the award winners. Public relation measures for enterprises and their products increase marketing opportunities, and prize monies improve the financial situation of the enterprises. Nevertheless, this kind of support does not lead to a wide coverage of the field. The very small number of award winners for each award does not lead to an impact on major factors for the development of the culture and creative industries in a significant number of enterprises, e.g. improvement of marketing or improvement of the production process. Organising the federal awards, as the finals of regional or *Länder* competitions, would multiply the number of award winners through the introduction of award winners on the *Länder* level and lead to a significant increase in the impact of the award, as shown by the impact chain in Figure 63.

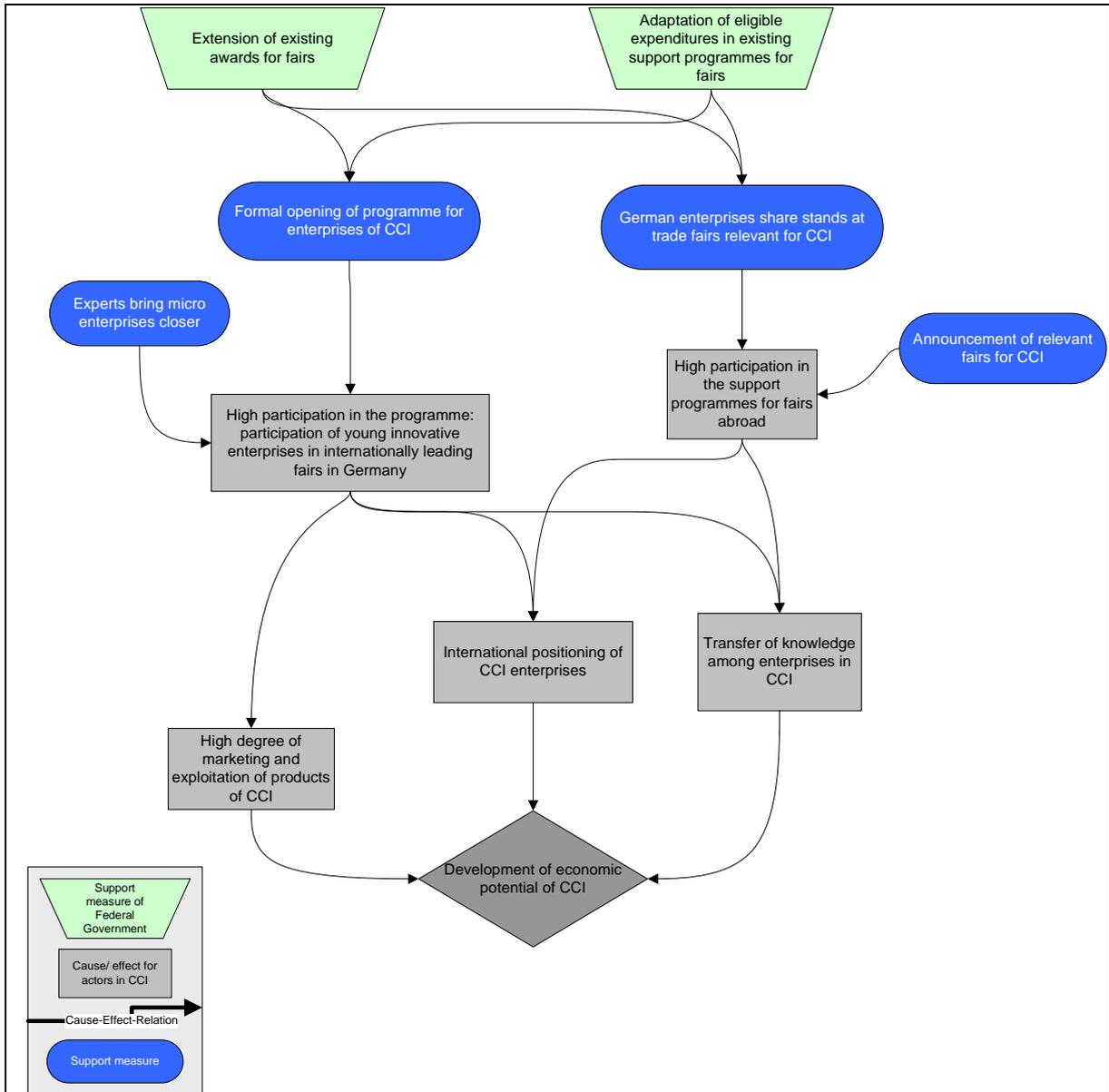
Introducing consulting services for those who missed the target by just a narrow margin could further increase the impact of the federal awards. Adding consulting services would give an impulse to the descriptor 'professional improvement of micro enterprises' that has a positive effect on the development of the economic potential of the culture and creative industries.

The first support scenario shows that the mere extension of federal awards has only limited effect on the increase of the economic potential of the culture and creative industries. The impact is, however, increased many times if the extension of awards is combined with additional instruments, like increasing the number of award winners per award or combining financial support with consulting services and the creation of opportunities for establishing contacts and networking,

Support Scenario 2: Extension of Support for Trade Fairs

The Federal Government extends the current support to trade fairs. It strengthens the existing support programmes for trade fairs abroad and for participation in leading international fairs. The Federal Government also adapts the eligible expenditures in these programmes to the needs of culture and creative industries. This means, for example, that travel expenses of artists for performances at trade fairs abroad are treated and supported in a similar way to the shipment of exhibited goods.

Figure 64: Support chain of scenario 'Extension of Support for Trade Fairs'



Source: Prognos AG

Support to the participation in trade fairs abroad is currently mainly granted in the form of support to shared stands of German firms. As these stands are often situated in trade fairs of no relevance for the culture and creative industries, extension of the support measures to the culture and creative industries would only have very limited effect on their participation. It can be increased more effectively if trade fairs of relevance to this sector are included in the portfolio.

The support programme for the participation of young innovative enterprises in leading international fairs in Germany only includes enterprises that are newly developed or with greatly improved products, processes and services. Enterprises outside of industry, manufacture and technology-oriented services are not eligible for this support. Consequently, a great part of the culture and creative industries are not admitted to this support programme. This programme can only gain positive impact on the participation of actors from the culture and creative industries in international leading trade fairs, if it is formally opened to this complex of branches.

Besides support to their participation in such trade fairs, micro enterprises need additional support to familiarise them with current support programmes. Currently available support instruments have not been adequately used by actors from the culture and creative industries. Consulting services for micro enterprises, through a network of experts, can increase the impact to a large number of enterprises. Improved participation of German cultural and creative enterprises in fairs abroad and international leading fairs in Germany would also have, as shown by Figure 64, a major influence on the marketing of products of the culture and creative industries, its international positioning and the transfer of knowledge inside and outside of the complex of branches.

A combination of extending the financial support for current support programmes for trade fairs with structural changes to the programmes could have a major impact on important descriptors for the development of culture and creative industries, e.g. on the internationalisation of enterprises. A consulting network should be added to the support instruments in order to reach the target group of micro enterprises and freelancers and familiarise them with the institutional level.

Support Scenario 3: Integration of Culture and Creative Industries into Support for Innovation

In cooperation with the branches involved and consultants, the Federal Government develops a content-oriented innovation concept. The cooperation of the actors should be guided by the innovation strategy of the European Union presented in December 2006, including nine strategic priorities based on a ten-point-plan for innovation.

1. Creation of an effective framework for the protection of intellectual property rights (IPR). IPR strategy to be presented by the commission in 2007.
2. Creating a pro-active standard-setting policy. Presentation of an action plan by the Commission in September 2007.
3. Making public procurement work for innovation.

4. Launching Joint Technology Initiatives (JTI's). Presentation of a 'road map' by the Commission.

5. Boosting innovation and growth in lead markets. Creating conducive frameworks for innovation in specific areas of the economy where European firms could have a globally leading role. Presentation of an initiative by the Commission.

6. Enhancing closer co-operation between higher education, research and business. Commission is invited to clarify the outstanding issues, in particular, the budgetary implications of establishing the European Institute of Technology (EIT) and to present a Communication on knowledge transfer.

