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## Research review of creative class segment and its relevance to economic development

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## RESEARCH REVIEW OF CREATIVE CLASS SEGMENT AND ITS RELEVANCE TO ECONOMIC DEVELOPMENT

The aim of this paper is to present creative cities and creative industries and their relevance to the creative economy. The elements of the creative economy are strongly connected and influenced by creative class. Based on the data obtained from the United Nations Creativity Report and Eurostat some empirical evidence is provided on contribution of creative industries to creative economy in eight European countries.

**Słowa kluczowe:** creative economy, creative class, creative cities, creative industries

### Introduction

A new perspective of economy in terms of creativity is based mainly on intangible assets – people’s ideas, unlike in the traditional form of economy on capital and land. In the works of John Howkins and Shalini Venturelli the broader interpretation of creative economy is presented, where its fundamental understanding has more holistic approach which goes far beyond the conventional economic view.<sup>1</sup> The main idea of creative economy is to grasp cross-cutting issues of humanity, culture, sciences, and technology and the linkages between them. In each of these issues the creative class segment is fully involved and it refers to formulation of new ideas in the context of either individual fulfillment or generating a product, or both. Based on access to information, this interrelated outcome can be achieved through creativity and knowledge of human capital, where with

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<sup>1</sup> J. Howkins, *The creative economy – How people make money from creative ideas*, Allen Lane, London 2001; S. Venturelli, *From the information economy to the creative economy. Moving culture to the Center of International Public Policy*, Center for Arts and Culture Issue Paper, Washington D.C. 2000.

the input of innovation and the invention of individual ideas the output is reflected in public ideas, goods and services. This paper presents the interplay between creative cities and creative industries and its relevance to the creative economy. The elements of the creative economy are strongly connected and influenced by creative class. Based on the data obtained from the United Nations Creativity Report and Eurostat some empirical evidence is provided on contribution of creative industries to creative economy in eight European countries.

### 1. Creative cities and creative industries

Both creativity and knowledge are typical to creative class segments all over the world, regardless of their development level. They are recognized as major drivers of economic growth. However, in industrial societies creativity expands the focus on its higher value to comprise science, technological innovation, and intellectual property. Creative economy encompasses creative people, culture and economics at the same time. When creative economy is encountered with technology, high proportion of services and value-added creative products are in its center, as depicts figure 1. In this respect the elements of creative economy are strongly connected and influenced by creative class and are captured in the following dimensions:<sup>2</sup>

- Cultural creativity – is expressed by cultural capital, reflected in generating out-of-ordinary ideas through conception, creation and production. It embraces imagination and aesthetic values, which are expressed in sound, texture, symbol, image, text. These components integrate interpretation of people's identity and values in a diversified way.
- Technological creativity – is the essence of creative sectors, feasible development option calling for information and communication tools and solutions applied in the new business models. These models are responsible for marketing and distribution of creative content implementation in the digital era.
- Human creativity – is a set of knowledge, skills, and competencies embodied in a human capital, which has the ability to synthesize information and transform ideas into creative products or services for society.

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<sup>2</sup> *Creative economy report – the challenge of assessing the creative economy. Towards informed policy making*, United Nations 2008.

- Scientific creativity – is based on scientific research, which involves empirical investigations and experiment to result in interdisciplinary problem solving solutions. It can also be considered as a number of patents, and intellectual property, which contribute to economic gains.

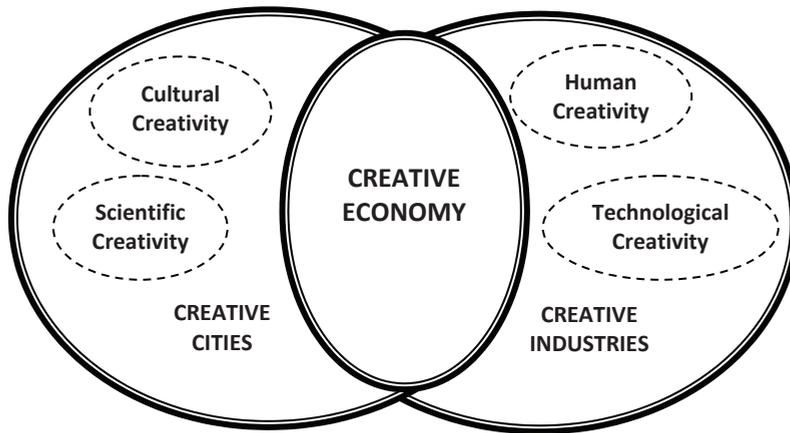


Fig. 1. Interplay of creativity in the creative economy

Source: own compilation.

