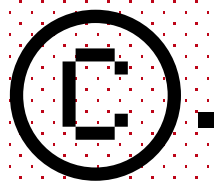


# *Second Austrian Report on Creative Industries - Summary*



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## Second Austrian Report on Creative Industries

### Vienna 2006

This study was conducted on behalf of the Federal Ministry for Education, Science and Culture, the Federal Ministry of Economics and Labour, the Secretariat of State for the Arts and Media of the Federal Chancellery as well as the creativ wirtschaft austria working group of the Economic Policy Department of the Austrian Federal Economic Chamber.

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This study has been conducted with reasonable care.

The Austrian Institute for SME Research (KMU FORSCHUNG AUSTRIA) as well as the consultants do not, however, accept responsibility for printing errors and/or other imperfections and potential (consequential) damage resulting thereof.

## Creative Industries in Austria - Summary

### **"Tri-Sector-Model":**

- Private Sector (= Culture Industry)
- Intermediate Sector (= Non-Profit)
- Public Sector (= State)
- BUT: possibility of overlapping activities!

### **Creative Industries in Austria (according to LIKUS*aktiv*©):**

- Cultural Heritage (e.g. construction planning, restoration, monument conservation)
- Performing Arts (e.g. publishing, musical instrument manufacture, authors, singers, actors)
- Audio-visual Field (e.g. film production, cinema, software production)
- Visual Arts (e.g. photo studios, advertising material design, textiles/jewellery/furniture design, architecture)
- Books and Press (e.g. publishing, book-binding, printing, journalism)
- Transversal Activities (e.g. education and training, art and artist management activities, dance schools)

### **Private Sector in the year 2004:**

- about 28,700 enterprises (+5.5 % compared to 2002)
- about 101,600 employees (-2 % compared to 2002, mainly attributable to the structural change in the field of printing)
- about € 18.3 billions revenue (+3 % compared to 2002)
- about € 7.2 billions gross value added (+4 % compared to 2002)
- trade deficit in 2004 higher than in 2002, but increase in exports and imports on a value basis
- mainly one-person and micro enterprises
- better economic performance (e.g. net profit ratio) than the average of private sector companies
- dynamic development over time and increasing importance for the whole economy (2004: about 10 % of companies and 4 % of employees)
- clear medium to long-term employment potential due to expected increase in the number of companies (particularly in "modern" industries)

### **Intermediate Sector in the year 2004:**

- about 14,800 cultural associations (music, theatre, song) in the year 2001
- about 20 scientific libraries
- about 450 libraries
- about 90 archives
- 14 courses of studies at universities of applied sciences

### **Public Sector in the year 2004:**

- about 1,800 museums
- about 70 scientific libraries
- about 1,200 municipal libraries
- about 80 archives
- about 1,400 school classes in the field of Creative Industries with about 33,000 pupils (in the school year 2003/04)
- about 163,000 children and adults in music schools (in the year 2002)
- about 8,000 students at the art colleges (in the study year 2003/04)

Clear trend towards co-operation amongst the Austrian Creative Industries, but with a broad range of definitions of the term "co-operation".

The creation of Austrian Creative Clusters is in the start-up phase. A specific feature of Creative Clusters is the significant importance of social networks - these are also supposed to constitute a success factor. Obstacles for the further development are "hard facts" (such as financial position).

About two thirds of the Austrian companies include creative products or services in their business activities. A high demand for creative products and services was found, especially in industry.

Wide range of support and promotional measures for the European Creative Industries.

## Preliminary Remarks

This summary of the Second Austrian Report on Creative Industries aims, on the one hand, at providing an overview of the report's contents and, on the other hand, at presenting the main results of the study in an abridged form. However, only selected aspects have been covered in the following text and, therefore, it is not a substitute for the comprehensive publication.

## Background and Objectives of the Study

In the past few years, the interest of the (inter)national public in Creative Industries has increased significantly as a result of the economic growth forecasts and the employment potential in this sector. Compared to other European countries, Creative Industries in Austria have only recently attracted the attention of (economic) policy makers. In 2003, within the framework of the First Austrian Report on Creative Industries, a first comprehensive and specific definition of Creative Industries was provided. Moreover, it was also the first time that their economic importance was described and the potential of this sector outlined.