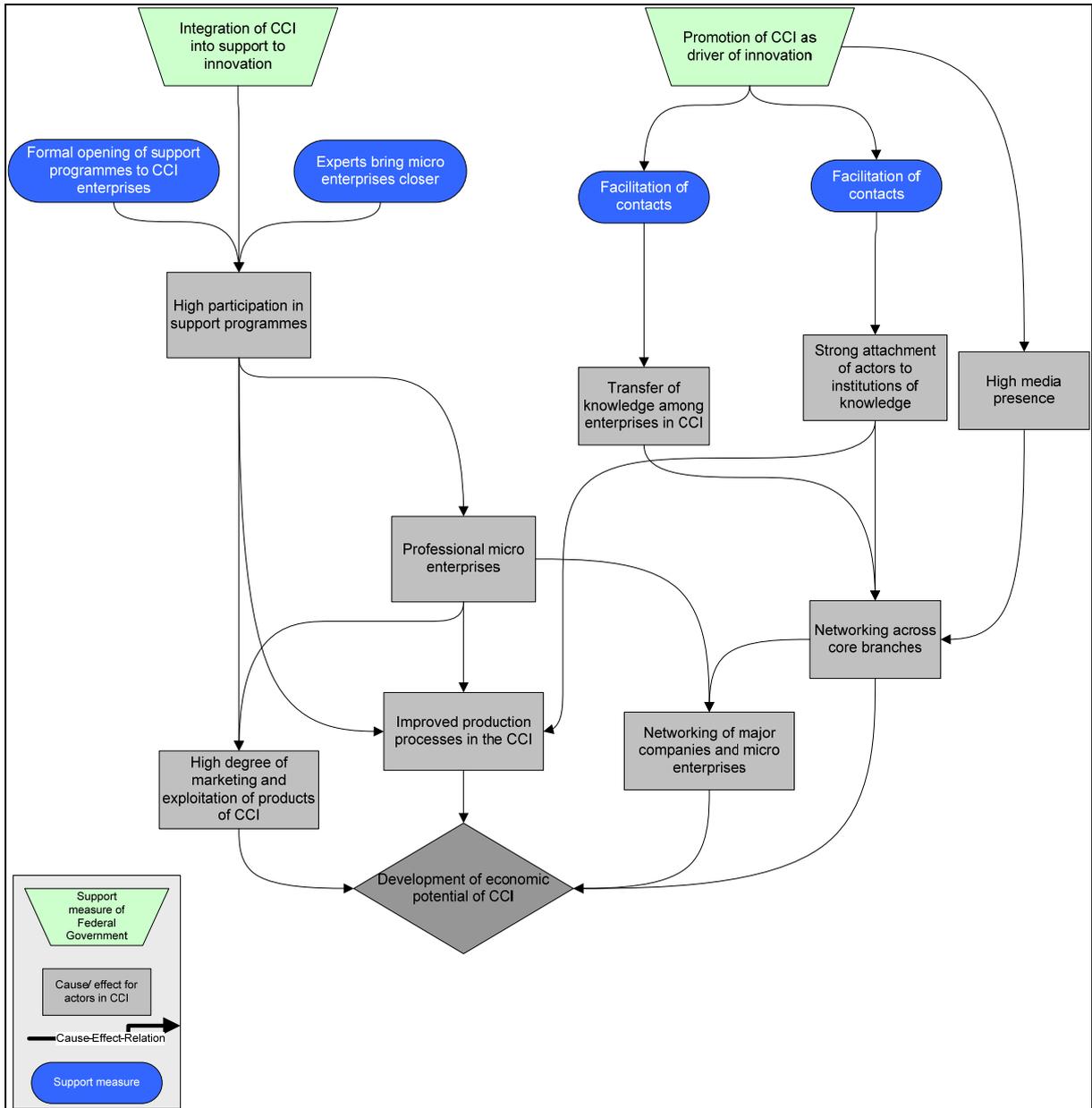
7. Helping innovation in regions. The Commission is invited to prepare by April 2007 an analysis on how to promote the trans-national dimension of clusters.

8. Innovation in services and to non-technological innovation. Invitation to the Commission to prepare by April 2007 an overall assessment on innovation in this policy field.

9. Risk capital markets. Presentation of a report by the Commission in November 2007 on obstacles to cross-border investment by venture capital funds.

It is important to note that the Commission was guided by the fact that small and micro enterprises have not received adequate attention until now and that non-technological innovation was not sufficiently acknowledged and utilised.

Figure 65: Chain of impact of support scenario 'Integration of Culture and Creative Industries into Support to Innovation'



Source: Prognos AG

Developing a concept of innovation appropriate to the culture and creative industries has two major effects on the development of the economic potential of the culture and creative industries in Germany. On the one hand, an adapted innovation concept makes it possible to include new business models, products and services of the culture and creative industries, formally into support measures for innovation. The integration of culture and creative industries would consequently have an operative effect within current support programmes. Through the formal and content-wise opening of more support programmes by the Federal Government, the culture and creative industries could

increase participation in existing support programmes, and the production, exploitation and marketing of products could be supported. This effect can only be achieved for micro enterprises if the actors are familiarised with the currently available support programmes and barriers are removed through a network of experts. The experts can also provide economic consulting services to improve the professional skills of micro enterprises.

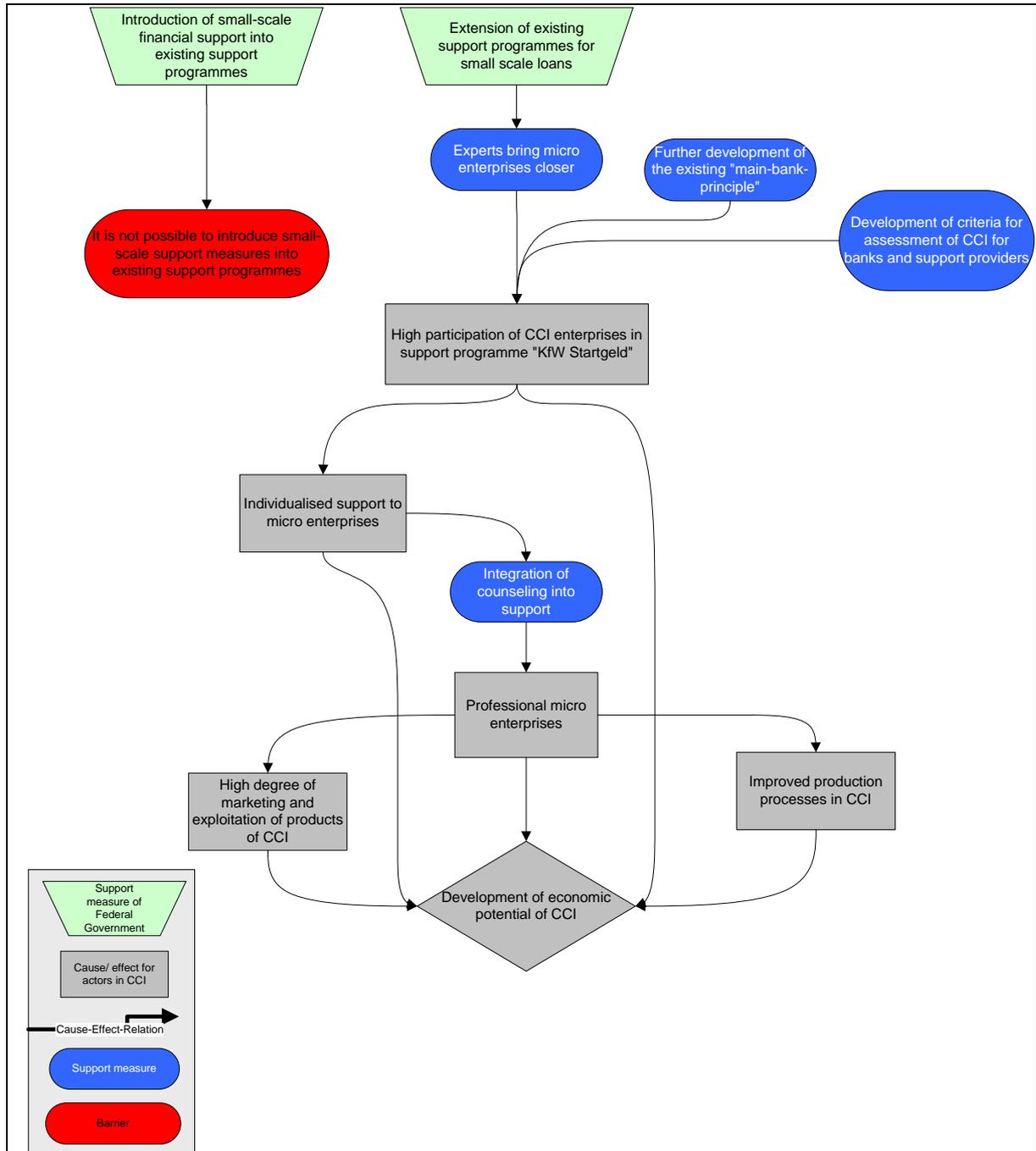
The second string of the import chain shows how the adapted concept of innovation creates an external perception of the culture and creative industries as drivers of innovation (also for traditional industrial branches). This creates positive influence on the development of the culture and creative industries. The external perception has a positive effect on the media coverage of the culture and creative industries with further effects on networking across core branches and the transfer of knowledge among the actors. However, these effects can only develop if the actors are provided opportunities to establish cooperation, e.g. through special events. In connection with the first string of the impact chain and the professional improvement of micro enterprises associated with it, this could also have a positive effect on networking of enterprises across all size ranges.

The support scenario 'integration of culture and creative industries into support to innovation' indicates a major impact on the development of its economic potential. Up to eight descriptors that are important drivers for the development of the culture and creative industries receive impulses by these impact chains. However, several support instruments are needed to achieve this impact. Otherwise the measure would not affect goal achievement sufficiently. The formal opening of current support programmes, plus special measures to familiarise micro enterprises with these programmes, enhance the impact of the measure significantly. In addition, there is need for special 'room', e.g. through special events, to enhance the effects of publicity measures.

Support Scenario 4: Development of Support Programmes Providing Small Scale Financial Support

Current support programmes of the Federal Government, providing small scale financial support, receive more funds in order to increase the number of enterprises supported. Small scale support measures for the areas of economic growth, research & development and customer acquisition & market entry are integrated into existing support programmes.

Figure 66: Impact chain of the support scenario 'Development of Support Programmes Providing Small-Scale Financial Support'



Source: Prognos AG

The need for small scale financial support of up to 25,000 Euros, is not covered at present. The extension of current programmes providing small support sums would, therefore, have a positive effect

on the financing of micro enterprises in the culture and creative industries. However, at present micro enterprises do not take advantage of the currently available micro loans provided by KfW Development Bank. The so-called 'house-bank principle' applied by the support programme, blocks the participation of enterprises from the culture and creative industries. At present, there is a lack of understanding for the particularities of the culture and creative industries. There are few incentives for banks to offer such support programmes and to engage in small-scale lending, especially due to cost-benefit considerations. Most banks and support providers do not have adequate criteria to classify and assess business models of the culture and creative industries.

If such assessment criteria were developed, the lending practice of banks for cultural and creative enterprises might change for the better, leading to a significantly improved financing situation of the enterprises. Improved financing would, in turn, help enterprises in the culture and creative industries to develop and produce innovative products.

As described in Chapter 4.2.1, many creative enterprises are not involved in existing support structures. Therefore, the adaptation of support programmes for small-scale loans is not sufficient to increase their participation – additional specific support measures are needed. Experts speaking the 'language' of the creative individuals and, at the same time understanding the institutional level, can motivate actors to participate in programmes such as the KfW start-up money. Mere financial support is often not sufficient to improve the economic potential of the enterprises targeted by micro loans, because they lack the basic economic know-how. The effect on the improvement of marketing and exploitation of products and on the development of efficient production processes is, therefore, limited. Connecting financial support to a coaching programme or consulting services could greatly enhance the impact of the support programmes.

