

Main Results of the Study

"Dynamic Culture Industries in Nordrhein-Westfalen"

submitted by the Task Force "NRW Culture Industries Report" for the Ministry of Economics and Technology¹

1. Purpose of the Study

a) *Questions originating in the ranks of the state parliament of North Rhine-Westphalia* as well as in its *own political planning* has moved the government to take a closer look at the future potentialities and problems of *privately-run arts and media industries and services* (understood from now on in the short form as "culture industries"). This heightened interest has much to do with the fact that many of the enterprises involved also play a pivotal role in the functioning of publicly-financed cultural life. The entire programme-development in the audio and visual media would actually be unthinkable without the arts and media sector of the economy.

The state of North Rhine-Westphalia had an immediate need for information on the largest and best-known *sectors of the culture industries*, such as:

- publishing,
- film and television (production, distribution, cinemas, video-stores, etc.),
- the recording industry as well as other kinds of music-production,
- art trade.

As can be expected from a Ministry of Economics there was additional interest in *complementary branches* of the above-mentioned sectors: in the field of design, for example, and in the rising number of *"independent groups"* such as theatre-ensembles and dance-groups as well as in the so-called "socio-cultural scene," where the problems are of a special legal and business nature.

Since so many *artists and writers* work as independents it is difficult for a future-oriented economic- and structural-planning to decipher those statistics and other kinds of background-information about their activities, which heretofore were not available.

The connections between this *"culture industries in the narrower sense"* to its broader economic counterparts represent a further area of interest where additional statistical information is a must. An example would be the interplay between the culture industries in the narrower sense and those of the larger media firms which have a presence in many parts of the economy. These media-giants, like the NRW-based Bertelsmann Corporation, are becoming, in the course of increasing European integration and international cooperation, a major factor in North Rhine-Westphalia.

b) This need for empirical analysis and interpretation could not be met by just using the simpler methods of information-gathering and -presentation of official government data. Such data were, in fact, not even available on a detailed, state-by-state basis. More general approaches of "cultural economics" (as used, for example, in studies on the "value-added" and/or expectations of "indirect profitability" in the arts and media fields) have also proven to be

¹ Arbeitsgemeinschaft Kulturwirtschaftsbericht NRW: "Dynamik der Kulturwirtschaft - Nordrhein-Westfalen im Vergleich" (1. Kulturwirtschaftsbericht), English Summary, Bonn: ARCult Media 1991

clearly inadequate. Areas of emphasis involving, for example, state or local programmes of credit and financing for specific sectors could hardly be taken into consideration.

This critique on inadequate and methodological approaches applies likewise concerning *local- and regional- development programmes* which are partly financed by the state and have a *focus in culture and the media*. Good examples for this would be the soon-to-be-finished "MediaPark"-Project in Cologne and the newly constructed "BavariaFilmPark" in Bottrop-Kirchhellen.

Again and again the question of additional background information was raised so that more effective financial assistance could be planned for at the state and local levels. The search for possible synergies, for *ways of cooperation between public and non-profit, and private, profit-oriented culture and media institutions* often failed to bear fruit.

Thus it has become clear that issues, such as the following, should be taken up and compared in an all-encompassing pilot survey which presents a common context and utilizes new statistical material:

- *economic and structural goals*,
- the formulation of state-wide *employment- and training-policy*,
- *planning of city- and regional-development*,
- and even specific questions concerning *goals and budget-planning for promotional policies in the arts*, an area in which the culture industries heretofore have received very little attention, leaving aside some film funding.

- c) The Ministry of Economics, Enterprise and Technology therefore contracted the Archive for Cultural Policy at the Centre for Cultural Research (ARCult/Bonn) and the latter formed a *task force of six experts* to work in cooperation with various institutions on the federal and state level. Because of time constraints it was agreed to compare financial and employment figures of private enterprises in the culture sector using mainly publicly-accessible *statistics* and to clearly distinguish such data from those of the public-sector cultural establishments.

