CHAPTER: Definition of Cultural Industries within the TF3 Framework

By Michael Söndermann, Office for Culture Industries Research, Cologne and Working Group on Cultural Statistics, Germany

In recent years, the economic sector of the cultural and creative industries has aroused much attention from many European countries. The number of countries and regions concerned is continually increasing, despite the fact that the sector - in its complexity - is by no means easy to comprehend, due to its heterogeneous nature and increasing fragmentation, not to mention the specific economic plans that have been successfully introduced in the cultural and creative industries.

The different Directorate Generals (DG) of the EU Commission have recently broached the issue of the cultural and creative industries, bringing about considerable potential for growth and welfare within the industry. The discussion about suitable measures leads, for example, to the creation of a "European Alliance of Cultural and Creative industries", whose aim is to involve all key stakeholders on both a European and a member state level. The European cultural and creative industries debate has also benefited from an important strategic impetus provided by the Commission's recent competitiveness report.[1] The report highlights the innovative capacity of the cultural and creative industries and argues the sector's case as one of Europe's leading industries.

Such an appraisal of the matter is always a pleasure to read. More importantly, however, it calls for the development of a clear, evidence-based cultural industries.

1 Existing working definitions of the cultural industries

In the bid to determine a standardised pan-European definition of the cultural industries, it makes sense to find a common denominator for all European stakeholders involved within the industry. This common denominator must be situated somewhere between the two poles of necessary statistical uniformity and the regionally diverse approach currently in place. A pragmatic approach would help here; enabling us to describe the core elements of the cultural industries is a plausible way, and thus meeting with the approval of the many professional, political, economic and scientific stakeholders concerned.

Before discussing the methodological way of the definition and the delimitation of the cultural industries, we should firstly introduce and evaluate two of the most important current working definitions used in Europe.

1.1 Cultural and creative industries according to the Green Paper

The Green Paper, lead-managed by the EU Commission's Education and Culture DG, defines the cultural and creative industries as follows:

[1] European Competitiveness Report 2010 - Innovation and the creative industries in the EU

> "Cultural industries" are those industries producing and distributing goods or services which at the time they are developed are considered to have a specific attribute, use or purpose which embodies or conveys cultural expressions, irrespective of the commercial value they may have. Besides the traditional arts sectors (performing arts, visual arts, cultural heritage – including the public sector), they include film, DVD and video, television and radio, video games, new media, music, books and press. This concept is defined in relation to cultural expressions in the context of the 2005 UNESCO Convention on the protection and promotion of the diversity of cultural expressions. "Creative industries" are those industries which use culture as an input and have a cultural dimension, although their outputs are mainly functional. They include architecture and design, which integrate creative elements into wider processes, as well as subsectors such as graphic design, fashion design or advertising.“[2]

The Green Paper is primarily based on the study by the KEA, entitled "The Economy of Culture". However, contrary to the KEA study, which focuses on the economic impact of the entire cultural sector, the Green Paper takes the cultural sector as a whole and refers to it as the "cultural and creative industries". In so doing, the Green Paper conveniently classes the artistic branches, such as the visual and performing arts for example, under the umbrella of the cultural industries. The KEA study, however, does not consider either of these vulnerable artistic branches as belonging to the cultural industries.

As a result of this affiliation of predominantly public-funded cultural fields to the cultural industries, the authors of the Green Paper needed to assimilate both the private market enterprises and the public sector organisations in the conceptual definition of the cultural and creative industries. However, this amalgamation of market sector enterprises and public sector organisations within the definition process may lead to profound structural problems in the field of cultural policy. Theatres, museums and libraries etc. that have been publicly funded and financed in the past, will now be categorised as commercial organisations within the cultural industries. In the long run, this change in terminology may now mean that they are assessed as market-oriented or profit organisations and are expected to operate as such. Such a shifting of the former public and socially legitimate art institutions and cultural organisations will cause serious damage to Europe's diverse cultural sector - if not its destruction - over the long term.

This midway conclusion needs to be born in mind as we work towards a definition in the next section. The working definition of the Green Paper must be radically improved in the strategically significant area concerning the clear distinction between public and market economy activities.

1.2 Creative and cultural industries according to the European Cluster Observatory

The European Cluster Observatory (ECO), which is funded by the EU Commission's Enterprise and Industry DG, produced an up-to-date study on Europe's creative and cultural industries with the aim of identifying the fundamental creative industry clusters existing in all of the 27 member states. This empirical study defines the creative and cultural industries using the following terms:

> "For the purposes of this report we use the following definition of creative and cultural industries: those concerned with the creation and provision of marketable outputs

[2] EU Commission (2010): Green paper. Unlocking the potential of cultural and creative industries, page 5

> (goods, services and activities) that depend on creative and cultural inputs for their value."[3]

The study places the term "creative industries" first and foremost to underline the market economy perspectives of the industry as a complex whole. The particular economic activities that are considered by the authors as tending more towards a cultural nature, such as libraries, museums or cultural heritage for example, are purposefully excluded in the conceptual definition, so as to minimise the amalgamation with cultural structures of the more publicly-funded culture segments.