As shown by the impact chain, the integration of small-scale loans into current support programmes, like KMU-Innovativ or the High-Tech founders' fund, aims at the general increase of participation of micro enterprises from the culture and creative industries. Due to the actual support practice of the current programmes, these measures would have hardly any positive impact on the development of creative enterprises. The bureaucratic procedures of many of these support programmes do not allow the cost-effective lending of small-scale sums by the respective executing agencies, and it is therefore not done.

The analysis of this support scenario shows that the access to the KfW Start-up Money needs to be structurally adjusted, because its small-scale support sums are adequate for the needs of the culture and creative industries. The currently applied 'house-bank-principle' of this scheme leads to two major disturbances. There are few

incentives for the banks to grant these loans, because benefits are very low compared to the costs involved. In addition, banks do not have adequate assessment criteria for the classification of business ideas of culture and creative industries. Developing such assessment criteria is, therefore, an important measure for the improvement of financing for the culture and creative industries.

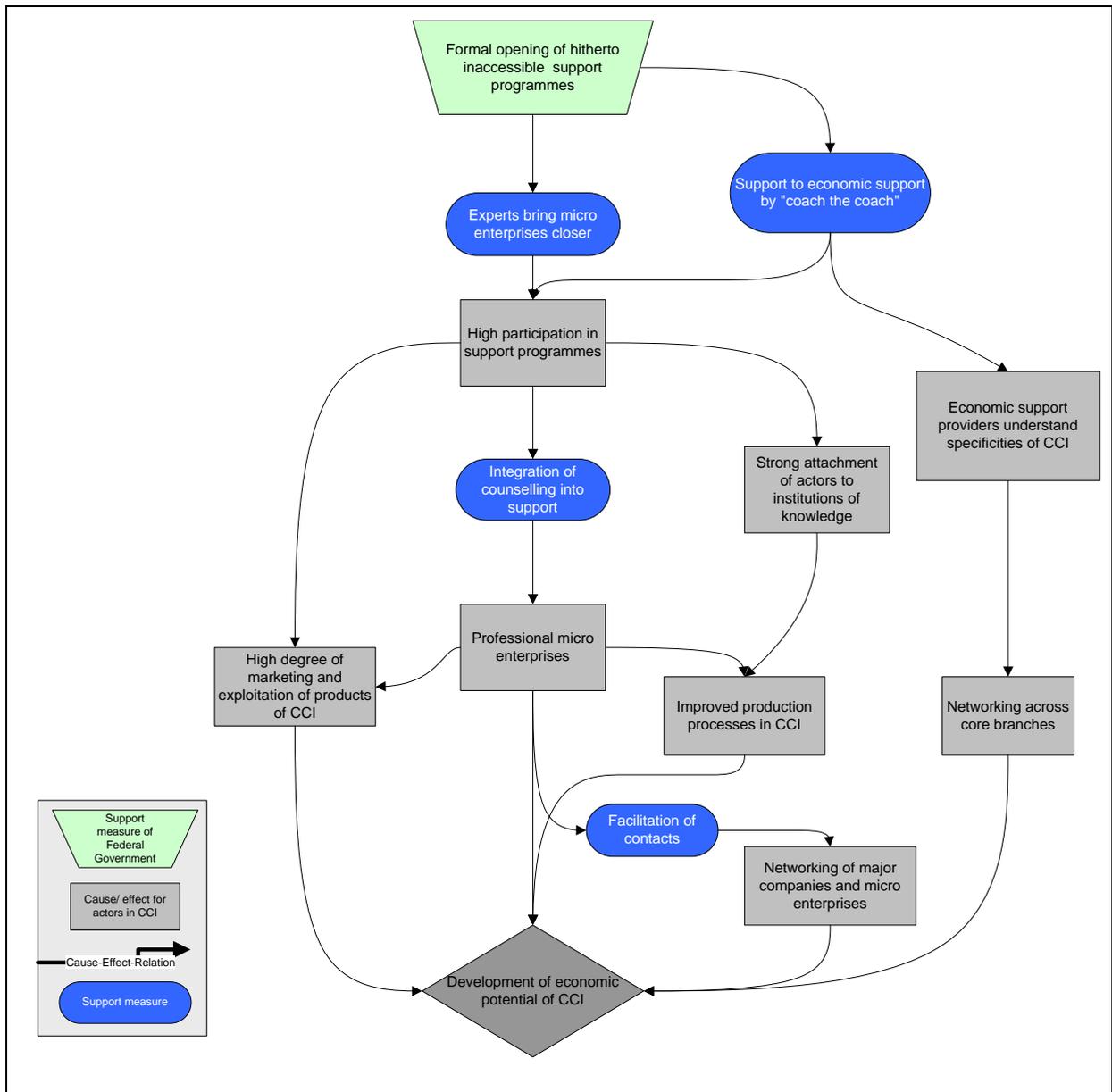
The impact on the development of the culture and creative industries could be further increased by familiarising actors from this field with these programmes through advisors or 'pilot-services'.

The introduction of small-scale support grants into current support programmes for innovation and growth would have little effect on the development of the culture and creative industries. Due to the structure of these support programmes, the executing agencies cannot handle small-scale support effectively.

Support Scenario 5: Opening up Current Support Programmes to Innovative Enterprises from the Culture and Creative Industries

The Federal Government eases the formal requirements for technology-oriented support programmes by adapting the current guidelines of North Rhine-Westphalia or other federal countries, keeping the support guidelines for technology-oriented support programmes more open and without restrictions to certain branches. The programmes are also made accessible to freelancers. The guidelines of the support programmes are adapted to important conditions of the culture and creative industries. Expensive musical instruments, for example, are supported in the same way as investment goods.

Figure 67: Impact chain of support scenario 'Opening up Current Support Programmes'



Source: Prognos AG

Formally opening currently available support programmes for enterprises of the culture and creative industries aims at increasing the participation of these enterprises in order to initiate improvement of production, marketing and exploitation of the products. The increase in participation leads to a stronger connection with science and research. However, the impact chain presenting the effect of formally opening the support programmes is blocked at an early stage by the structures and characteristics of the actors described in Chapter 4 and does not, therefore, lead to a sufficient increase in participation in support programmes. Consultants and experts can enhance the impact of formally opening the support programmes by

familiarising the actors with them. This may lead to an actual increase in the participation of actors from the culture and creative industries in current programmes.

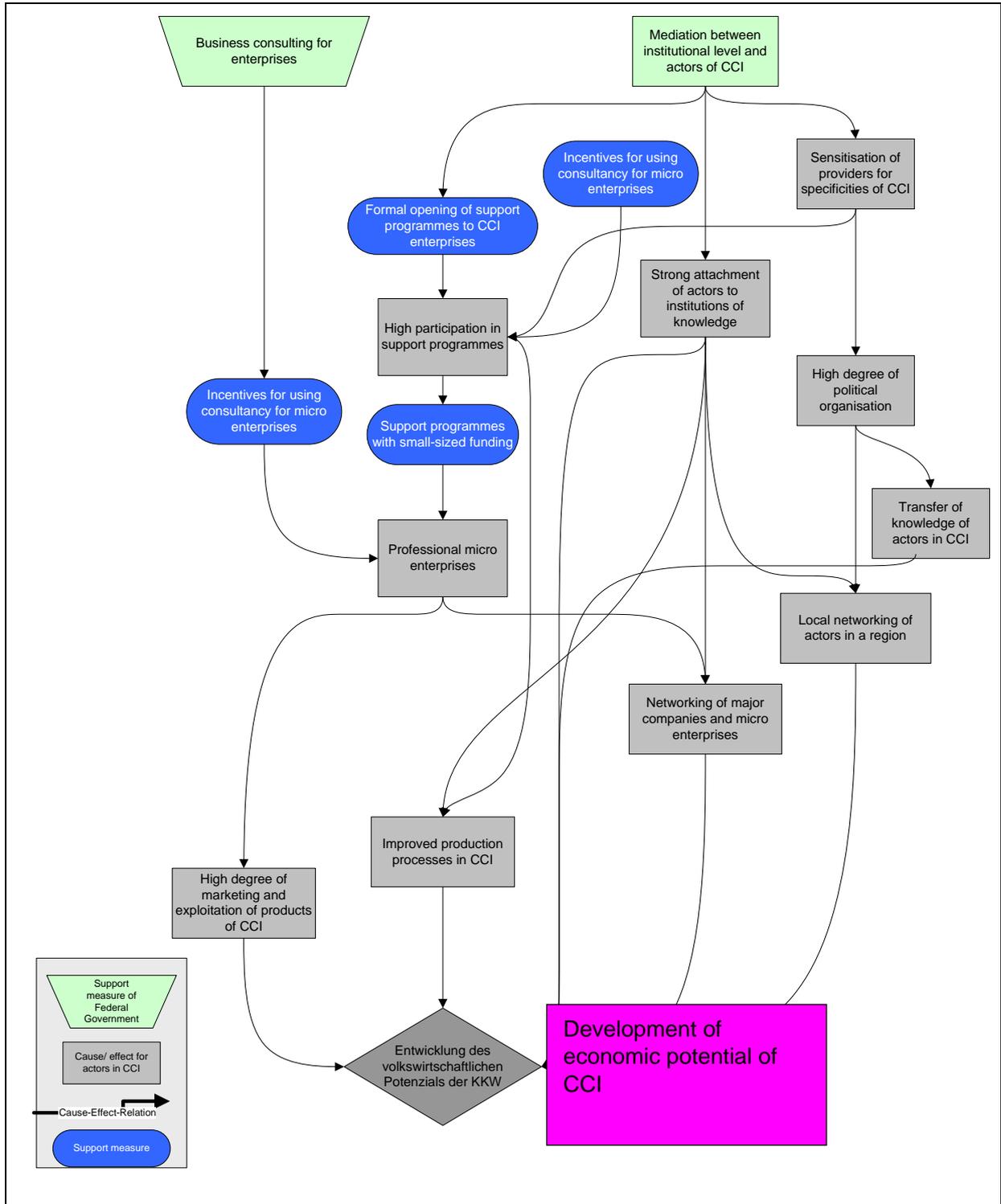
The formal opening of the programme creates a significant signal effect for regional economic support providers and the entire institutional level. This signal may result in a sensitisation of the economic support providers. This, in turn, has positive effects on the participation of the culture and creative industries in support programmes, as the support providers gain an understanding of the specificities and adapt their strategies better to the target groups. The signal effect should be operatively supported by a coaching programme for economic support providers in order to enhance the sensitisation process. Actors in regional economic support and support to business start-ups must be enabled by workshops and coaching to address the individual and specific planning methods and particularities of culture and creative industries. Formally opening the support programmes has also a signal effect for the shared identity of actors in the culture and creative industries. If the Federal Government shows readiness to admit content-oriented support, besides merely technology-oriented support, this may create important impulses for the development of a shared identity across the sector.