The results of the study emphasised that the macro-economic contribution of Creative Industries could be compared to "traditional" sectors in Austria. The Creative Industries are an extremely heterogeneous sector. They have experienced considerable growth over the past years, are made up mainly of micro enterprises and, in many cases, exceed average economic performance. If compared internationally, the Private Sector of the Austrian Creative Industries is as important as in other European countries, even though direct comparison of the available international studies is only partly possible due to differences in definitions, classifications and the data collection instruments used. Although the dynamic development in the previous years is not expected to continue to the same extent, the importance of Creative Industries for Austria's economic development cannot be questioned.

Generally, a (quantitative and qualitative) record of Creative Industries is a prerequisite for deriving potential support measures and creating awareness for this sector among the general public and economic and political players. Therefore, the Second Austrian Report on Creative Industries is based on the First Austrian Report on Creative Industries and aims at:

- Validating and further developing the Austrian definition of Creative Industries, whereby focus, as far as possible, has been placed on international comparability;
- Updating and fine-tuning the current economic information on Austrian Creative Industries (dependent on the availability of data);
- Analysing the range of national (economic) policy instruments available to promote and support Creative Industries and deriving recommendations for improvement from international case studies;
- Presenting "good practice" examples of enterprises working in the field of Creative Industries, of creative offerings in traditional industries<sup>1</sup>, and of co-operation between Creative and traditional industries in an attempt to illustrate what is meant by Creative Industries.

Therefore, this study is not only an update of the first report, but it also supplements it with:

- A supranational comparative analysis of the different definitions for Creative Industries in Europe;
- A primary survey of the private multimedia sector;
- Detailed analysis of the available data on the intermediate and public sector of Austrian Creative Industries;

<sup>1</sup> This refers to all economic sectors not belonging to Creative Industries.

- A comprehensive presentation of Austrian Creative Industries clusters;
- Data and qualitative information concerning the interrelationship between Creative Industries and companies/entities not classified as Creative Industries; and
- A description of a number of support measures available for Creative Industries (an Austrian and international comparison).

The Second Austrian Report on Creative Industries has been compiled using a combination of qualitative data collection instruments (literature and document review, case studies, analysis of support measures and expert interviews) as well as quantitative instruments (analysis of secondary data and standardised company surveys). This has facilitated analysis of the position and development of domestic “creative enterprises”, the effects of Creative Industries’ offerings in other industries, and the current measures available to promote and support offerings in Creative Industries at a national and international level.

## Creative Industries in National and International Context

While some European countries (e.g. Germany, Spain, France) primarily deal with “Culture Industries”, Austria has focused on “Creative Industries”. As in Germany, Switzerland and Finland, for example, a “Tri-Sector-Model” distinguishing between the public, intermediate and private sector was applied. In addition to this, Austria has adopted a more “content-oriented” definition in accordance with the so-called LIKUS*aktiv*<sup>®</sup>-scheme. In this respect, the following fields have been classified as appertaining to Austrian Creative Industries, each with various sub-categories:

- Cultural Heritage
- Performing Arts
- Audio-visual Field
- Visual Arts
- Books and Press
- Transversal Activities

At first glance, the different definitions of Creative Industries throughout Europe only seem to vary slightly. However, more detailed analyses clearly show that in several studies the term Creative Industries is defined either very broadly or narrowly and that the classification of sub-categories is heterogeneous. Therefore, direct comparisons of the economic importance and the employment potential between countries are only partly possible.

## Economic Importance of the Private Sector of Creative Industries<sup>2</sup>

In 2004, about 28,700 private **enterprises** (including public sector enterprises with private sector trading characteristics) were active in the Austrian Creative Industries. This is an increase of 6 % compared to 2002 and corresponds to about 10 % of the total number of Austrian companies. Therefore, the number of businesses in the Austrian Creative Industries is about the same as in numerous German regions, slightly higher than in the United Kingdom, and a little lower than in Zurich.

At the same time, the number of **employees** has decreased by about 2 % to about 101,600 in the last two years. This decline can mainly be attributed to a structural change in the field of printing. Most companies in the Creative Industries are micro-enterprises (almost 60 % of companies do not have any employees) and the average company size (about 4 employees per enterprise) is decreasing over time. As a result, the proportion of employees in Creative Industries compared to the total number of Austrian employees is about 4 %. This is considerably lower than the share of Creative enterprises to total Austrian companies. This level is comparable with the Finish situation and is higher than in numerous German regions. In the major cities of Zurich and Berlin, the proportion of persons employed in Creative Industries is markedly higher. Furthermore, as many of the company startups in the Creative Industries are one-person-enterprises, there is a high future employment potential (key word: company life cycle - increasing number of employees over time).