The analysis did, of course, take into consideration the close, often *complementary working relationship* that many companies in the culture sector have with the public-financed cultural and broadcasting institutions. These relationships can be of a single- or multi-layered type: for example, the relationship between the public libraries and book-stores or between the city's concert hall and the ticket-agents, radio-coverage or live recordings.

Whether the *statistical data was still up-to-date* was factored into the analysis. As of Summer 1991 the vast majority of the information for the years 1989 to 1990 was of a preliminary nature. Holes in the statistical compilation had to be filled in by the task force, a chore which proved to be quite difficult since many of the statistics on branches were available only in an unsystematic manner.

- d) Taking these prerequisites into account, a simple compilation of absolute values regarding, for example, gross sales or employment growth was not among the first goals of the study. What was requested went further:
- the definition of relative values or estimates for the *analysis of medium-term development trends*,
 - *comparisons* with the situation in other selected federal states,
 - an *exemplary representaton* of new experiences in the arts and media industries,
 - and *preliminary conclusions* for the continuing debate on economic- and cultural policy.

2. A "Kulturgesellschaft" just around the corner?

Some theoretical aspects of this study

The future will bring a much closer liaison between the arts and parts of the general economy. This will also play a major role in the development of cities and regions. Cultural activities, especially the diversity of the arts, contribute greatly to the intellectual orientation of the population and to the resilience of society. This diversity improves also the quality of life in and outside of the cities. It plays a major role in the areas of tourism, economics and employment. One can expect that the influence of the arts, of well-known cultural institutions as well as of a richly varied culture industries will improve the attractiveness and economic development of cities and regions even more.

It is against such a background that politicians and journalists in other European countries and beyond speak in glowing terms of the vision of a (multi-) cultured society ("*Kulturgesellschaft*"). The cause would be undoubtedly better served if one used fewer platitudes and spoke more of the fact that we live in a more culturally intertwined society, where also art and literature play a unique role and have therefore earned a special place. (see K. Fohrbeck and A.J Wiesand , Von der Industriegesellschaft zur Kulturgesellschaft, 1989).

There is a manifold of reasons, many related to each other, supporting the increased importance of the arts:

a) The *attractiveness of a city or a region* is represented primarily in its cultural life. Culture has become a variable of greater importance to *firms* as well as to their ever mobiler and sophisticated employees when *choosing a location*. More and more sectors of the economy base their location choice on the attractiveness of a city or region. The diversity of the culture sector has gained in significance, as exhibited by the fact that many cities and regions seek to distinguish themselves from the competition. Since traditional structural advantages, such as transportation services or educational facilities, are offered by practically all cities and regions, certain characteristics are sought in order to demonstrate a unique "cultural profile".

The cultural image of a city or region creates for two reasons a development opportunity: firstly, pride and satisfaction on the part of a given population or firm in its city or region affects the general atmosphere and therefore productivity. Secondly, the picture the "outside world" gets of a city or region improves that city's or region's chances to gain more prosperous economic activity through contact with outsiders (job-commuters, shoppers, tourism). The more realistic marketing-strategists admit, however, that the improvement of a city's or region's image has more to do with substance than advertising, with the quality of the cultural activities.

It is therefore important to remember that the "*image-factor*" drawn from activities in the arts and culture has *two sides*, namely the "domestic culture-policy" and the "foreign culture-policy." (Scheytt 1987) These elements can in some areas come into conflict: The projected image involves all too often a certain "events-culture" which is nearly indistinguishable from those of other cities and regions, whereas one might question whether the identification of the citizen with his or her city or region could be adequately supported at all. A cultural policy which takes into account interests of the local population would most certainly prove more effective in reaching the desired equilibrium between the two.

b) *Diversity of cultural services ensures new kinds of productivity*: It is precisely the growth-oriented branches of the service-sector and the innovative branches of industry which value a *creative environment*. In some cases they are dependent on it. Workers experience from both active and passive contact with cultural opportunities a creative regeneration. More

demanding cultural opportunities deserve a place next to various outdoor activities, which more or less fill time.