This support scenario shows that the mere adaptation of support guidelines will only have limited effect on the development of the culture and creative industries. The formal opening of the support programmes only leads to the increased participation of enterprises from the culture and creative industries if it is combined with measures to familiarise, especially micro enterprises, with current support measures. The signal effect of such an initiative by the Federal Government has also a positive impact on the development of the culture and creative industries. The effect on regional economic support can be greatly enhanced by an additional coaching programme.

Support Scenario 6: Establishment of a Network of Experts for Consulting Services to the Actors in the Culture and Creative Industries

The Federal Government initiates a network of experts to provide consulting services for the actors in the culture and creative industries and a network functioning as inter mediator towards the institutional levels in Germany. The network of experts is established as a publicly accessible database of experts' profiles; it uses Web 2.0 technology to provide opportunities of contributing assessments of the experts and viewing the assessment of other cultural and creative enterprises. The network of experts facilitates contacts between competent experts and enterprises from the culture and creative industries.

Figure 68: Impact chain of the support scenario 'Establishment of a Network of Experts'



Source: Prognos AG

Setting up a network of experts has two important effects. Consulting services lead to improved professional skills of the actors in different relevant business areas. As the experts contribute towards

familiarisation and intermediation, more cultural and creative enterprises can be won for existing support programmes and active participation in the development of the complex of branches.

However, the impact chain is only driven by the supply side and would remain without sufficient impact on the actors if no additional support measures were introduced. At present, the actors are not sufficiently aware of the need to use such consulting services. Therefore, measures to improve the demand side are needed to make the instrument effective. Free vouchers for initial consulting services could, for example, be provided to actors of the culture and creative industries. The combination of a media campaign to promote the network of experts and free initial consulting services could have positive effects on the development of the culture and creative industries. Chapter 4.3 pointed out that familiarisation and consulting alone are not sufficiently effective if formal and content-related requirements are not adapted to the needs of the culture and creative industries. Provided these conditions are fulfilled, the establishment of a network of experts can have a significant effect on important descriptors and, therefore, on the development of the economic potential of the culture and creative industries.

Shared identity of the complex of sectors, which can also be enhanced by the network of experts, also needs a support instrument in order to develop a satisfactory influence on the culture and creative industries. Enhanced shared identity will only lead to improved transfer of knowledge and better cooperation if there are adequate opportunities for exchange and networking. This will in turn have positive effects on the development of the economic potential of the culture and creative industries.

The support scenario 'establishment of a network of experts' shows that this instrument has a positive impact on many important descriptors due to the familiarisation with existing support programmes. Therefore, it supports the development of the economic potential of the culture and creative industries significantly. However, the instrument can only develop its full potential in connection with the formal and content requirements of the support programmes. Some micro enterprises still need adapted support programmes providing small-scale financial support in order to develop in this support scenario.

The network of experts needs additional support impulses in order to deliver effective consulting services. The impact chain will only function and lead to the effects described, if the actors in the culture and creative industries are given incentives to make use of the consulting services. The Federal Government could issue consulting vouchers as an incentive, entitling the actors of the culture and creative industries to free initial consulting services.

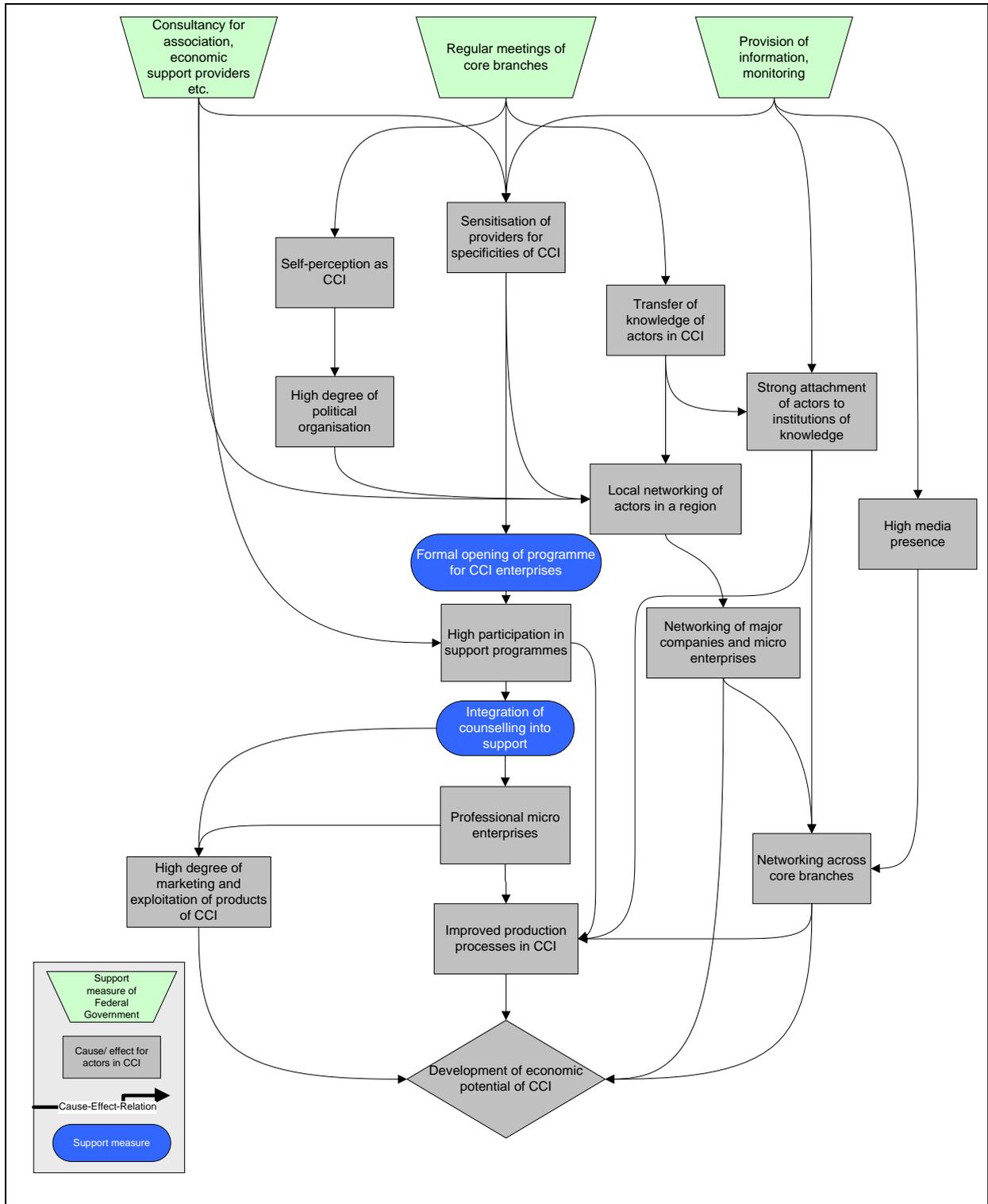
Support Scenario 7: Establishment of a Nationwide Platform for Culture and Creative Industries

The Federal Government enhances the *Initiative Culture and Creative Industries* and develops it into a nationwide platform under the operative directorate of the department for culture and creative industries of the Federal Ministry of Economics and Technology and the Federal Commissioner for Cultural and Media Affairs. The platform becomes the contact point for representatives of the different industries, regional clusters and economic support providers and for enterprises from the culture and creative industries.

The platform establishes a hotline for specific initial consulting services for associations, economic support providers and political representatives. It also provides information through internet portals, newsletters, regular expert meetings and panels with local, national and international experts. In cooperation with representatives from the culture and creative industries, these panels work on important issues concerning the development of the sector.

The media coverage of the topic, culture and creative industries, is another major task of the platform. It also contributes to the improved professionalism of regional projects through information, contacts etc. and through promoting them on a nationwide level.

Figure 69: Impact chain of the scenario 'Establishment of a Nationwide Platform for the Culture and Creative Industries'



Source: Prognos AG

The impact chain of this support scenario shows that a platform for the culture and creative industries has three important impulses.

Consulting leads to the sensitisation of economic import providers and political institutions. As shown in the figure above, consulting services can be rendered much more effective if they are combined with the formal opening of currently available support programmes. It significantly increases the effective participation of enterprises from the culture and creative industries in support programmes. Micro enterprises from the culture and creative industries can especially effectively improve their professionalism. The impact on the production, exploitation and marketing of cultural and creative products is, therefore, considerable.