<sup>2</sup> Due to the re-organisation of Statistik Austria’s survey system, which the Austrian Institute for SME Research (KMU FORSCHUNG AUSTRIA) based its calculations on, as well as the adaptations made to the industry classification (i.e. which industries of the market-oriented economy belong to Creative Industries), the following data cannot be compared with those included in the First Austrian Report on Creative Industries. For a comparison over time, only the following data should be referred to.

These expected employment effects have primarily been derived from comparable “modern” industries (e.g. IT).

In the year 2004, Austrian Creative Industries realised **revenues** of € 18.3 billions, i.e. an increase of about 3 % compared to 2002. Accordingly, also the **gross value added** (i.e. sales revenue less the value of the intermediate goods) rose (to about € 7.2 billions in 2004). 4 % of the revenue and 5 % of the gross value added in the Austrian market-oriented economy can be attributed to Creative Industries. Again, similarities concerning the importance of Creative Industries in Finland or Spain are observed.

**Number of Companies, Employees as well as Revenue and Gross Value Added, 2002 - 2004, Creative Industries**

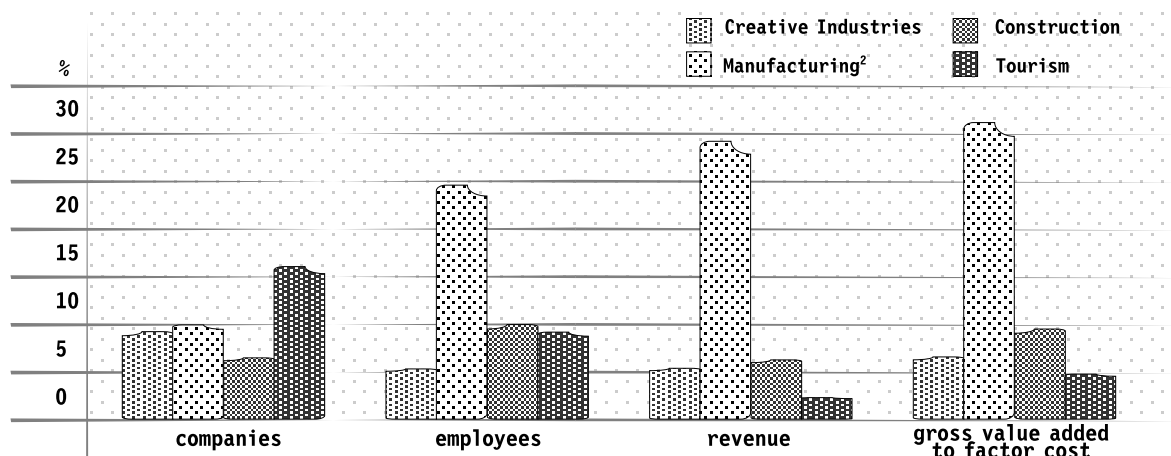
	2002	2003	2004	change 2002/04 in %
companies	27,183	28,820	28,681	5.5
employees	103,680	100,886	101,644	-2.0
average company size <sup>1</sup>	3.8	3.4	3.5	-9.3
revenue in € millions	17,719	17,767	18,276	3.1
revenue per employee € 1,000	171	176	180	5.2
gross value added to factor costs in € millions	6,890	6,889	7,152	3.8
gross value added to factor costs per employee in € 1,000	66	68	70	5.9

<sup>1</sup> employees per company

Sources: Statistik Austria, Austrian Institute for SME Research (KMU FORSCHUNG AUSTRIA), Main Association of Austrian Security Institutions

The comparison between Creative Industries and other economic sectors highlights the importance of this sector for the Austrian economy. The major indicators show that Creative Industries - excluding employment effects – are of greater significance than tourism; despite the fact that Austria is traditionally a tourism country.