The productivity in these sectors is thus in no small way determined by cultural inputs which in turn are provided by creativity in public- and privately-financed activities. Artistic diversity and the cultural infrastructure take on then in this sense investment-character for certain firms. This is true not only for those sectors which are already closely linked with culture, but also for a manifold of other branches not so closely linked. There are hardly any consumer products, including for example automobiles and kitchen appliances, which are not in some way culturally-communicated to the public. The design of products often have aesthetical attributes and artistic form which make the "difference." The latter makes up a major factor in the positioning of a product or service in the marketplace. (B. Brock 1986) It is in this grey-zone between the artistic and the economical that aesthetical developments are translated into the market. These developments, like technical developments, result in product-innovation.

An example of this dynamic is the floor-carpet manufacturer who regularly joins his employees for a visit to the international art exhibition "documenta" or to other cultural events. This enlightened businessman values artistic innovation and creativity and demands that of his own employees. He trusts that this cultural exposure will motivate and inspire them. Such an example is representative for many other industrial and service firms whose future is linked directly with trends in culture. The culture sector can in this sense be considered a research and development laboratory for the general business environment. Thus it fulfills similar tasks as in the applied sciences without having to quantify a single advantage brought by art and culture.

- c) *Culture strengthens **qualification-structures of the future***: The worker of the future will have to possess more than the expected technical qualifications. He will have to demonstrate those qualities known as social competence, creativity, self-initiative and flexibility. These are in today's world, however, most closely associated with artistic activities. These qualifications can, therefore, be served through active contact with questions of art and culture.

It has been known for years that those who have management and planning responsibilities need to possess a certain "social competence," an ability to engage in goal-oriented and open communication with co-workers and clients, an ability to be self-critical, to gain distance between oneself and the general environment. Engineers, efficiency experts and psychologists predict that the "worker of the future" in the "factory of the future" will have to possess these characteristics. The revolution in information technologies has led to the substitution of specifically tailored production methods by "integrated production cells". The worker is no longer faced with monotonous production-line tasks. He now is challenged rather with processes involving robotics, which in turn demand expert control and flexibility of production and assembly techniques. This dynamic is even more true for those areas involving information technologies which allow for individualized work, often geographically separated from the firm. Certain federal states are promoting more the arts and humanities in education in order to anticipate these demands, for they do not concern only future managers but also the skilled worker in the "factory of the future."

- d) The culture industries, like cultural institutions, *make their own contribution to economic development and to job-creation in cities and regions*. Artistic, literary and pedagogical activities as well as those free-time activities which are culture-oriented have always delivered a valuable economic service and have contributed to the diversification in the business landscape of a region. The culture industry, as is demonstrated in this study, belongs to the most growth-oriented sectors of the economy which necessarily means the creation of jobs. Some of its large-scale projects also create synergies which lead to structural innovation. Businesses in this sector often become focal points for related branches, such as the relation between a book publisher, a printing facility and a paper mill is clearly demonstrating, for example.

It is worth mentioning in connection with this study that the publicly-financed cultural institutions are in an economic sense work-intensive service sectors. Their investment in manpower is many times that of their financial which means that funding for cultural institutions serves the creation of jobs more than other governmental funding and much more than investments on the part of industry.