Regardless of the way in which creative economy is interpreted, another two key elements defining its scope are: the creative cities and creative industries, where all of them are complementary and interact with each other. The first term describes economic and social function of an urban environment through cultural activities and science to create products, processes and services for local wealth, whereas in the traditional context a quality of life in a city was mostly perceived through building physical infrastructure and a use of land appropriately.<sup>3</sup> He points out that a city's modern strong cultural infrastructure reinforces high concentration of employment and social cohesion,<sup>4</sup> which presents figure 2. The role of a city is especially important now when more than half of the world's population lives in urban areas?

<sup>3</sup> Ch. Landry, *Rethinking "The Creative City"*, The Age of the City Conference, Osaka, 8<sup>th</sup> February 2004, Japan, p. 1–13.

<sup>4</sup> Ibidem.

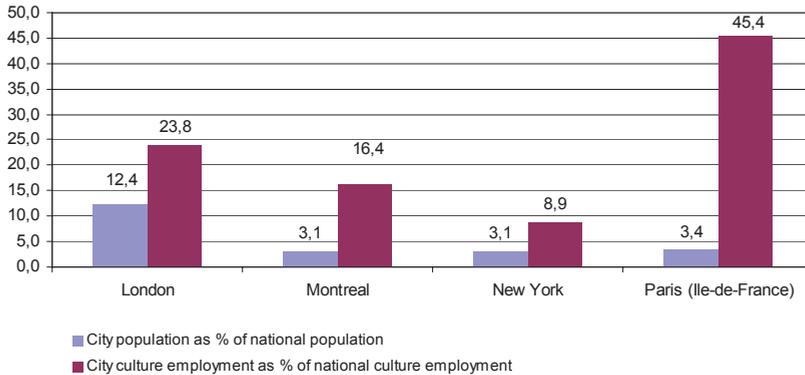


Fig. 2. Estimates of culture employment in selected creative cities in 2002 and 2003

Source: J.C. Gordon, H. Beilby-Orrin, *International measurement of the economic and social importance of culture*, Organization for Economic Co-operation and Development, OECD 2007, quoted in *Creative economy report...*

Indeed, in the creative cities soft facilities like imagination, motivation, and talent take precedence of hard skills like location and access to urban resources.<sup>5</sup> These soft potentials may contribute to the economic vitality of a city in terms of cultural, tourism, and heritage assets, performances, media industries to stimulate urban environment as a quality of life. Additionally, such lively cities can attract newcomers and private investors. Indeed, the creative city might be perceived as:

- a place fostering infrastructure for culture and art,
- a platform for developing the creative economy,
- an attribute of attracting and retaining the creative class,
- an integrated system fostering culture of creativity,

where all these dimensions are exclusively concerned with one crucial resource of cities – their residents. A good example of a creative city is London which combines two dimensions of creativity, i.e. place and industry, as well as a strong relationship between them. According to the economic analysis of the Creative Economy in the UK (2007), between 1995 and 2001 London's creative industries were the second largest and fastest growing sectors in the city's economy, just

<sup>5</sup> Ch. Landry, *The creative city. A toolkit for urban innovators*, Earthscan Publications Ltd., London 2000.

behind financial and business services.<sup>6</sup> What is more, also in that period the employment growth in the city reached 20 and 25% in the creative industry sector. Figure 2 provides some indicators regarding the estimates of culture employment in four major creative cities such as: London, Montreal, New York, and Paris. In particular, the percentage for London and Paris draws attention to the relation between the city's population and the city's culture employment as shares of national values. Both of these cities benefit from a rich infrastructure of internationally-renowned educational and cultural institutions and are a center of creative business. At the same time, New York has surprisingly minor percentage of city's residents employed in culture, although the popular opinion is just the opposite.