Excluding the cultural segments from the creative industries debate makes it clear in which conflictual area the creative industries as a whole are caught up. Whilst the definition should consider those commercial activities that can be more easily associated with creative activities in the general sense or with distinctly commercial activities within the cultural industries, those segments that cannot easily be described as commercial activities should, as far as possible, be excluded.

The appraisal of the ECO study illustrates the opposing position of the authors of the Green Paper. Whilst the working definition of the Green Paper brings the commercial and public cultural sectors together under the one umbrella, the ECO authors separate the different parts of the potentially commercial cultural activities without any prior assessment.

Bringing together these two definitions highlights the debate which surrounds the cultural industries and in which the industry is developing.

The following section aims to situate the notion of the "cultural industries" within the conflictual situation of the cultural sector and advance towards a composite definition of the concept in clear, market-oriented and commercial terms.

2 A systematic approach to definition

This section describes the methodological way in which the current definition of the cultural industries can be improved using a systematic definition and classification concept. The first stage of this concept is concerned with a conceptual clarification of the cultural industries. The second stage corresponds to the statistical delimitation of the cultural industries, and the third stage focuses on the interrelation with selected sources of statistical data.

Firstly, the central objective of the process of defining the cultural industries should be made clear to the reader. The aim is to develop a clear, empirically founded definition of the cultural industries, which encompasses the market-oriented segment of the cultural sector. This concerns the commercial sector of the cultural industries, which is considered a sub-sector of the cultural sector as a whole. It does NOT concern the overall economic importance of the cultural sector.

The conceptual definition of the cultural industries will firstly be described in three steps. The explanatory notes below provide additional insights and rationale for the characteristics and criteria.

[3] Priority Sector Report: Creative and Cultural Industries – Methodological Appendix; Dominic Power, Uppsala University, Tobias Nielsén, Volante QNB Research, March 2010 – deliverable D9-1; Conceptual definition, page 3

2.1 Definition of the cultural industries

(a) The term "cultural industries" defines an independent economic sub-sector within the cultural sector.
(b) This economic sub-sector groups together all businesses and independent traders that are involved in the creation and distribution of artistic products and services on the market.
(c) Cultural businesses and self-employed artists are either market-oriented or commercial in nature because they are predominantly financed by the market, by selling their works, products or services at market-driven prices.
(d) The cultural industries are represented by commercial or market-oriented sub-sectors of the cultural sector in each of the 10 cultural domains: heritage, archives, libraries, books and press, visual arts, performing arts, audiovisual and multimedia, architecture, advertising, and art and crafts.
(e) Self-employed artists and cultural workers in the cultural industries occupy a special position because they often interchange between market and non-market-oriented activities and can therefore be stakeholders in both profit and non-profit markets.
(f) The cultural industries do not include non-profit businesses, organisations or associations, which are predominantly funded by public authorities or private donors (civil society). The main purpose of these institutions is not fetching market-driven prices or generating income to ensure their existence.

Explanatory notes concerning the definition:

The cultural industries will firstly be isolated as a sub-sector of the cultural sector as a whole, as we introduce an economic perspective alongside the three terms: public, civil society and market sectors. Classifying the cultural industries into a larger structure composed of sectors is of major importance for reasons of regulatory policy. This allows both publicly funded or non-profit-making cultural products and services as well as those that are commercially financed to be assessed using different value measures and, to a great extent, be accounted for according to the relevant political policies.

Although the cultural industries are closely linked to the other sub-sectors of the cultural sector, it should be considered a domain in its own right due to its particular financing structure. The cultural industries represent the market economy part of the cultural sector. All businesses and economic activities within the profit sector of the cultural sector will be assigned to the cultural industries. Cultural businesses and self-employed artists are either market-oriented or commercial in nature because they are predominantly financed by the market, by selling their works, products or services at market-driven prices. Their main objective is to create financial added value and generate income.

The remaining non market economy sub-sectors - the cultural public and the cultural civil society sectors - include all non-profit organisations and activities that are not geared towards commercial goals. The cultural industries do not, therefore, include the non-profit businesses, organisations or associations, which are predominantly funded by public bodies or private donations. The main objective of these institutions is not fetching market-driven prices and generating income to ensure their existence, but rather social goals, including artistic and cultural works, cultural education and wider cultural participation in society.