3. Overview of the Development of Culture Industries in North Rhine-Westphalia

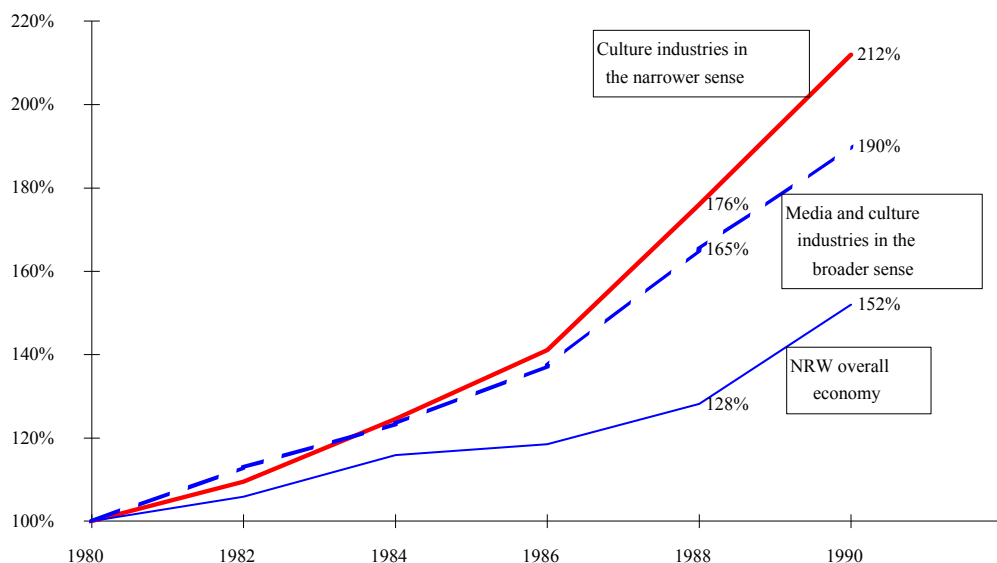
- a) The potential of the Culture industries in general and especially in North Rhine-Westphalia is still underestimated. The *culture industries in the narrower sense* achieved gross sales of 8.8 billion DM in 1988, and with that an increase of almost 4 billion DM over the base year 1980. 1990 saw even more growth, not including the complementary sectors of press, advertising and consumer electronics, to 10.7 billion DM. A breakdown according to sectors reveals the following: recording companies, musical instrument manufacturers and other branches of the music business reached gross sales of 1 billion DM in NRW in 1988. The book market managed some 6 billion DM, the art market grew in 8 years by over 90% to bring in half a billion DM, even the film and TV business, for a long time a problem industry in NRW, reached respectable dimensions with over one billion DM in sales.
- b) The *self-employed artists and publicists*, classified as business people in the taxation system, recorded receipts of approximately 0.5 billion DM in 1988, an increase just short of 140 million DM over 1980; the latter being explained, or rather qualified, through the increase in the number of persons liable for tax. Furthermore, in light of such data, it should be borne in mind that only a third to a half of the people employed in this sector are included in the statistics - the by far greater proportion of people (and a share of the sales estimated to be at least 20% of the stated sum) will not be subject to taxes presumably due to their low income or other reasons.

The concept of self-employment is, admittedly, an ambivalent category within the arts and media sector: thus the members of the increasing number of "*independent groups*" (i.e. youth theatres, rock groups, dance groups) and even certain *socio-cultural initiatives* may often perceive themselves, in their relations with each other, as non-trading partners under the Civil Code; whether or not this has any regular effect on taxation and, correspondingly, on the statistics stated, must remain suspect against the background of other sources examined in more detail here. Nonetheless, in North Rhine-Westphalia in the performing arts alone, for example, there are more than 400 active independent groups, among them around 1/10 independent dance ensembles, in addition to approximately 70 puppet theatres. Annual sales

of around 170 million DM can be estimated in the field of socio-cultural activities - a fact, the tax statistics hardly manage to bring to light.

- c) The rather more easily defined category of *architects' , designers' and translators' offices*, not dealt with here in detail, had to accept losses in the last decade with sales of 2.6 billion DM - the figure was already 2.7 billion in 1980 - a fact which is caused chiefly by a particularly unfavourable development for architects, who recorded a decline in sales of more than 300 million DM.
- d) The *media and culture industries in the broader sense* (i.e. the publishing houses of the press, production and trade in consumer electronics) with its *complementary sectors* (i.e. advertising, commercial activities in the cultural and educational field) achieved accumulated sales of again at least 34 billion DM.
- e) The *aggregate sales of the culture industries in its narrower and broader senses* - that is to say, all four sectors stated together - obtained, with a figure of 46 billion DM, a share of around 3.7% of the overall economy of North Rhine-Westphalia (1980: 2.7%). This figure has since been estimated in the region of 50 billion DM. Similar sales were achieved regionally in 1988 by sectors such as the chemical industry and the food industry. With a sales growth rate of around 70% in eight years (1980-88), the culture industries are very dynamic in comparison with other branches of the economy (retail trade +33%, mechanical engineering +23%, mining and the building trade only +9%, and +2% respectively).