**Share of Selected Sectors in the Whole Economy<sup>1</sup> in Percent, 2004**



<sup>1</sup> without agriculture and forestry

<sup>2</sup> without publishing, printing and the reproduction as well as manufacture of musical instruments (as these industries are included in Creative Industries)

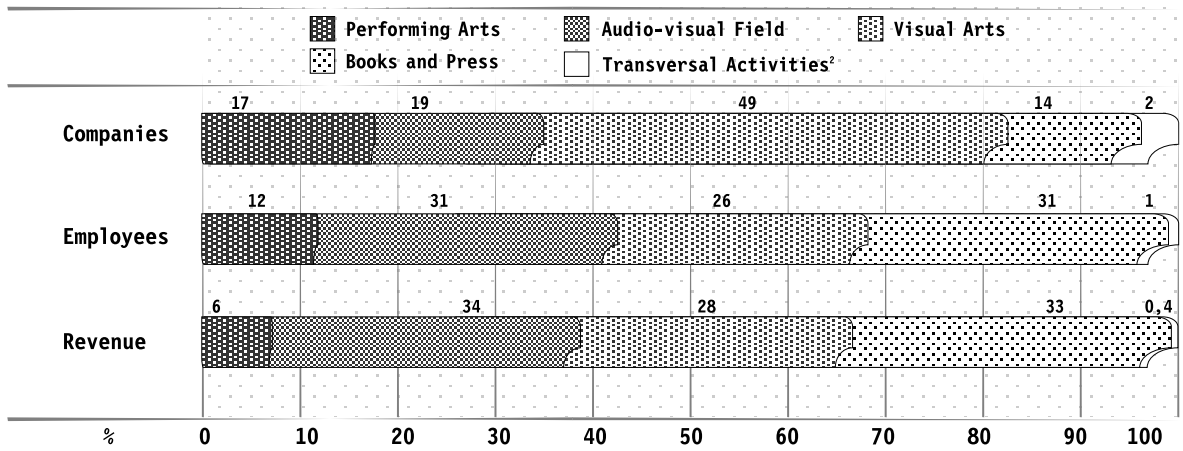
Sources: Austrian Institute for SME Research (KMU FORSCHUNG AUSTRIA), Statistik Austria, Main Association of Austrian Security Institutions

The **economic performance** (net profit ratio after financial results) of companies in Creative Industries is better than the average for the whole economy, but they have a lower proportion of equity capital. As a result, the number of enterprises whose existence is at risk, due to a lack of risk capital, is slightly higher. Since financial year 2000/01, profitability and the proportion of equity in Creative Industries have improved. By contrast, the corrected Cash Flow has decreased slightly since 2000/01.

Within the Creative Industries the creation of advertising campaigns, architectural activities as well as the software consultancy and supply are the most important industries. They also rank among the five "top industries" in both number of companies and employees.

In 2004, almost half of all the Creative Industries companies were in the field of Visual Arts, which at the same time has the smallest average company size among the LIKUS*aktiv*<sup>®</sup> domains. Almost one fifth of the enterprises were in the Audio-visual Field. They also offered the highest number of employed jobs and achieved the highest amount of revenue. About 17 % of companies were active in the field of Books and Press and about 14 % in the field of Performing Arts.

#### Distribution of Companies, Employees and Revenue by LIKUS*aktiv*<sup>®</sup>-Domains<sup>1</sup> in Percent, 2004, Creative Industries



<sup>1</sup> As in the field of Cultural Heritage the public character of the companies is dominant, this domain is presented separately.

<sup>2</sup> Also within the Transversal Activities private companies constitute only a small share.

Sources: Austrian Institute for SME Research (KMU FORSCHUNG AUSTRIA), Statistik Austria, Main Association of Austrian Security Institutions

In contrast to, for example Spain, the Austrian Creative Industries' **trade balance** is in considerable deficit, i.e. the value of imports exceeds exports. Between 2002 and 2004, the value of both imports and exports increased by more than 10 %, further emphasising the importance of this "sector" for Austria's international competitiveness.

### Intermediate Sector of Creative Industries<sup>3</sup>

In the field of Cultural Heritage, in 2004 there were 23 **scientific libraries** (with the equivalent of about 70 full-time employees) and special libraries (e.g. libraries of scientific institutions), 451 **libraries** (i.e. ecclesiastic libraries and libraries of the Austrian Trade Union Federation and the Chamber of Labour) as well as 92 **archives** (i.e. ecclesiastic archives and other archives, with approx. 107 employees) in the Intermediate Sector of Creative Industries. This corresponds to about one quarter of all scientific libraries, one fifth of libraries, and slightly more than half of the archives. In the field of employment, the proportion is markedly lower. In 2004, only 4 % of employees in all scientific libraries were active in the Intermediate Sector. With regard to the archives, the respective share amounted to about one quarter.

In 2001, there were about 106,000 **associations** in Austria, of which about 14 % were cultural associations.