Self-employed artists and cultural workers in the cultural industries occupy a special position because they often interchange between market and non-market-oriented activities and can therefore be stakeholders in both profit and non-profit markets. Besides, the status of an artist cannot always be categorically defined according to the artistic profession or type of occupation. They work as freelancers, independent workers, self-employed or as entrepreneurs and business owners. Due to their micro-business status, they are often excluded from national statistics and clearly under-represented in empirical analyses.

Overall, the term "cultural industries" is considered a sub-sector, to which all market oriented or commercial activities within the Framework on Culture (TF1) are assigned. This terminological differentiation represents the first step. The term must now be associated with a statistical model of classification, so that activities that categorically belong to the cultural industries can be classified.

2.2 Statistical delimitation of the cultural industries

(a) The notion of the cultural industries and their market segments in the 10 cultural domains needs to be combined with a classification system of economic activities if the cultural industries are to be unambiguously defined in the statistical sense. This is the aim of the European classification of economic activities, NACE.
(b) The most important economic activities in relation to the delimitation of the cultural industries can be found in the two NACE sections "J - Information and communication" and "R - Arts, entertainment and recreation". Additional individual cultural industries activities can also be found in other sections.
(c) Due to the fact that the term "cultural industries" is not a recognised term within the classification system of economic activities, a new list of the industry's economic activities must be compiled to include the relevant activities within the cultural industries. In other words, the successful statistical delimitation of the cultural industries relies on the reclassification of the economic activities, which are currently scattered throughout different sections of the NACE system.
(d) If the cultural industries are to be reclassified, it is of prime importance that the economic activities of the cultural industries be categorised in the most specific way possible. This implies that the range of economic activities that are connected to the cultural industries must be expressed in terms of the smallest units, and classified in the economic activities or in the terms of the classification model, using the so-called classes with their 4-digit codes.
(e) According to the TF1 Framework on Culture, the following 30 or so economic activities have been assigned to the core area of the cultural industries at the 4-digit level. This range of 4-digit level economic activities includes all economic activities that can be entirely or predominantly considered as activities relating to the cultural industries. Moreover, further economic activities that contain activities relating to the cultural industries are currently under discussion. (A list of some 30 NACE codes and their description can be found in the Appendix.)
(f) The compilation of the list of the 30 or so economic activities is the second step necessary in defining the cultural industries, without fully or adequately defining it as a market-oriented or commercial segment.
(g) This is due to the fact that the key statistical concept of "economic activities" in the NACE classification model does not exclusively equate to market-oriented or commercial activities. The concept of "economic activities" also has a focus on the activities of the non-profit and non-commercial markets. For example, the economic activities of theatres and museums comprise all commercial, public and not-for-profit organisations and institutions.

Explanatory notes to statistical delimitation:

The NACE [4]classification system of economic activities is a tool that allows the entire economic structure within the European Union to be assessed and categorised according to systematic characteristics. The classification system provides all member states with a specific degree of differentiation (the so-called 4-digit level). Other European states (for example, Switzerland and Turkey etc.) have also latched on to the NACE classification model.

The most important economic activities in relation to the statistical delimitation of the cultural industries can be found in the two NACE sections "J - Information and communication" and "R - Arts, entertainment and recreation". In addition, certain economic activities can be found isolated within other sections. Because these sections contain many economic activities that are not of a cultural nature, for example, the telecommunications industry or recreation, a higher range of economic activities specifically concerned with cultural industries is required. The NACE classification model typically distinguishes between the more general and more specific levels: sections and divisions (1 and 2-digit levels), groups (3-digit level) and classes (4-digit level).

Contrary to the traditional activities of the car, chemical and machine-building industries, which can be statistically represented in their own sections or divisions, the economic activities of the cultural industries must be described in detail so that the economic activities can be classified with precision. As a ground rule, the statistical delimitation of the cultural industries is therefore based on the 4-digit level, referred to as "classes".

As a result, both sections "J - Information and communication" and "R - Arts, entertainment and recreation" provide a range of economic activities on the 4-digit level. These will then be brought together under a new term, "cultural industries", or reclassified.

If the cultural industries are to be reclassified, it is of prime importance that the economic activities of the cultural industries be categorised in the most specific way possible. Many activities within the cultural industries have been assigned to other economic activities of the classification system, due to a former low-value assessment of these as so-called 'unproductive' activities.