Figure A: Dynamics of the culture industries in North Rhine-Westphalia - Turnover Trends 1980 - 1990



Change in percentage, basis 1980 = 100%; Media and culture industries in the broader sense for 1990: estimate of ZfKf
 Source: Calculated by the Centre for Cultural Research from the turnover tax statistics of LDS - NRW, 1982 - 1992

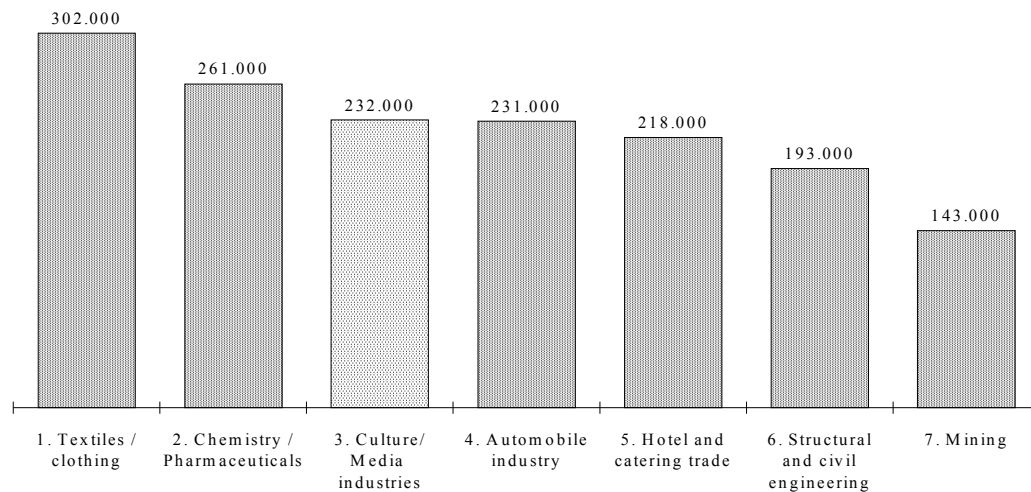
Thus the dynamics of the culture industries are proving to be of increasing benefit for the entire economic life of the state, especially since complementary relationships, or "synergetic effects", that evade categorisation in monetary terms, also have to be taken into account.

- f) Both the dynamics of the culture industries and its openness for new initiatives find expression in the rather remarkable ***growth rates for the number of enterprises and self-employed people*** from 6% to 65% over the period being compared - although the slighter growth in economic earnings within a sector frequently qualify these results.
- g) Bearing this in mind, one will be able to proceed for the period under review on the basis of particularly good economic results for many of the businesses involved, above all in the ***fine arts market***, the ***wholesale book trade*** and, with regard to the "complementary sectors", in ***printing*** and especially in parts of the ***"consumer electronics"*** market. On the other hand, a less favourable situation is to be expected - despite partially considerable increases in turnover - where the number of registered business people rose faster than the turnover (leading to lower average earnings during the period). This is true for most groups of ***free-lance artists, authors and editors*** and - especially noticeable - for ***architects and designers***.

4. The Effects of the Culture Industries on Employment

- a) In NRW the culture and media industries in the broadest sense comprise more than ***41,000 employers***. This corresponds in scale to that of the building industry. More than a quarter of all places of work are the studios of artists/restorers, or journalists, architects or translation offices - frequently very small affairs with few if any employees. Even the almost 2,000 galleries and antique shops are mainly one- to two-person outfits. This structure contributes to the flexibility and mobility of the arts and media labour market, being able to quickly respond to changes (i.e. with new contracts).
- b) The relatively ***high number of employees***, over 230,000, is reflected in the number of the officially registered employer-employee relationships, though it is not identical with the number of persons employed in the culture industries. Included in this group are the theatre artists employed on part-time contracts as guest performers or variously employed free-lance workers in film and TV production. Yet elsewhere in the labour market such constellations are on the increase, as in the socio-cultural field, for instance, which in NRW is estimated to have created 2,500 jobs, 40% of which are permanent. *Figure B* (next page) compares these figures with other main branches of industry and services in NRW, showing a remarkable strength of the culture industries against more traditional sectors.
- c) Using official data, it is now possible to draw comparisons, for certain areas of cultural life, between the ***effects of employment in the private culture industries*** and those of establishments ***in the public sector***. According to this data, roughly a third of all jobs investigated are in public-sector cultural establishments and approx. 9% with the broadcasting institutions under public law; hence the greater share being with private culture enterprises in the narrower sense.
- d) Enquiring more closely into the ***effects of employment on artists and publicists***, as well as other qualified cultural professions (which for systematic reasons is only possible for those employed persons making social security contributions), one sees this relationship reversed to the advantage of the public sector, which obviously has more opportunities for the permanent employment of qualified persons with artistic or related occupations - for example, in museums, libraries, orchestras and theatres.