There has also been a continuous increase in the number of students (2,664 students in the winter semester 2003/04), studying at one of the 14 **courses of studies at the Universities of Applied Sciences** in the Intermediate Sector of Creative Industries.

<sup>3</sup> Due to a lack of data only exemplary statements may be given for this sector.

## Public Sector of Creative Industries<sup>4</sup>

In 2004 in the Public Sector of the Creative Industries in the field of Cultural Heritage, there were about 1,800 **museums**, 70 **scientific libraries** (with the equivalent of 1,666 full-time employees) and special libraries (e.g. the Austrian National Library, libraries of federal states or cities as well as universities), 1,200 **communal libraries**, and 80 **archives** (national, federal and municipal archives, with about 527 employees). About three quarters of the scientific libraries, slightly more than half of the libraries, and about half of the archives were in the Public Sector. With regard to employment, the share is considerably higher. About 96 % of the personnel in all scientific libraries were active in the Public Sector in 2004, and more than three quarters of the employees in the archives.

In the school year 2002/03, there were about 1,400 classes with about 33,000 pupils in state comprehensive and vocational **schools** in the Creative Industries. This is about 85 % of all classes in state comprehensive and vocational schools that are attributed to Creative Industries. In 2002, 162,700 children and adults took music lessons in 405 music schools and in 1,013 additional teaching locations. These music schools employed 6,651 teachers. Furthermore, there are numerous state music academies which offer music lessons to Austrians.

In winter semester 2003/04, 8,000 students were registered at the six Austrian **Art Colleges**; this is an increase of 5 % on the previous winter semester. Scientific universities also offer study programmes that can be attributed to Creative Industries, e.g. architecture or informatics.

## Co-operation within and with Creative Industries

The Austrian Creative Industries are comparatively highly-open to co-operation, however the understanding of "co-operation" covers a rather wide range of definitions. As a result, new **Creative Industries clusters** are continuously being established. Creative Industries clusters refer to the geographical concentration of competing, co-operating or independent companies and institutions linked to each other by a system of economic or non-profit dealings. As social networks are more dominant within Creative Industries than within the national economy, a typical feature of Creative Industries clusters is the social aspect. Another peculiarity of Creative Industries clusters is that they are often only established for temporary purposes (e.g. for the duration of specific festivals).

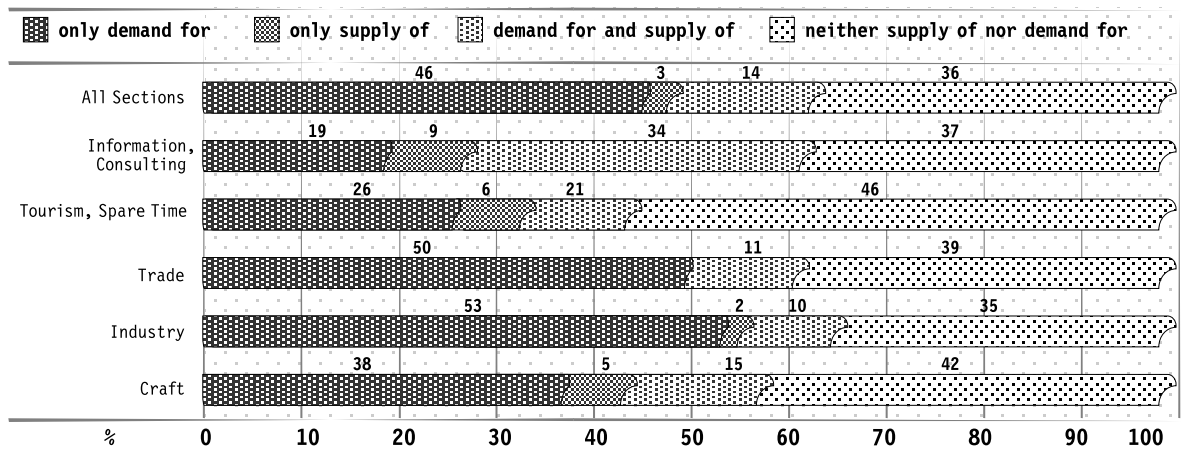
The tendency for co-operation among the players in the Creative Industries can also be seen in the **interrelationships with companies/entities in other industries**. In this connection, however, in many cases all kinds of relationships (even mere client-supplier relationships) are referred to as co-operation. The shared activities are conducted in a relatively informal manner (there are few written co-operation agreements), and they are mainly carried out with local/regional entities located close to the company.