The range of economic activities that are connected to the cultural industries must be expressed in terms of the smallest units, and classified in the economic activities or in the terms of the classification model, using the so-called classes with their 4-digit codes. According to the TF1 Framework on Culture, the following 30 or so economic activities that can be entirely or predominantly considered as activities relating to the cultural industries have therefore been assigned to the core area of the cultural industries at the 4-digit level. At the time of writing, nearly ten further economic activities are also due to be added. (A list of the NACE codes and their descriptions can be found in the Appendix.)

The compilation of the list of the 30 or so economic activities is the second step necessary in defining the cultural industries, without fully or adequately defining it as a market-oriented or commercial segment. This is due to the fact that the key statistical concept of "economic activities" in the NACE classification model does not exclusively equate to market-oriented or commercial activities. The concept of "economic activities" also has a focus on the activities of the non-profit and non-commercial markets. For example, the economic activities of theatres and museums comprise all commercial, public and not-for-profit organisations and institutions.

The statistical reclassification of some 30 economic activities relating to culture allows a new definition of the cultural industries. However, a third step is necessary within the wide-ranging

[4] NACE is the statistical classification of economic activities in the European Union

notion of "economic activities" with its profit and not-for-profit activities, so that it includes the current market-oriented or commercial enterprises and self-employed artists.

2.3 Selection of statistical data sources for the cultural industries

Preliminary remark: Due to the fact that the statistical classification system of economic activities leaves no scope for differentiating between profit and not-for-profit activities, this condition must be addressed with a relevant statistical data source.

Both the structural business statistics (SBS) and labour force survey (LFS) serve as key data sources on an EU level. In addition, the short-term business statistics (STS) and national accounts (NA) provide sources of raw data. The latter two data sources should be considered rudimentary references for the analysis of the cultural industries as they are limited to the 2-digit level, rather than the in-depth 4-digit level required.

The two most important data sources, the SBS and the LFS, will be discussed below in terms of their usefulness within the cultural industries.

The following characteristics apply to the SBS data source:

(a) The SBS is a predominantly market-oriented statistical reference that, on the European front, contains an adequate degree of classification at the 4-digit level, and can therefore be used when defining the delimitation of economic activities within the cultural industries.
(b) However, the SBS's use is limited due to the fact that only two-thirds of the 30 or so core economic activities of the cultural industries can be evaluated. The remaining about 6 to 8 economic activities predominantly belong to section R and, as far as the SBS is concerned, represent mixed market oriented and non-market-oriented activities.
(c) The broadcasting activities class is also restricted. This lists the privatised, economic broadcasting activities alongside those that are public and regulated by public law. This class can only be assigned to the cultural industries proportionately based on its estimated value.
(d) All of the following sub-segments and market segments can be classed as cultural industries markets according to the SBS: publishing industry, film/video industry, sound recording industry, broadcasting industry (without public activities), news agencies, architectural market, advertising market, design industry, photographic and translation activities, retail sale of books, newspaper, music and video recordings
(e) The sub-segments and market segments of performing arts, artistic creation, library and archives activities, museums activities and historical heritage cannot be analysed using the SBS data source. This analysis requires consultation of national data sources in the form of the member states' business registers.

The SBS provides a database that can be used as an unambiguous statistical reference with a clear focus on market-oriented activities, and which covers the most part of the cultural industries. The sub-segments and market segments that are not covered by the SBS need to be completed with national statistics, which as a rule, are provided by the corresponding national business registers. It is important to bear in mind that even the national business registers don't always make a clear distinction between profit and non-profit activities. If this is the case, either the market-oriented activities need to be estimated or further national industry statistics that include this important distinction should be used.

The following characteristics apply to the LFS data source:

(a) The LFS provides a 3-digit level on the European scale and, therefore, cannot be easily linked to the 4-digit level of the cultural industries concept. Having said this, the LFS was conducted at a national level in all member states, where sufficient 4-digit level LFS data often exists.
(b) An analysis of the cultural industries must therefore pool the national LFS data into a common data bank. An estimated value could be provided to those member states that only possess 3- or 2-digit levels, based on the majority of 4-digit countries.
(c) Contrary to the SBS, the LFS is not a market-oriented statistical reference. It covers all of the economic activities, including both market- and non-market-oriented activities.
(d) As a consequence, the economic activities and market segments, some of which are listed above and include theatres, museums, libraries, archives, broadcasting and cultural heritage, need to be separated on the basis of national statistics for market-oriented activities.

The European LFS is of limited use for the analysis of the cultural industries, due to its limitation to the 3-digit level. If it were possible to raise the member states' existing databases up to the 4-digit level, it would be possible to analyse the cultural industries for the majority of the member states. Limitations also exist for the sub-segments and market segments listed in point (d).