The idea of creative economy has been also applied to explore the concept of creative industries, as a platform for influencing the development of economy and city at the same time. In general, the focus of the creative industry is expanded, from artistic activities to any economic activities, thus generating a commercial value with a primary input of creativity, technology and human capital.<sup>7</sup> These knowledge-based activities generate high profits and revenues from creation, production and distribution of these commercial goods. According to the statistics of the United Nations Conference of Trade and Development (UNCTAD, 2008) in the period of 2000–2005 the world growth of creative industry goods<sup>8</sup> and services<sup>9</sup> trade reached 8.7% annually. In comparison to 1996, an export of creative industry goods and services experienced a thriving dynamism of 3.4% of the total world trade in 2005. Between 1996 and 2005 the exports of creative goods reached an annual growth rate at the level of 6.0%, where exports of creative services increased by 8.8% *per annum*. In the same report, for example, it was mentioned that in 2003 creative industries in Europe were growing 12.3% faster than the

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<sup>6</sup> *Staying ahead: the economic performance of the UK's creative industries. This report is part of the Creative Economy Programme*, Department for Culture, Media and Sport, London 2007.

<sup>7</sup> J. Howkins, *The creative economy...*; D. Hesmondhalgh, *The cultural industries*, SAGE Publications Inc. 2002.

<sup>8</sup> In the UN 2008 report on creative economy, the classification of creative goods was made by UNCTAD and defines the cycle of creation, production, and distribution of a tangible product with a creative content, economic and cultural value and a market objective, to which belong main categories with numerous subgroups: design; arts and crafts; visual arts; publishing; music; new media; audiovisuals.

<sup>9</sup> In the UN 2008 report on creative economy, the classification of creative services was made by Extended Balance-of-Payments Services Classification (EBOPS) – presented in the *Manual on statistics of international trade in services*, and defines the following categories of main services with numerous subgroups: advertising, market research and public opinion; architectural, engineering; research and development; personal, cultural and recreational; audiovisual and related.

whole economy of the European Union, employing more than 5.6 million people. The contribution of creative industries to the European economy is greater than that of food or even chemical industries, which is shown in figure 3.<sup>10</sup>

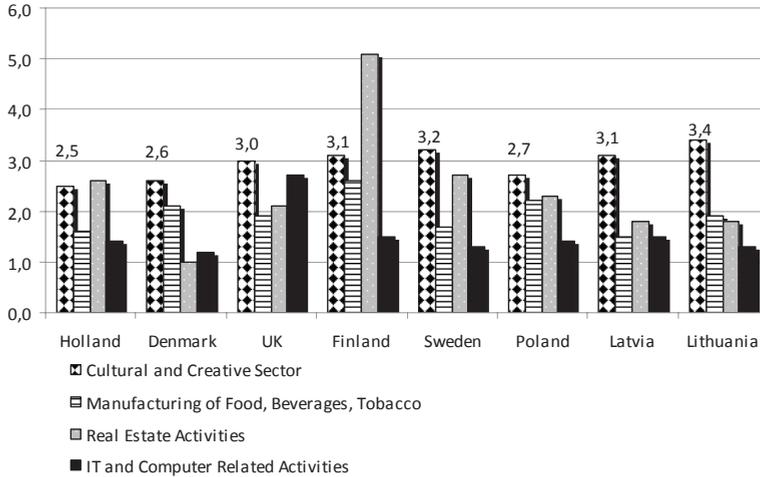


Fig. 3. Comparison of creative and cultural sector contribution with other sectors for eight European countries (% of GDP) in 2006

Source: own compilation based on Eurostat and AMADEUS, quoted by KEA, *European affairs 2006*, quoted in *Creative economy report...*

There is no doubt that creative industries are a new dynamic sector in the world trade. As presented on the example of eight European countries, two of which come from the former Eastern Bloc, the development dimension of the creative/cultural sector is larger than the other compared sectors of real estate activities, computer activities and manufacture of food, beverages and tobacco. The compared sector has the highest contribution in the GDP among the six countries except Finland (high disparity) and Netherlands (low disparity). Only in the UK the computer sector is the second largest, while in other countries this sector lags far behind the other three ones. In Poland, Sweden, and Latvia the second sector contributing the most to the GDP is the real estate, while in Denmark and Lithuania this position is taken by the sector manufacturing food, beverages and tobacco.