Regular events and hearings aim at the further sensitisation of economic support providers for the specificities of the culture and creative industries. These events also have a positive effect on the shared identity of enterprises from the culture and creative industries, leading, in turn, to an improved degree of political organisation. The events also provide opportunities for establishing contact and give major impulses to the knowledge- transfer among core branches and to improved networking. This effect is again enhanced if political organisation improves. Besides, the platform has a major impact on the development of the economic potential of the culture and creative industries through producing, providing and marketing information about this sector. These measures create high coverage by the media, and they also enhance the connection with the institutional and scientific level. The overall effect is the improvement of networking across culture and creative industry branches and of networking with traditional industries.

The combination of three measures in this scenario has major effects on more than ten descriptors, such as local networking and knowledge- transfer. The overall goal of developing the economic potential of the culture and creative industries, therefore, receives positive impulses. The impulses provided by consulting services through the platform can be further enhanced if combined with the formal and content-wise opening of currently available support programmes.

7.2 Summary of Assessment of Support Scenarios

The overview of eight support scenarios shows that the support measures discussed give impulses to a total of 20 different descriptors with direct or indirect effects on the development of the economic potential of the culture and creative industries. All support measures, except one, evaluated in the scenarios have singular effects on the development of the culture and creative industries and are, therefore, at the same time suitable recommendations of action for support measures of the Federal Government. The exception concerns the implementation of small-scale support grants into

current support programmes for economic growth, research/development and market entry; in this case no support effect could be detected. Structures and award procedures of most support programmes are not suitable for the effective allocation of small-scale sums.

The figure below shows that the majority of scenarios have an impact on major support needs identified in Chapter 4, namely the improvement of production and marketing of products of the culture and creative industries.

Figure 70: Matrix of effects of analysed support scenarios

	Federal awards	Support for trade fairs	Support to innovation	Small-scale financial support	Formal opening of support programmes	Network of experts	Platform for CCI
Strong connection of CCI to research			x		x	x	x
High participation in support for trade fairs		x					x
High participation of CCI in current support			x	x	x	x	x
High media coverage	x		x				x
Increased exploitation and marketing of products of CCI	x	x	x	x	x	x	x
High sense of belonging to CCI	x		x				x
High degree of political organisation	x					x	x
Individualised support to micro enterprises	x			x			x
International positioning of CCI		x					
Cooperation between CCI and traditional industries			x				x
Local networking of CCI actors						x	x
Professional micro enterprises	x		x	x	x		x
Project-oriented support	x						
Cooperation across core branches	x		x		x		x

Improved production processes in CCI	x		x	x	x	x	
Networking of major companies and micro enterprises					x	x	x
Mutual understanding of institutional level and cultural workers			x			x	x
Knowledge transfer among actors in CCI	x	x	x			x	x

Source: Prognos AG

Considering the limitation of government budgets and the effectiveness of support measures for the culture and creative industries, possible support measures need to be prioritised and also combined in order to optimise synergy effects and achieve maximum impulses. However, the consequence should not be the exclusion of certain measures. The support effect of each measure has been demonstrated in the support scenarios. The aim is to identify a set of measures that have a positive impact on each other and to give recommendations for their implementation. For this purpose it is not only important to look at the effects of each single measure, but also at the interdependencies of the separate scenarios and to consider them in the recommendations. This helps to identify major factors in the overall development system with a maximum effect for individual support measures, the implementation of which should have high priority.

Figure 71: Matrix of cross-linking support scenarios

	Federal Awards	Support for trade fairs	Support to innovation	Small-scale financial support	Formal opening of support programmes	Network of experts	Platform for CCI
Direction of impact	à						
Federal awards		-	-	-	-	-	-
Support for trade fairs	-		-	-	-	-	-
Support to innovation	-	+++		+++	+++	+++	++
Small-scale financial support	-	-	++		++	+	-
Formal opening of support programmes	-	+++	+	++		+++	-

Network of experts	++	+++	+++	+++	++		++
Platform for CCI	+++	+	+++	++	+++	+	

'- no interdependencies + weak interdependencies ++ strong interdependencies +++ very strong interdependencies

Source: Prognos AG

The cross linking matrix shows that measures of Scenarios 3, 6 and 7 have major effects on all other support scenarios. Adapting the concept of innovation, setting up a network of experts and developing the *Initiative Culture and Creative Industries* of the Feral Government into a platform for the culture and creative industries are major drivers to develop the sector. As shown in the impact chains, the implementation of these measures creates important conditions that increase the support effects of other measures to develop the culture and creative industries.

The formal and content-wise opening of current support programmes is closely related to these support scenarios. Implementing this measure especially enhances the impact of measure in Scenario 3.

Establishing a nationwide network of experts and developing the Initiative Culture and Creative Industries towards a permanent platform for the culture and creative industries are, therefore, major strategic recommendations of action for the Federal Government. These two support measures positively influence each other and enhance the development of the economic potential of culture and creative industries. Therefore, they are defined as the strategic area of action. By implementing these multiplying support measures, the Federal Government will be able to lay the foundation for a development process that will be actively supported and enhanced by the diverse actors in the culture and creative industries across all core branches, regions and business size- ranges.

Besides the strategic area of action, there is a complementary area. Support measures in the complementary area add to the strategic impulses by concrete and direct support to certain sub-goals and enhance the effects of strategic recommendations of action, e.g. through the increased internationalisation of actors in the culture and creative industries, through participation in international trade fairs and through the development of assessment criteria for banks and economic support providers.

The scenario analysis showed that the extension of support for trade fairs, the adaptation of small-scale financial support and the extension of the federal awards are all effective support instruments, albeit with a lesser degree of influence on other support measures. These support measures are recommended as an addition in order to achieve a well-balanced support strategy of the Federal Government.

8. Conclusions and Recommendations

8.1 Conclusions

The analysis of culture and creative industries must classify and define its field of research as precisely as possible. Constantly increasing cultural and creative content, worldwide, has led to a widespread discussion on 'creative industries' and to a myriad of perspectives. This does not only create a multi-faceted picture of this complex of branches which, analogue to the ICT-industry, presents itself as a cross-cutting sector, but it also creates a great diversity of opinions on the definition of this economic field. These diverse perspectives have to be taken into account, and they do not simplify the political debate.

The recent debates on the concept of culture and creative industries in Germany are, therefore, very encouraging. The Conference of Ministers of Economic Affairs and the Committee for the Enquiry of Culture in Germany of the German Parliament have presented proposals for the definition of the core concept and the delineation of the economic field. These proposals have been accepted by the experts as meaningful solutions on the way towards a clear description of the field. This study has departed from these proposals and developed them further.

The following definitions characterise the complex of branches forming the culture and creative industries:

- The culture and creative industries comprise of all **cultural and creative enterprises that are mainly market-oriented** and deal with the creation, production, distribution and/or dissemination through the media of cultural/creative goods and services.
- The **complex of branches** forming the culture and creative industries comprises of the core branches: music industry, book market, art market, film industry, broadcasting industry, performing arts market, design industry, architectural market, press market, advertising market and the software and games industry.
- The core branches are connected by introducing the concept of the creative act ("schöpferischer Akt"). At the **core of all culture and creative industries activity** there is the act of creating artistic, literary, cultural, musical, architectural or creative content, works, products, and productions.
- In order to develop a detailed structural policy, an **internal segmentation according to three types of enterprises** is

introduced, allowing the formulation of specific economic and cultural policy goals for each type. These include: a) micro enterprises and freelancers, b) small and medium enterprises and c) major companies.

- The **related aspects of value added** in the culture and creative industries are constantly changing in all core branches. In order to grasp the creative or cultural core of value added, a **basic model** has been introduced, distinguishing two actors in value added: authors/original producers on the one hand and distributors/exploiters on the other. This makes it possible to empirically capture the core economic branches of the culture and creative industries as defined by the Conference of Ministers of Economic Affairs.

In all developed economies, culture and creative industries are seen as one of the 'sunrise industries'. Their potential arises from the 'creativity' production factor that is steadily gaining importance over traditional factors of production. They also benefit from high-quality products and services that are in increasing demand in countries with high per-capita incomes, as they are geared towards individual consumers' needs and preferences.

Moreover, culture and creative industries are an innovation driver for the development of new products and services, as well as in the production and marketing of these products and services in traditional industrial branches, leading in turn to higher growth rates of the overall economy.

The economic importance of the culture and creative industries has partly surpassed traditional industries, particularly with respect to gross value added, number of enterprises and number of persons employed.

The statistical analysis led to the following key data for the culture and creative industries:

- In 2008, there were an estimated total of 238,000 enterprises in the culture and creative industries. Together they produced a turnover volume of 132 billion Euros, providing about 763,000 full- or part-time work places liable to social insurance deductions. Including self-employed persons, the culture and creative industries in Germany employ about one million persons. The overall contribution of the culture and creative industries towards value added in 2008 is estimated at about 63 billion Euros.
- The share of cultural and creative enterprises in the overall number of enterprises was 7.4% in 2008, the share in the overall turnover volume was 2.5% and the share in overall employment, about 3.3%.

- The share of value added in the Gross Domestic Product (GDP) amounted to 2.6% in 2006, as well as in 2007.
- Gross value added in culture and creative industries as compared to the most important industrial branches 2006:
 - Culture and creative industries 61 billion Euros
 - Manufacture of machinery 74 billion Euros
 - Automobile industry 71 billion Euros
 - Chemical industry 49 billion Euros
 - Energy sector 43 billion Euros

Economic productivity and employment- effects of the culture and creative industries have started to grow once more over recent years. Over the past two years, the number of enterprises grew by more than 4%, the number of persons employed by more than 3% and turnover volumes by more than 2% per annum.

Culture and creative industries are a trend-setting industry, exemplary for future modes of working and living. It is part of the 'knowledge and content' society and takes an avant-garde role in Germany's way towards a knowledge-based economy. Future-oriented models of work and business, e.g. hybrid work forms, have prevailed in the culture and creative industries from the start. Furthermore, it is an exceedingly innovative sector. It mainly produces prototypes, individual works, small scale series and immaterial products. Almost all companies in the culture and creative industries use modern technologies, especially information and communication technologies. They are not just passive users of technology, but keep providing important impulses for the development of new technological variants for technology producers and developers.