Almost two thirds of Austrian companies who are members of the Austrian Federal Economic Chamber have integrated creative products/services into their trading activities. There is a heavy **demand for creative services** in industry, in particular. Enterprises primarily approach Austrian companies to satisfy this demand - the services of freelancers are rarely called upon. Almost one tenth of businesses source their creative service requirements from abroad.

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<sup>4</sup> Due to a lack of data only exemplary statements may be given for this sector.

**Kind of Creative Products/Services<sup>1</sup> in the Austrian Economy by Sections<sup>2</sup> of the Austrian Federal Economic Chamber in Percent, 2005**



<sup>1</sup> e.g. design, print/publishing, production of individual software, homepage-design, promotion, graphics, arts etc.

<sup>2</sup> weighted results; due to the low number of responses analyses of the bank, insurance, transport, and communication sections are not possible

Source: WKÖ Wirtschaftsbarometer Austria, Autumn 2005

Apart from the concrete orders for creative products/services, there are also other kinds of relationships between Creative Industries and other industries. This, for example, refers to the **shared development of products or the shared processing of contracts**. This kind of co-operation is also characterised by a high extent of informality and the preference for regional partnerships. However, occasional, project-based co-operations might result in repeated co-operation if successful.

Furthermore, there are specific **indirect effects** that Creative Industries have on other sectors in the Austrian economy. For example, specific (tourism) regions benefit from cultural facilities (e.g. museums, castles, etc.) or festivals (e.g. Vienna's Danube Island Festival, Salzburg Festival). These mainly have a positive effect on tourism and the retail trade and, in certain regions, have important economic and employment effects.

## Promoting Creative Industries

During the past few years, the economic potential of Creative Industries has increasingly been recognised at European and national/regional/local level. At the same time, it has become obvious that to fully exploit this potential, an important pre-requisite is to support creative individuals. Accordingly, numerous players are involved in dealing with this area at different levels and a wide range of support and promotion measures are already being implemented.

The most important measures are grouped as follows:

- Measures aiming at **sensitising** the general public or entrepreneurs (in both "traditional" and Creative Industries) or at enabling or facilitating trading activities for creative persons through **networking** of any kind (e.g. with partners, clients/contractors): For example, the *creativ wirtschaft austria* working group (an entity established by the Austrian Federal Economic Chamber), *departure*, *Zentrum für Kreativwirtschaft* (centre for Creative Industries), *forum mozarplatz* or various "industry specific" lobbies are active in this field in **Austria**. In **Germany**, *Kulturwirtschaftstage* (culture industry days) are organised annually or biannually in North Rhine Westphalia as a platform for exchanging information and experiences. Furthermore, in the framework of the "Kunstabrik Ewerk", co-operation between Creative and traditional industries is promoted. The Finnish programme *Luova toimiala Keski-Suomessa* (Creative Industries in Central Finland) supports creative persons in the marketing of their skills and products by enhancing the focus of Creative Industries to the general public and by promoting networking between traditional and Creative Industries. In the United Kingdom, Creative Clusters Conferences or the creation of Creative Quarters, for example, contribute to making Creative Industries more transparent, and numerous institutions (e.g. NESTA, DTI) have initiated important measures to promote Creative Industries.

- **Support for the establishment** of companies in Creative Industries (financial or non-financial), such as within the framework of the German programme "StartART - Die Gründungsinitiative für Kunst und Kulturwirtschaft in NRW" (StartART - the start-up initiative for arts and Culture Industries in North Rhein Westphalia). In Finland, Kulturo - Kulttuurituo-tannon osaamiskeskus (Kulturo - Competence centre in culture production) offers advice for persons planning to set up a company in the field of Creative Industries as well as support for newly-founded enterprises. In the British Professional Practice Programmes of various Higher Education Institutes, creative persons are given professional and business education in entrepreneurship.
- Instruments aiming at supporting Creative Industries (or "traditional" industries) with regard to the **development** of innovative **products** attributed to Creative Industries: As a result, for example, the Austrian iP ImpulsProgramm creativwirtschaft is an initiative of the Austria Wirtschaftsservice GmbH and the Austrian Federal Economic Chamber (the body responsible for the creative wirtschaft austria working group) and supports innovative ideas in the fields of music, multimedia and design; design was also promoted in the thematic call "dSign Up!" of departure. Numerous measures in this field (e.g. in Austria, Germany, Finland, Spain and the United Kingdom) also benefit the film industry.
- **Internationalisation measures** support creative persons in the commercialisation of their products abroad. In Austria, for example, "Austrian Music Export" focuses specifically on the music industry and support is given through the participation in trade fairs abroad. The Finnish Kulttuuriviennin kehittäminen (development of culture export), in contrast, focuses more specifically on the geographical component (support of bilateral culture export between Finland and Russia). In Spain, the Ministry for Culture supports the export of Spanish publications within the framework of the Ayudas de fomento de la difusión, comercialización y distribución de libros españoles en el extranjero (support measures for the diffusion, commercialisation and dissemination of Spanish books abroad). The United Kingdom provides support for artists, designers and other creative persons working on collaborative projects abroad.
- Furthermore, there is a wide and diversely heterogeneous field of other **financial support measures**, ranging from tax relief on certification fees to the support market entry.