<sup>10</sup> *Creative economy report...*

## 2. “Three Ts” and human capital

Therefore, the creative class with its knowledge and access to information is a powerful resource of contemporary development which stimulates growth on a local, national or international level. There are several explanations for regional economic growth which mainly thrives on: highly skilled residents that are attracted by growing areas;<sup>11</sup> overall culture of entrepreneurship – skilled and flexible labor force, creators and implementers;<sup>12</sup> higher intellectual capacities that increase density of social capital.<sup>13</sup> Such places are more likely to grow than the ones with lesser number of educated people or industry. However, then there is a theory of Richard Florida,<sup>14</sup> which views regional economic growth as a diversified space for tolerance and openness to new ideas. It is mainly because the diversified space is found stimulating by various kinds of creative people who generate new economic value based on interdisciplinary combinations and solutions. Florida introduced another discourse about the emerging creative economy and its impact on regional economic growth that is built on “Three Ts”, which are integrated in:

- Talent – reflected in concentrations of educated and creative people as the percentage of the population with bachelor’s degree.
- Technology – defined as concentrations of innovation reflected in patents granted *per capita* and high-tech industry presented as size and concentration of: software, electronics, biomedical products, and engineering services sectors.
- Tolerance – diversity shown in a boarder sense of belief, culture, language and differences within society as an asset of humanity, which combines immigrants, gays, and cultural amenities,

followed by openness, which is the essence of the creative class. This is openness to new ideas, and therefore to new cultural, social, political and economic opportunities that make places diverse and attractive to the creative segment.<sup>15</sup> It is interesting to note that more diversified cities create better conditions for the de-

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<sup>11</sup> J.M. Saphiro, *Smart cities: quality of life, productivity, and the growth effects of human capital*, “The Review of Economics and Statistics” 2006, vol. 88 (2), pp. 324–335.

<sup>12</sup> Ch. Landry, *Lineages of the creative city, creativity and the city*, Netherlands Architecture Institute 2005, pp. 1–13.

<sup>13</sup> R. Putnam, *Bowling alone: the collapse and revival of American community*, Simon Schuster, New York 2000.

<sup>14</sup> R. Florida, *The rise of the creative class*, Basic Books, New York 2002.

<sup>15</sup> A. Zolli, R. Florida, *The visionary and the futurist*, “American Demographics” 2004, October, pp. 25–31.

velopment of unusual combinations and therefore attract various types of creative people that possess wide variety of skills, knowledge and ideas. Interactions between firms and high concentrations of creative people become essential to economic growth through information flows and innovative potentials in business formation, technology based solutions, and job creation. These three “Ts” are benchmarks for progress and include human development which is an essential value towards the vision of development. The concept of human development of all individuals is incorporated in the basic capabilities of: life expectancy and health, access to education, and decent living standards (UNDP).<sup>16</sup> A task for well-being is to expand human choices to lead full, creative lives that are reflected in innovation, investment and economic growth.

A significant finding based on the analysis of data from figure 4 and figure 5 is the correlation between human development and the GDP, according to the UNDP. The UN report on human development of 2009 took into consideration 194 United Nations member countries, but, for the purpose of this study, only eight European countries were chosen to present similarities and disparities in trends in human and economic development. Five of these countries (Netherlands, Sweden, Finland, Denmark, and United Kingdom) belong to the group of

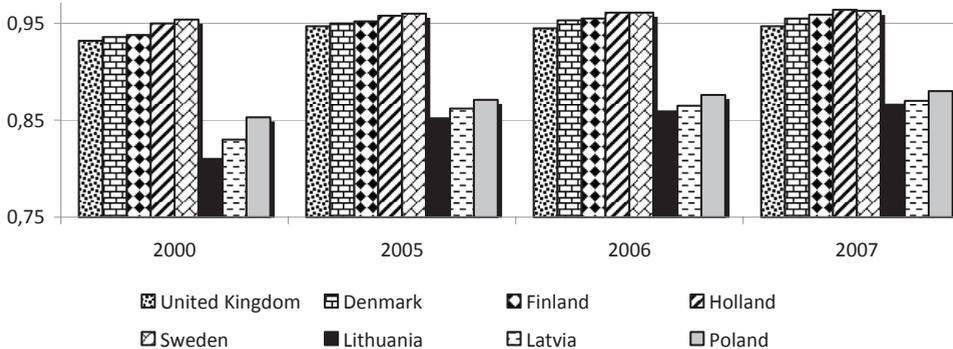


Fig. 4. Human Development Index Trends for eight European countries, for the period of 2000, 2005–2007

Source: own compilation based on UNDP, Human Development Report 2009.

<sup>16</sup> United Nations Development Programme (UNDP), Human Development Report 2003, *Millennium Development Goals: a compact among nations to end human poverty*, Oxford University Press, New York–Oxford 2003.

former EU-15 and are very highly developed. The other three ones (Poland, Lithuania, and Latvia) joined the European Union in 2004 and for now are almost on the top of list of highly developed countries according to the 2009 UN ranking. In 2000 human development index for all the five highly developed countries was on very high level and reached the average of 0.942, their GDP *per capita* being also very large.