The labour market and economic policy goal of increasing the employment of women has already been reached in the culture and creative industries. They provide an example of how employment structures and occupational profiles keep adapting to constantly changing fields of activities and can, therefore, serve as a model for other economic branches.

Innovation and economic policies aiming at the support and enhancement of Germany's innovative capability must, therefore, integrate the development of culture and creative industries as a cross-cutting branch into economic policy concepts.

The developments described turn the culture and creative industries into a model for traditional economic branches. Economic policy

measures, accompanying and developing culture and creative industries, create an opportunity to prepare for future challenges and develop trend-setting methods and instruments for the economic support to a wide range of economic branches.

However, the innovative modes of work in the culture and creative industries lead to new needs for economic support in these enterprises, different from those in most traditional economic branches. The size structure of cultural and creative industries also requires a different orientation of support instruments than those of the major or medium size companies. Understanding the mechanisms determining the culture and creative industries is of paramount importance, because they differ greatly from the mechanisms in the traditional industrial branches.

- Against this background, this study identified major requirements of support to the culture and creative industries. Until now, the culture and creative industries have hardly developed a shared identity. Reasons are found in greatly diverging educational backgrounds and fields of experience, but also in the great variety of types of enterprises and business models in the culture and creative industries. This situation must be brought to mind when addressing the sector, e.g. through support programmes. The low degree of political organisation in the culture and creative industries, leads to some core branches having no associations or lobbying organisations for making its voice heard inside and outside of the sector. The needs and potentials of culture and creative industries have received only very limited publicity and have, therefore, not been perceived sufficiently by economic support providers.

Short innovation and long development cycles for individual products turn large areas of the culture and creative industries into high-risk areas where questions of financing and business perspective are concerned. Economic policy, economic support and banks in Germany often measure cultural and creative enterprises by a different yard stick than e.g. bio- technology enterprises. As they have a comparable potential for innovation, the provision of venture capital is a major requirement for the establishment of support policies for the development of the culture and creative industries.

A great number of actors in the culture and creative industries, especially small and micro enterprises, concentrate on creative and innovative processes. However, they do not yet exploit the resulting innovative products in the same way as traditional industries. A major economic potential remains unutilised in this area.

The peculiarity of the mode of production and the nature of the products of culture and creative industries require the development and application of specific instruments. Production processes are often slower and more improvised than in traditional industries.

Planning phases are often very long. Prototypes, individual works, small- scale series and immaterial products are usually the output of business models of culture and creative industries. This needs to be brought to mind when developing support measures for the culture and creative industries.

Numerous interfaces with neighbouring branches and the rapid anticipation of innovations and changes in general conditions are typical for the branch and reflect the flexibility and dynamics of the culture and creative industries. Constantly changing activities and occupational profiles are also typical for the branch. Support instruments must, therefore, also be flexible and dynamic.

The culture and creative industries apply mainly new digital technologies that determine the everyday life of the entrepreneurs. Therefore they can easily be addressed by using the most advanced technologies and trends. Technical applications in support measures, e.g. internet presentations, need to be on a high level of innovation in order to be accepted.

The analysis of contexts of support to the culture and creative industries shows clearly that the complex of branches does not yet sufficiently benefit from effective support through economic policy measures of the Federal Government. The analyses shows that there are various barriers for the development of the economic potential of the branch and little has been done on the side of the Federal Government to remove them. Filling the support gaps would give a major impulse to the structural development of the economic potential of the culture and creative industries.

The analysis divides the unsatisfied support needs into four fields of action: participation in economic support programmes, shared identity of the complex of branches forming the culture and creative industries, intermediation between the institutional level and the micro enterprises and general conditions. These will be explained in the following section.

Participation in Economic Support Programmes

There are major differences in the support needs of the actors and in the support programmes provided by the Federal Government among the three size- ranges of enterprises.

The analysis shows that major support needs of the actors are not adequately addressed and that current support programmes do not have sufficient impact on large areas of the culture and creative industries. The impact of current support programmes on the development of micro enterprises in the culture and creative industries is, therefore, not yet satisfactory.

Micro enterprises and freelancers in the culture and creative industries benefit very strongly from individual, personal support. At present, neither market mechanisms nor support programmes endorse professional improvement. This leaves the enormous economic potential of a great number of enterprises under-utilised.

Although business start-up programmes and consulting services, addressing the needs for support and skills improvement, address the enterprises formally, they have little impact on the development of the actors in the culture and creative industries. The support programmes are not geared towards the particularities and diverging problems and, therefore, cannot provide the support the actors need. At this interface between the differing cultures of 'culture' and 'economy' there are information deficits and barriers on the side of the actors that prevent them from participating in these support programmes.

The Federal Government provides programmes, such as KfW Start-up Money or ERP Founding Capital, to improve the access of financing opportunities to German companies. In their practical application, both programmes do not reach the actors of the culture and creative industries. The analysis shows that there are few incentives to serve the small-scale support needs of the actors in the culture and creative industries. Their development is, therefore, gravely hampered by the lack of micro loans that are granted unbureaucratically, considering the specificities of the culture and creative industries.

Current support programmes do not include solutions for support to the knowledge- transfer among the various actors in the culture and creative industries.

The support needs of SMEs in the culture and creative industries are better covered by current support programmes, than are the needs of micro and small enterprises. However, there are also deficits in the support to this group of enterprises.

Despite a great number of financial support measures, the specific financing needs of enterprises in the culture and creative industries are not covered by the Federal Government. There are no support models adapted to the needs of project financing and interim financing. The development of the economic potential of the culture and creative industries is, therefore, largely hampered by a lack of financing for innovation and growth.

There are also unsolved difficulties of assessing financial investments on the side of the banks, as well as on the side of the economic support providers. Most economic support providers in Germany are not used to dealing with enterprises from the culture and creative industries. Assessing business ideas and providing effective support is still a problem, creating a barrier to possible effective support through currently available support instruments.

The definition of a concept of innovation for the culture and creative industries creates another barrier for access to current support programmes. As in the service sector in general, the share of 'hidden innovations' is particularly high in creative industries, rendering the assessment of innovation activities and effects of enterprises difficult per se. The concept of innovation, applied in the available support programmes, is often not compatible with modes of work and production in the culture and creative industries. In many cases, content-oriented innovation processes leading to immaterial products and services are not considered to be innovations. A similar situation exists for support to immaterial products. Support guidelines of current support programmes are not adequate for the support to immaterial goods and expenditures that are typical for the culture and creative industries.

A similar problem can be observed in the area of support to medium size enterprises, which is characterised by a clear focus on technological enterprises. Most approaches in the areas of support to economic growth are exclusively geared towards technology-focused enterprises, for example, the Venture Capital umbrella fund. This also applies to support to research and innovation. This leads to the exclusion of innovative, content-oriented enterprises from the current support programmes.

Actors in the culture and creative industries receive support for customer acquisition, financing and market entry through a number of federal awards. However, the relatively small number of awards does not cover many enterprises of the branch. Lack of support in the areas of customer acquisition, financing and market entry, therefore, hamper the development of many enterprises in the culture and creative industries.

The Federal Government aims at providing support to the internationalisation of enterprises from the culture and creative industries. Current support programmes are, however, inadequate for a large number of enterprises, because they are unable, for example, to provide support to the presentations of artists. Therefore, such support measures do not reach the actors in the culture and creative industries.

The strong interdependencies of major companies and small and medium enterprises play a special role and stand out as a central feature in the culture and creative industries. Major enterprises in the culture and creative industries are strongly dependent on the vitality and development of creative micro enterprises and freelancers. The development of their economic potential in the area of innovation and in the area of value added is strongly dependent on cooperation with innovative micro enterprises. These function as a pool of qualified labour and they improve the quality of innovations that are adapted by major companies. The development of major enterprises is strongly determined by the existence of a sufficient number of professional

micro enterprises and freelancers in the market. Major enterprises benefit especially from support to professional improvement and improved managerial know-how of micro enterprises.

Shared Identity of the Complex of Branches Forming the Culture and Creative Industries

It could be shown that a lack of shared identity of the actors, insufficient presentation of the complex of branches towards the public and a lack of networking opportunities mark a barrier for the development of the actors. The *Initiative Culture and Creative Industries* of the Federal Government addresses these issues and provides important opportunities for improved development.

Although the project has only been running for a short time, it has already become obvious that the majority of micro enterprises and freelancers have not yet been reached by institutionalised sector discussion. Due to the lack of networking within the complex of branches and the specific structures of work and production, the participation in events and competitions has been rather low, as far as can be seen at this stage. The development of this target group continues to be hampered by the lack of events to support networking. In order to support the permanent and sustainable development of the actors in the culture and creative industries, the *Initiative Culture and Creative Industries* should be developed into a nationwide platform with regular institutionalised discussions across the core branches supporting the development of shared identity and coordinating external marketing.

Intermediation between Support Institutions and Micro Enterprises

Familiarising micro enterprises with the different institutional levels of municipalities, towns and cities, *Länder* and Federal Government (responsible for the support to culture and economy and intermediating between micro enterprises and the institutional level) is another field of action to develop the actors in the culture and creative industries. As the depth of value added in the culture and creative industries has hardly been developed, research has identified the economic potentials of micro enterprises as a central lever. The analysis shows that micro enterprises, with their particular support needs, require special approaches and support programmes to familiarise them with the institutional level. The economic potential of culture industries innovations can be enhanced by simultaneous measures to improve the professional skills of the actors and to intermediate between the often hermetically separated structures of culture and economy.