Figure B: Employees in selected branches of industry in North Rhine-Westphalia



Notes: The term "employee" is defined as laid down in the employment census of 1987 (Arbeitsstättenzählung) - AZ '87, i.e. incl. part-time employees and persons holding several employments. For nos. 1-4 incl. wholesale, mail-order and retail. Others: 1. incl. leather and clothing trade; 2. incl. pharmac., cosmetic and medic. products; 3. incl. attendant services and free-lance artists, architects and designers, press and printers, as well as media advertising, but not including public broadcasting; 4. incl. automobile manufacturing, trade and repair, the latter acc. to the statistics incl. bicycles etc.; 5. hotels, restaurants, canteen and dining car trades; 7. incl. trade in solid fuels and crude oil products. Source: calculated by the ZfKf according to the Employment Census 1987 (Federal Office of Statistics/LDS-NRW 1991)

5. Fields of Action and Instruments of Promotion

- a) Although an adequate assessment of many of the problems and potentials of the culture and media industries are hardly to be found in the cultural policy of the state and communities of NRW (as elsewhere), there have been in past years some *additions to the machinery of public funding of the arts* in NRW. They can be of significance for the development of certain sectors of the culture industries (i.e. funds for film and pop music), and approaches in this direction can also be recognised in the area of science policy (example: the College for Media Art, Cologne).
- b) On the other hand, there have not been, as of yet, any measures specifically aimed at promoting the arts and culture within any of the programmes dealing with questions of the *economy, structural policy and the labour market*, or with urban development - apart from the support for individual projects and events (especially those involving technology of some kind) - and here only some of the general programmes existing are realistically applicable to the interest of the very individualistic culture enterprises that often operate without the usual securities and, therefore, are often considered not "bankable".
- c) *Private offices, associations and foundations*, and not least the culture industries themselves, could be probably enlisted more in the cause of sponsorship packages and compensatory investments.
- d) For this, however, it is important that there are suitable *outline conditions* and the recognition that *entrepreneurial variety* in the culture sector does not only make for artistic and journalistic variety - which cannot be claimed for every large project in city planning - but, as a rule, has effects that are both relevant to structural policy and psychologically motivating.

6. Conclusions

Our investigation has revealed that, in comparison with other federal states, the culture industries in NRW is particularly well developed. In the 1980's it had the highest growth rates in turnover and employment nation-wide. North Rhine-Westphalia possesses lively urban infrastructures and exemplary model developments, which permit at least potentially cultural work, cultural production and services, and public or private-sector based intermediaries for the media to come together. Its place on the emerging European landscape seems to be, even more so in the future, secured as one where cultural or artistic diversity, openness and innovation are at home.

On the other had, there is still a need to catch up; book publishers, for example, are still underrepresented in NRW. Some programmes for the development and promotion of the economy, the labour market, the arts and sciences, and town planning, do, at present, not seem geared enough towards the needs of the culture industries and their new European or international markets, but also of the public cultural institutions and media infrastructures invariably closely associated with it.

Intrinsic to the above-mentioned problem area is the question of the lack of the "customary collateral" of many an activity in the cultural field, as a result of which independent initiatives are almost inevitably curtailed and requests for regional subsidy, from the state or local authorities, come to the fore.