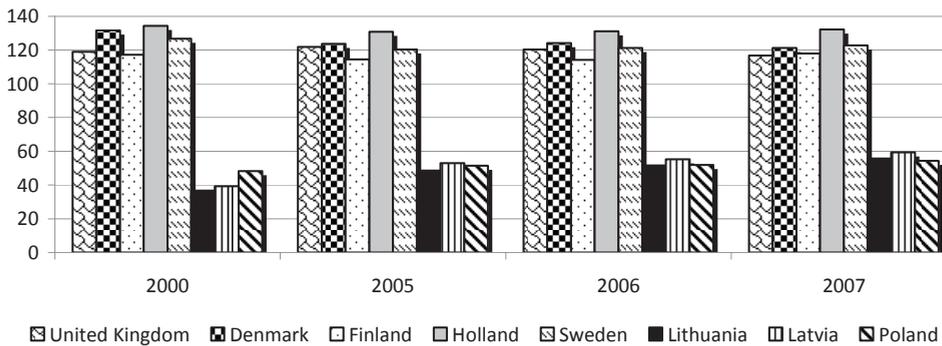


Fig. 5. GDP *per capita* in Purchasing Power Standards<sup>17</sup> (EU-27 = 100) for eight European countries, for the period of 2000, 2005–2007

Source: own compilation based on Eurostat.

Starting from 2005, new EU member countries began benefiting from the dynamic human development, which was reflected in their GDP growth also in four following years. This spectacular growth indicates the implementation of appropriate public policies and the improvement of competitiveness in order to reduce imbalances and gaps. Nevertheless, these three still developing countries are not yet able to turn their human development level into satisfactory economic gains. Another important conclusion is that five highly developed European countries reached stability in their development pace, where both human development and the GDP are almost constant, except for Denmark and Finland. Moreover, in

<sup>17</sup> Eurostat – the volume index of GDP *per capita* in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU-27) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and *vice versa*. Basic figures are expressed in PPS, i.e. a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries. Please note that the index, calculated from PPS figures and expressed with respect to EU-27 = 100, is intended for cross-country comparisons rather than for temporal comparisons.

spite of the disparities in human development and the GDP in these two above presented groups of countries, in 2006 Poland, Latvia, and Lithuania achieved percentage of creative/cultural sector contribution to the GDP that was similar to other highly developed countries.

## **Conclusion**

Economic development has increased human activity, enabling many countries to enrich themselves, while causing accumulation of huge social and economic disparities. This discrepancy is mainly due to the influx of labor to sprawling cities. Another reason for the increasing stratification is significant labor transformation. Geographical distribution of production, which has been moved to a more peripheral local or global space due to increased competition in the production of bulk goods, improved logistics and reduced import barriers were the preconditions for new and at the same time the global division of labor. Due to technical and technological improvements in agriculture or in the industrial production process, it became necessary to reduce the number of employees. As a result, there has been an increased demand for various activities in the two other sectors – low-paid service work and highly paid professional work. In consequence, people representing these two sectors of the economy concentrate in areas where creativity and talent accumulate. Additionally, these areas provide innovative solutions to increase the production capacity of economic development in terms of open markets and free trade. These types of changes in the economy contributed to a significant increase in the importance of the place and its value.

Creative class is becoming increasingly important, not only in terms of science, but also in economic terms, as exemplified by the EU countries. In these countries we can see a process of increased research into the potential of the creative class and its importance in the development of cities and regions. Therefore it is crucial for the development of the creative class to increase the value creation between stakeholders in the region.

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## PRZEGLĄD BADAŃ NA TEMAT SEGMENTU KREATYWNEGO I JEGO WPLYWU NA ROZWÓJ GOSPODARKI

### Streszczenie

Celem tego artykułu jest zaprezentowanie kreatywnych miast i przemysłów kreatywnych oraz ich znaczenia dla gospodarki kreatywnej. Elementy gospodarki kreatywnej są silnie połączone i wpływają na segment kreatywny. Na podstawie danych uzyskanych z Eurostatu i raportu ONZ na temat kreatywności, przedstawiono udział przemysłów kreatywnych w gospodarce kreatywnej w odniesieniu do ośmiu krajów europejskich.

**Słowa kluczowe:** gospodarka kreatywna, segment kreatywny, kreatywne miasta, przemysły kreatywne