Micro enterprises often concentrate strongly on the production of content and neglect the marketing of their products. This deficit becomes another departure point for the increase of value added by

the culture and creative industries. Targeted support to the marketing of culture industries products and to the tapping of new markets for young innovative micro enterprises can enhance the development of the economic potential considerably. Networking with other market players is, therefore, of paramount importance for the economic development of micro enterprises and their familiarisation with the institutional level. At the same time, there is a lack of lobbying activity, making it difficult for policy makers and support providers to communicate and find access. Creating access on the supply side, as well as on the demand side, is therefore, a major step to improve the support to the development of the micro enterprises.

The establishment of nationwide contact points and pilot services providing specific information and coaching services in connection with impulses to networking and the extension of new market opportunities is, therefore, of central importance. A 'trainee programme' for providers of support to culture and economy, developing new and improving existing instruments for the target group adequately and flexibly, can enhance the impact on both sides. A well-targeted portal like www.netjobbing.de could be further developed to reduce research and transaction costs, considerably. To support the lobbying activities of the micro enterprises, diverse efforts to improve communication and networking should be supported in order to develop adequate support approaches for the target groups and adapt them dynamically in the future.

General Conditions

The analysis shows that general conditions are important factors for the optimal development of the culture and creative industries from the point of view of the actors.

As the general conditions are very complex, their influence on the actors could not be analysed in-depth in the context of this basic study. A more detailed discussion, assessment and the derivation of options for action to improve the general conditions must remain the subject of future, in-depth studies.

Representatives of the culture and creative industries point out that general factors, such as education, have a high importance, e.g. on culture and creativity related education and training. In the field of social policy, the immense importance of the artists' social insurance is emphasised. However, it is also stressed that this support instrument needs to be applied consistently and in a non-bureaucratic manner.

Tax laws form another important frame condition for enterprises in the culture and creative industries. Actors demand the adaptation of tax laws to the specific conditions of the culture and creative industries in order to ensure optimal development.

Copyright laws are another important framework requirement for the actors in the culture and creative industries. Copyright laws become more and more important for business activities in many areas of the culture and creative industries due to the increasing digitisation of products.

In order to derive appropriate and adequate courses of action for the Federal Government, the experiences of current support measures were put together in a practice analysis. Practical examples of municipal, regional and national project executors in the areas of infrastructure, education & skills development and exploitation were analysed. The results show that the Federal Government can recur to a great variety of experiences by other institutions. The practice examples show that political resolve and competent, strong project steering are important factors for the success of projects. Successful measures are based on long-term development plans facilitating sustainable impact (through continuous financing of programmes and measures). Cooperation with local competences and networking of the diverse actors are also emphasised.

Furthermore, it became clear that the regional creative potential can be raised by local projects, especially in the area of infrastructure development. The Federal Government should restrict its role to that of multiplying model projects through targeted information and support measures. In the area of education & skills development, the Federal Government can adapt and implement successful measures such as 'departure_experts' on the central level.

Three forms of support to the culture and creative industries by the Federal Government were identified:

- New and specific support forms and measures for the culture and creative industries have to be developed.
- There must be intermediation between the creative actors and the institutional level in order to achieve effective support for the culture and creative industries through currently available support programmes.
- Currently available support programmes provided by the Federal Government must be opened formally and content-wise for the culture and creative industries.

Culture and creative industries are an important part of the modern knowledge society. Knowledge society is no longer determined by the processing of raw materials into goods and their distribution. This is a huge transformation. It is important not to perceive this change as a disturbance, but as a normal process of economic activity. This change is nothing but the ability to integrate innovation and creative development into the economic process as a matter of course.

The culture and creative industries provide an above-average number of job places for service providers, freelancers and for women. Demand for artistic and creative content is on the increase. Project-related, cross-functional forms of work, typical for the culture and creative industries, gain more and more importance in other economic areas as well, and are an indicator for a modern economy.

8.2 Recommendations

The analysis of the context of support to the culture and creative industries in Germany led to the identification of major support needs. Referring to examples on the regional, national and supranational level, possible courses of action of the Federal Government were derived. A scenario analysis led to the further determination of the options and tested their impact and system relevance. Based on these results, two categories of recommendations for action were derived. Recommendations for strategic action, whose implementation provides basic, systematic impulses, and recommendations for complementary action, aimed at specific development goals. Based on these results, the authors recommend the following support measure for the development of the culture and creative industries.

8.2.1 Recommendations for Strategic Action

Monitoring and Continuation of Quantitative Analyses of the Culture and Creative Industries

The monitoring of the culture and creative industries should be done according to the following strategic dimensions:

- National perspective: monitoring of the overall economic development of the culture and creative industries based on official data (thus assuring cross-cutting analysis of all core branches).
- Industry-related perspective: monitoring of core branches based on official data, complemented by data provided by associations and information provided by expert organisations. Development into regular reports for core branches.
- European perspective: monitoring of development of culture and creative industries on the European level, special reference to France, the UK, Italy and Poland and cooperation with the respective national institutions. Development of country reports on culture and creative industries in support of foreign cultural industries policies.

- Perspective of specific economics: special monitoring of situation and development of cultural and creative professions and freelancers/micro enterprises.
- Complementary perspective: monitoring of the cultural sector and its complementary sector segments - public, intermediate and private cultural institutions.
- Methodological perspective: further development of definitions and classifications especially in order to adapt them to economic activities of the rapidly developing immaterial economy towards digital and internet economy. Assure compatibility with European and future international classifications of economic activities.
- Perspective of space: monitoring of local and regional culture and creative industries through a consistent system of indicators (few but uniform key indicators) to be used by economic support providers on the regional level. Extension to the *Länder* level and the European level.
- Perspective of cooperation: harmonisation of definition and classification efforts with Conference of Ministers of Economic Affairs and other expert institutions.

Establishing the actual support needs helps to create frame conditions for an area that excels in most other economic areas by its diversity, mobility and rapid change. It must be the responsibility of the Initiative Culture and Creative Industries to capture and document the progress and the changes, as well as the potential of the culture and creative industries, on a continuous basis.

- Development of a forecast instrument for the economic development of the culture and creative industries through regular surveys of enterprises according to core branches.
- Development of a suitable statistical instrument to capture the 'specific economics' of the culture and creative industries. Differentiation according to three types of enterprises: micro enterprises/freelancers, SMEs and major companies.

This knowledge about the sector is important for the profile of a dialogue platform for the culture and creative industries. Analyses and statistical evaluations of national and international specificities of the sector provide important insights for its perception. Continuous collection and publishing of data on the characteristics and strengths of the culture and creative industries will draw the attention of traditional industries and large areas of the public towards the economic and social importance of the culture and creative industries in Germany.

Opening Currently Available Support Programmes for Enterprises from the Culture and Creative Industries

Due to its great importance for the overall economy and its capacity for innovation in particular, as well as due to its own innovative activities, culture and creative industries enterprises should be more strongly integrated into economic and technology-related programmes. The authors recommend that the Federal Government should adapt the present formal and content-related requirements for the access to currently available support programmes in order to be able to support the development of more enterprises from the culture and creative industries.

The **removal of currently existing restrictions to selected industries**, such as those of the support programmes EXIST-SEED, the ERP-start-up fund, KMU-innovativ or the High-Tech founders' fund, can increase the participation of actors from the culture and creative industries. The authors also recommend the general inclusion of freelancers in current support programmes. Besides granting formal admission to the support programmes, the Federal Government should **change the guidelines for eligible expenditures**. Freelance artists and small and medium enterprises, depending on expensive instruments or equipment, must be enabled to receive support for investment in their innovative products.

This measure can be greatly enhanced through intermediation and familiarisation of micro enterprises with currently available support programmes. Formal and content-related opening of existing support programmes does not reduce the barriers for micro enterprises to participate in these programmes. A network of experts, familiarizing the target group with the adapted support programmes, (see below) can enhance the communication with this group.

The implementation of the recommendations can lead to major improvements of the participation in the great variety of support programmes provided by the Federal Government. It enables the Federal Government to give an important impulse to the development of the economic potential of the culture and creative industries.

Establishment of a Network of Experts to Provide Consulting Services for the Actors of the Culture and Creative Industries

The authors recommend the initiation of a network of experts. The network will provide **consulting services for the culture and creative industries**. It also functions as an inter mediator towards the various institutional levels in Germany. The consultants of the network must be familiar with the sector and contribute towards the improvement of professional skills of micro enterprises from the culture and creative industries through '**coaching on the job**', for example, for the optimisation of production processes, the preparation of market entries or for the development of marketing strategies.

Adding economic counselling to the currently available financial support instruments will lead to improved professionalism, in particular, of micro enterprises.

An additional impulse is needed on the demand side in order to develop the optimal impact of consulting services provided by the experts. Actors in the culture and creative industries must be specifically addressed in order to reduce inhibition thresholds before they acknowledge the need for counselling. The authors recommend to the Federal Government that **free vouchers for initial consulting services** be offered by the accredited experts of the network to the actors in the culture and creative industries.

The second important task of the experts consists of intermediating between the different institutional levels and the micro enterprises of the culture and creative industries. The intermediation aims at familiarising them with currently available support programmes in order to increase the participation of cultural and creative enterprises in such programmes. It also recommends addressing economic support providers through measures such as 'coach the coach'. The experts of the network should be able to provide advice to economic support providers about suitable strategies to reach the actors.

Quality assurance, through the verification of adequate qualification of the experts, is another important feature of the network. The authors recommend a two-fold **quality assurance of the network of experts**. An independent commission decides whether experts are included in the network, once their qualifications have been verified. To create another control mechanism, the Federal Government should establish the network of experts as an easily accessible Web 2.0 database of experts' profiles. This database should enable users to post assessments of the experts and read the assessments others have provided. Thus, contacts between competent experts and enterprises from the culture and creative industries can be easily established. Using innovative digital technologies, such as Web 2.0, contributes towards the targeted approach to the enterprises of the culture and creative industries.