## Concluding Remarks

In conclusion, it should be emphasised that the Austrian Creative Industries are of considerable importance for the domestic economy. Even though the dynamic development of the previous decade has stagnated throughout Europe, the sector still directly and indirectly contributes to the gross national product.

In this context - similarly to the direct and indirect employment effects - further growth potential can be expected in the medium to long term. There are, however, a number of development obstacles (e.g. reservations between traditional and Creative Industries still prevail, uncertainties of Creative Industries towards "purely economic aspects" of entrepreneurship) which have to be overcome to efficiently and substantially make use of this potential.

The Second Austrian Report on Creative Industries may be downloaded free of charge at [www.creativwirtschaft.at](http://www.creativwirtschaft.at)

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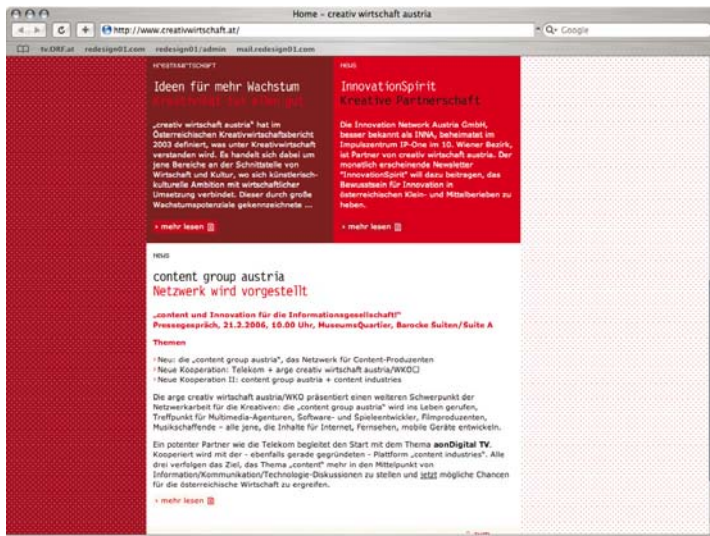
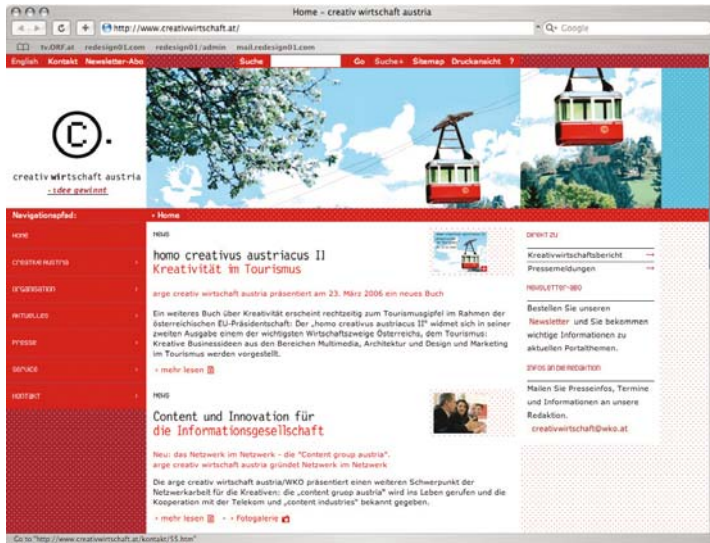
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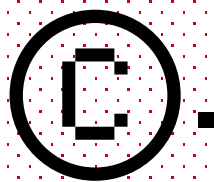
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