3 Conclusion

The description of the methodological ways to reach the purpose constitutes a first step towards a better understanding of the concept of the cultural industries.

The first step entailed the classification of the cultural sector as a whole and the identification of the cultural industries as a domain in its own right. The cultural industries differ from other sub-sectors of the cultural sector due to its key market economy focus.

During the second step, the use of the classification system of economic activities and statistical delimitation lends an evidence-based foundation to the definition of the cultural industries. The reclassification of the 30 or so economic activities has provided statistical categories that enable a clear, initial delimitation of the cultural industries's core existence to be made.

The third and final step must use market-based statistics to further outline the term "economic activities" used within the classification system of economic activities (NACE). In addition, the structural business statistics (SBS) represent an extensive database for market-oriented or commercial activities, which are considered sub-activities of the wider economic activity. Further statistics, such as the labour force survey (LFS) or the national business registers are complementary sources of statistical information.

Any future methodological evolution of the cultural industries concept needs to lend consideration to at least four additional tasks.

1. Maintaining the open conceptual definition with the acceptance of new sub-markets and market segments.
2. Developing the degree of classification from a 4-digit to a 5-digit level structure, which is often possible on a national level within the member states. This will allow a description of the policy-relevant cultural markets or sub-sectors.
3. Reconsolidating economic activities to a 2-digit level is possible without having any serious impact on the number of economic activities in the reclassification model,

currently numbering around 30. This consolidation model is necessary, in order to allow smaller member states and “European Interreg” a clear and comparable statistical baseline for the cultural industries.

4. The notion of the cultural industries should be extended to include specific creative branches, so as to remain part of the international creative industries debate.

The particular impact that the cultural industries concept has on the development of clear, political strategies and measures is critical for the entire European cultural sector, in terms of both the cultural and economic policies of the future.

4 Appendix

Table:
Statistical core classification of the cultural industries, based on the Framework on Culture (Task force 1 ESSnet Culture)

No.	Nace class	Nace-Description	Market-oriented or mixed (market and publicly financed) classes
	Totally or mainly activities in the cultural industries		
1.	47.61	Retail sale of books in specialised stores	market-oriented
2.	47.62	Retail sale of newspapers and stationery in specialised stores	market-oriented
3.	47.63	Retail sale of music and video recordings in specialised stores	market-oriented
4.	58.11	Book publishing	market-oriented
5.	58.13	Publishing of newspapers	market-oriented
6.	58.14	Publishing of journals and periodicals	market-oriented
7.	58.21	Publishing of computer games	market-oriented
8.	59.11	Motion picture, video and television programme production activities	market-oriented
9.	59.12	Motion picture, video and TV programme post-production activities	market-oriented
10.	59.13	Motion picture, video and television programme distribution activities	market-oriented
11.	59.14	Motion picture projection activities	market-oriented
12.	59.20	Sound recording and music publishing activities	market-oriented
13.	60.10	Radio broadcasting	mixed
14.	60.20	Television programming and broadcasting activities	mixed
15.	63.91	News agency activities	market-oriented
16.	71.11	Architectural activities	market-oriented
17.	73.11	Advertising agencies	market-oriented
18.	74.10	Specialised design activities	market-oriented
19.	74.20	Photographic activities	market-oriented
20.	74.30	Translation and interpretation activities	market-oriented
21.	77.22	Renting of video tapes and disks	market-oriented
22.	85.52	Cultural education	mixed
23.	90.01	Performing arts	mixed
24.	90.02	Support activities to performing arts	market-oriented
25.	90.03	Artistic creation	mixed
26.	90.04	Operation of arts facilities	market-oriented
27.	91.01	Library and archives activities	mixed
28.	91.02	Museums activities	mixed
29.	91.03	Operation of historical sites and buildings and similar visitor attractions	mixed
	Related activities with partly cultural activities		
1.	18.11	Printers of daily newspapers	market-oriented
2.	18.12	Other printers	market-oriented
3.	18.20	Reproduction of recorded media	market-oriented
4.	32.20	Manufacture of musical instruments	market-oriented
5.	47.78	Other retail sale of new goods in specialised stores	market-oriented
6.	47.79	Retail sale of second-hand goods	market-oriented
7.	47.89	Retail sale of via stalls and markets of other goods	market-oriented
8.	47.91	Retail sale via mail or houses or via internet	market-oriented
Source: NACE Rev.2 Classification			

Notes: The market-oriented class comprises the commercial, for-profit-activities; the mixed class covers additionally besides the market-oriented also the non-market-oriented, non-profit or publicly financed activities or by private donations. The mixed classes must be linked to special market-oriented statistics