Re-defined Concept of Innovation for the Culture and Creative Industries

The rapid development of the core branches of the culture and creative industries strongly suggests regarding them under the aspect of innovation policies. Not just because the economic development of culture and creative industries is driven by technical innovations, but also because ideas, creative content and non-technological innovations are the engine of the rapid development. Culture and creative industries is largely an economic field of developing new ideas, prototypes or experimental pilot projects. Many prototypes do not survive the test phase, but more and more can be transformed

into economically viable innovations through new models of marketing and value added.

Here an amazing process takes place. The separation between the inventor and the exploiter of innovations is no longer of great importance. A growing number of prototype developers function as exploiters, marketing the innovation. In this case all instruments of innovation strategy will gain importance. Restricting the support to, mainly, technological innovations would leave great potential for unutilised value added.

The European Commission has proclaimed the 'Year of Creativity and Innovation' in order to promote innovation. The Commission refers to its plan for an EU innovation strategy discussed and concluded at the Summit of Heads of State on 15/16 December 2006. The Federal Government should consider this plan, especially with respect to the support of non-technological innovation, and utilize it for the support to culture and creative industries.

However, in its definition of innovation, the Federal Government will have to depart from the regulations on the state aid law of the European Commission.

These are based on the assumption that innovative action is a strategy for survival in the business sector and, therefore, has to be seen as normal entrepreneurial behaviour. State aid, however, must be directed towards special activities that go beyond usual business practice. State aid to innovation does not include regular changes in products, processes, services and other current activities, even though these changes may lead to improvements. Innovations always include a factor of uncertainty of the result and must represent an extraordinary economic risk (implementation, realisation, marketing) that goes beyond usual business practice

This must be considered when integrating culture and creative industries into the innovation policy of the Federal Government.

Establishment of a Nationwide Platform for the Culture and Creative Industries

The authors recommend the development of the *Initiative Culture and Creative Industries* into a sector platform for the culture and creative industries.

The platform should be a central contact point for representatives of core branches, regional clusters and economic support providers and for enterprises from the culture and creative industries. The platform provides initial counselling, information and regular discussion and panels across the core branches. It should offer specific consulting services to the actors in the culture and creative industries. Freelancers, enterprises and political representatives receive

information on contact partners and opportunities for support via a hotline. For this purpose, a special office should be established.

Providing information through internet portals and newsletters is another important task of the platform. It is recommended that the Federal Government should implement measures to monitor the development of the culture and creative industries on a regular basis. This should include regular collection of quantitative data and further research into the economic importance of the cross-cutting sector, as well as qualitative research into important frame conditions and factors of influence. This could, for example, be done by one of the experts conducting the Delphi study. Primary data collection, capturing the actual degree of innovation in the sector or investigating the impulses of the culture and creative industries on traditional industries and services, should also be considered.

The authors consider the continuation of regular discussions across the culture and creative industries as an important measure. Establishing an annual meeting of all core sectors is seen as an important measure to increase the shared identity of all actors. Panels on important topics and developments in culture and creative industries, with actors from local, national and international experts, should be organized. The development of assessment criteria for banks could, for example, be done by a panel. More intensive media coverage of the culture and creative industries should also be a responsibility of the platform. The platform can contribute towards the professional improvement of regional projects through information, contacts etc., and make them better known on a national level. The authors recommend giving the operative management and supervision of the platform to the department of culture and creative industries of the German Ministry of Economics and Technology and the Federal Commissioner for Cultural and Media Affairs, in order to avoid needless institutionalisation.

The Federal Government can enhance the impact of this measure by connecting the platform to the establishment of a network of experts and the formal and content-wise opening of currently available support programmes. This will greatly enhance the effects of consulting services for the actors and the provision of information.

8.2.2 Recommendations for Complementary Action

Development of Assessment Criteria for Banks and Economic Support Providers

Targeted counselling is needed to improve the financial situation of the culture and creative industries and to reduce the reservations between the sector and the banks. The authors recommend that the Federal Government develop a manual, in cooperation with

consultants, banks and economic support providers, to sensitise actors on the institutional level for the specificities of the culture and creative industries. The manual should include **assessment criteria and recommendations for the particularities of business activities** in the core branches of the culture and creative industries

Banks and providers of economic support, who have only very sporadic contact with enterprises from the culture and creative industries, shall be provided with objective criteria to assess new business models and innovative modes of production.

A first step could be the compilation of facts about the culture and creative industries. Specially trained consultants of the culture and creative industries address the needs of the sector adequately. They provide orientation in legal matters, help with application procedures and support businesses in the financing of innovative ideas. A **nationwide trainee programme for economic support providers and banks** could ensure nationwide dissemination of such know-how. Thus, sensitisation measures and the dissemination of information for the assessment and addressing of enterprises could cover the entire country. As both actors have strong multiplying effects, this process may have enormous impact on the economic development of culture and creative industries. This process must also be used to discuss the adaptation of general conditions with the banks. In a dialogue with the experts, the options for action of the Federal Government on the legislative level should be investigated (e.g. inclusion of immaterial goods in the balance sheet) to provide sustainable support to the financing of the enterprises and the entire development process.

Extending the Federal Awards

As a complementary measure, the Federal Government should extend the federal awards to those core branches of the culture and creative industries that are currently not included. Strong support to the federal awards can be an important measure to support the market entry of actors from the culture and creative industries.

An overall award for culture and creative industries should be initiated. Besides the targeted and project-oriented support to enterprises, this will also have a strong signal effect for the development of a shared identity of the entire complex of branches forming the culture and creative industries, with strong effects on its development. It is recommended to extend the current federal awards according to the example of other federal competitions that are in the final round of competitions on a regional or Länder level. The number of award winners and supported enterprises could thus be increased and the impact of federal awards on the development of the economic potential of the culture and creative industries, multiplied.

The impact of the federal awards can be further increased if they are combined with the recommendations for strategic action. The

establishment of a sector platform and financial support, combined with consulting services by a network of experts, could enhance the effects of the federal awards as an appropriate instrument to facilitate the market entry of enterprises of the culture and creative industries.

Extension of Support for Trade Fairs

As another complementary measure, the authors recommend to extend the currently available support for trade fairs to provide targeted support to the internationalisation of culture and creative industries. Eligible expenditures in the programme for trade fairs abroad and for the participation of young innovative enterprises in international leading fairs should be adapted to provide effective support to the culture and creative industries. It should, for example, be possible to support travel costs of artists performing at trade fairs abroad in the same way as the shipment of material exhibition goods. It is also recommended to facilitate the participation of all young enterprises of the culture and creative industries in international leading trade fairs in Germany. It should be determined which of the trade fairs included in the current support programmes are relevant for culture and creative industries.

In order to reach micro enterprises and freelancers through these support programmes, this instrument should be complemented by measures to familiarise this target group with the institutional level through consulting services and a network of experts.

Development of Programmes of Small-scale Financial Support

The authors recommend that the Federal Government adapt currently available small-scale financial support programmes, such as the KfW Start-up Money, to the needs of the culture and creative industries.

The 'house-bank-principle' currently applied in the programme, and the requirements attached to it, create a barrier to the participation of cultural and creative enterprises. The authors, therefore, recommend the easing of this principle. There are two possible ways to achieve this: at present KfW guarantees cover only 80% of the total loan vis-à-vis the lending bank. The remaining 20% have to be guaranteed by the enterprises through such securities as are customary in banking. The Federal Government should adapt this regulation because micro enterprises in the culture and creative industries are usually not able to provide the required securities. The verification of documents customary in banking, such as rental contracts and licences, also creates disproportionate cost and effort on the side of the bank and reduces the incentive to grant such loans.

The unbureaucratic granting of micro loans of up to 5,000 Euros directly through an internet portal and without applying the 'house-bank-principle' could be a possible approach. The approval of loans could be done through a simplified procedure, following a check-list

enquiring after commissions, intentions and cooperation partners. Thus, the lending process could be kept simple and cost-efficient. The project-oriented financing situation of micro enterprises in the culture and creative industries could, thus, be significantly improved.

It is also recommended to improve media coverage and public relation measures for the support programme. Culture and creative industries should be especially targeted, as many creative enterprises lack information about these support programmes.

Participation in the programme and, subsequently, its impact on the development of the culture and creative industries can be increased by familiarisation measures for the actors through experts of the network.

Further In-depth Analysis to Improve General Frame Conditions

In the framework of this study it was not possible to carry out a detailed analysis of the factors defining the general frame conditions. The issues identified in this analysis should be taken as proposals requiring more detailed research due to their complexity.

Actors from the culture and creative industries see ways to improve the general conditions for culture and creative industries, especially in the areas of education and taxation policies and in the field of legal frame conditions.

Representatives of culture and creative industries point out the need for uniform standards of professional qualification in the sector. New education and training courses, related to culture and creative industries, should be created and existing courses should be analysed with respect to uniform quality standards.

The adaptation of social policy measures and social security systems to the conditions of the culture and creative industries is under discussion. The majority of freelancers do not fit into the current system of old age, unemployment and health insurance; for them it involves higher costs and greater effort. The immense importance of the artists' social insurance for social security in the culture and creative industries was repeatedly stressed by all actors involved.

Regulations to bridge extremely erratic turnover developments are also demanded. Allowing them to set up tax-free reserves could be a possible way. Proceeds from a successful year could thus be carried over to the following year and possibly be used to finance the development of new business ideas. This should be made possible for one-person-businesses. However, such deliberations have to be checked by taxation experts and further investigated, which was not possible in the framework of this basic study.

Strengthening the role of artists and creative individuals through amendments of the copyright law is another measure on the legislative level. The increasing digitisation of products makes plagiarism more and more easy, leading to a need for action, especially in the copyright-related core branches. In this context it is important to strike a balance between the protection of intellectual property and opportunities for the creative development of existing products.

Possible courses of action for the long-term improvement of frame conditions for the culture and creative industries exist in many different political fields. Especially, education policies and social security systems offer opportunities for the improvement of the competitiveness of enterprises in culture and creative industries. General legal and taxation conditions can also be improved. A final and more in-depth assessment of this field of action urgently calls for more research and analysis.

Annex