Against this background, the study has sought to draw up proposals for policy making and administration, a few of which will be summarised briefly here.

a) Improvement of the qualification opportunities for occupations within the culture industries:

In view of the understandable existing need for qualified personnel, it might be possible - in addition to the new College for Media Art in Cologne, which is oriented toward television and experimental forms of media, and to the more humanities-based pilot scheme of the Open University, Hagen - to provide for better professional training facilities that leave behind the traditional labour market structures and subject-specific academic ghettos. In particular, a special programme (for necessary investments, for example) might encourage suitable cultural enterprises to take an interest in increased further training or replacement opportunities that, as a rule, will represent, even for university graduates, a necessary condition for professional success. A study of the NRW Ministry for Science and Research is supposed to elaborate first principles with regard to "The qualification profiles and qualification needs in the audio-visual media - 1990 to 1999."

b) Establishment of a "Culture Industries Credit Fund" (along the lines of a French model):

In other countries, the promotion of the culture industries seems to have been more satisfactorily solved than it has been here, with regard to both direct financial assistance and indirect financial assistance, i.e. fiscal measures. The *Institut pour le Financement des Industries Culturelles* (I.F.C.I.C.) is a fund for the securing of credit and the promotion of investment which was set up under auspices of the state, yet remains economically self-governing, working in close cooperation with private banks: Credit and loans are its main concern and sometimes it will operate itself as a investor. Analogous to that, a separate "Culture Industries Credit Fund" should be established, which after an initial period would itself be autonomous and active nation-wide, or it should be conceived as an addition to the new NRW Film Foundation. The actual loans would be organized through banks, with the state being involved primarily in overseeing the operation and assuming certain functions of the guarantor. As start-up capital for the pilot phase,

the Centre for Cultural Research believes that the provisional figure of 2-3 million DM should be sufficient.

c) A manual of promotional opportunities for the culture industries:

The manual should contain texts and application conditions of all important funding and credit programmes of the federal government, the states and local authorities. This should not, however, be a new compilation of general brochures already in existence, but must be geared to the special problems and sector-specific case constellations found in the culture and media industries.

d) Advisory services geared to the needs of individual sectors:

According to the Ministry's estimates, some 2-3 million DM per annum have already been set aside, within the framework of technology development, for projects in the culture industries field. Building on this, the advisory and promotional measures aimed at the requirements of the culture industries should now be improved. The promotional and advisory services that already exist at regional and national level should be supplemented in the process by activities at the level of the established institutes, as well as through private advisory offices. Here the professional and trade associations should have a say in the preparation of new programmes. Through the encouragement and support of advisory services, the concrete wishes of applicants, especially those from small and medium-sized enterprises, can be reconciled more effectively with the formalities of the sponsorship programmes. The success in certain areas (e.g. technology centres), confirms the necessity of such supporting services.

e) Further improvements in taxation policies:

In collaboration with the federal government and along with umbrella organisations like the German Arts Council an initiative should be introduced which favours a more flexible interpretation of tax laws, an accelerated depreciation in the art and book trade, and improved tax conditions for the promotion of jobs and with regard to investments in the culture and media sector, or similar measures. This could well be of great significance for the development of the culture industries. Such projects, which have long been discussed in other German states or at the national level, and where important experiences have been gained in other countries worldwide, result, in many cases, not so much in direct measures with a high public expenditure and rather in a "clear-out" of outmoded regulations, often harmful to the development of the culture and media sector.

f) Additional research on the culture industries in different regions of the state:

With the aid of this first comparative report on the culture industries in one of the German states, and the methodologically new machinery expounded in it, important concrete knowledge might be gained for the future needs and developmental prospects of the culture industries in the administrative districts or historically evolved regions. Complementary studies should make for a more forceful extrapolation to the level of the individual regions, towns and districts, so as to refine the data preparation, hitherto directed primarily at state results and outline statements, towards a more regional-local perspective. Thus, it could be possible to offer better guidelines to future development projects in the area of the culture industries, a service which might also be of interest for potential foreign investors in NRW, a state situated in the very heart of Europe.