

The Role of Cultural and Creative Industries Sector for Post-COVID Recovery

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Abstract. Cultural and Creative Industries (CCIs) have been intensively studied within the last decades due to their high economic growth potential and positive impact on innovation. In recent years, research shows increasing efforts to unfold CCIs' potential for innovation partnerships in cross-sectoral cooperation with traditional companies. This classical role of CCI has been discussed in the new context in the frame of COVID-19. Here, the CCI sector itself had to find other channels to meet their clients, but besides that, an extended role of the CCI sector for post-COVID recovery is debated by several key players, including OECD. The paper analyses the current socio-economic situation that is still shadowed by the ongoing COVID pandemic and discusses sustainable and inclusive growth paths of a post-COVID recovery driven by creativity concepts. The Baltic Sea Region (BSR) as the first macro-region with its own macro-regional strategy and its strong innovation power, domination of SME sector, low population density, its heterogeneous business structures resulting from its characteristic mixture of old and new EU Member States can be considered as a test lab for the whole Europe. From the CCI perspective, its long Hanse history that generated a common Baltic identity opens the opportunity to deploy common cultural approaches for successful inter-cultural recovery concepts. Keywords: Cultural and Creative Industries (CCIs), post-COVID recovery, creativity, The Baltic Sea Region, high economic growth potential.

1 Introduction

The Cultural and Creative Industries (CCIs), or in EU terminology, also referred as to Cultural and Creative Sectors (CCS), enjoyed increasing attention in the last twenty years as a strategic resource for innovation as well as a driving force for entrepreneurial discovery, regional development, and competitiveness [1]. Recent European studies about the CCI sector reveal a contribution in Europe to national GDP between 5-10%, and case studies from different cross-sectoral clusters worldwide highlight the importance of the CCI sector for regional growth and prosperity [2].

Consequently, within the EU Strategy for the Baltic Sea Region (EUSBSR), CCIs have been recognized as an essential contributor to innovation, socio-economic growth, and sustainable and intelligent regional transformation. The Baltic Sea Region (BSR) is the first macro-region with its own macro-regional strategy and placed among the most innovative and advanced Blue Economic regions globally. This fact is surprising since the region is dominated by the SME sector, its heterogeneous business structures, low population, and its

mixture of old and new European economies. One important reason for this outstanding performance lies in its long, common Hanse history that coined a common business culture and shaped a Baltic identity facilitating cross-cultural as well as cross-sectoral co-operation and promoting culture to one of the most critical measures for macro-regional development. Hence, cross-cultural similarities pave the road for high-developed cross-sectoral co-operation resulting in successful cooperation of traditional industries with CCIs [3]. Thus, it is no surprise that CCI, together with the "Culture" issue, has found a prominent place on the renewed EUSBSR for the upcoming funding period 2021-2027 of the European Union.

However, this success story of the BSR, together with its CCI sector, is going to be endangered by the COVID pandemic that started in spring 2020 and that affected the cultural and creative sectors along with the tourism sector, most with jobs at risk ranging from 0.8 to 5.5% of employment across OECD regions including BSR [4]. The paper analyses the current socio-economic situation still in the context of the ongoing COVID pandemic and shadows light on tentative sustainable and inclusive growth paths of post-COVID recovery with a focus on the possible role of the CCI sector shortly. The author participated in several EU projects related to the CCI sector in BSR comprising "CTCC project" and "Creative Ports project" so that the presented results are empirically underpinned by studies that took place within these projects between 2017 and 2021 [3].

2 Current socio-economic situation

According to the Eurostat figures, the gross domestic product (GDP) of the European Union declined by about 9% quicker but also sharper during the COVID crisis than it was reported during the financial crisis in 2008/09. This decline came along with growing unemployment figures that have been covered by governmental payment of the seasonal short-time allowance. The initially promised recovery of the economic downturn that was announced for 2021 was postponed due to the ongoing corona pandemic to 2022, and currently, it is not predictable how it will continue. In any case, the level of implications of the COVID crisis to the different EU countries is not comparable since the economically more vital countries in Northern Europe seem to stand the crisis with fewer turbulences than the Southern members. By considering especially the Eurostat figures for Italy and Greece, it has to be stated that both countries did not fully reach the pre-2008 level until the COVID crisis started, and thus they will experience another downgrade of their economic indicators.

Hence, the COVID crisis gave reason for other experts to reflect on the current socio-economic situation. The German economist Andreas Horn coined the term "Zombie Economy" to describe the current economic situation and predict complex post-COVID development [5]. Horn argues that already the Post-financial crisis in 2008/2009 showed already weakness of the economic recovery, and due to political tampering with public money as well as due to bankruptcy protection rules, large parts of the EU economy are kept alive without any economic reason, i.e., too many companies with wrong business models survived and now hindering healthy recovery. In addition, too low interest rates after 2008 took away the necessary financial pressure on companies, and the corona aids of most EU countries delayed the necessary market shakeout.

Horn also studied company investments after 2009 and revealed that too low investment rates reduced the European productivity growth to nearly zero with the consequence that the current lack of workforce is caused by missing gains in labor productivity over the last ten years. This lack of a highly qualified workforce in Europe is further spurred by the social security and tax systems, especially in old EU countries, causing brain drains of talents out of the EU, mainly to Switzerland and USA. Consequently, a. Horn is not very optimistic for post-COVID times by predicting only a short recovery of economy linked with a high number of company bankruptcies, economic stagnation with low growth, and a long-term EU

economic downturn. The studies of Horn convinced him that about 15% of all companies represent zombie companies; he expects up to 23% bankruptcies in the year 2022 with a focus on the SME sector with about 2/3 of the cases. Only for Germany this will be around 25 000 companies, and these company bankruptcies represent a severe risk for the banking system that gave credits to enterprises as well as to private persons that are not able to pay back their loans, and they are endangered to fall in private bankruptcy due to unemployment. The situation and risks in other EU countries, especially in Italy and Greece, are significantly higher because these countries are still occupied with recovering from the financial crisis.

Support for Horn's argument comes from the USA, where Wang et al. analyzed company developments in the context of COVID-19, and they estimate the post-COVID bankruptcies in the range of 20-35% starting from 2022 [6]. Comparable figures have been confirmed meanwhile for several European economic institutes. Here, to a significant extent, the tourism sector and real estate, retailing, and CCI sectors are involved. However, this economic and related social decline is additionally accelerated by complementary climate requirements of the European Union where, e.g., in Eastern Estonia, the COVID situation is combined with the decarbonization campaign of the EU confronting the already weak economic base in the region additionally with downsizing requirements of shale oil industry [7].

3 Perspectives

Coming back to the current situation in the CCI sector, it was already stated that the sector was severely hit by COVID pandemic and A. Ricci from EY calculated the loss of revenue in 2020 of European Cultural and Creative Industries to more than 30% leaving thousands of artists with almost no resources [8]. A survey of 2020 conducted within the "Creative Ports project" revealed that the CCI workers are aware of the unstable economic situation related to corona, i.e., most of the surveyed organizations did not plan to close their business or dismiss their employees. Generally, CCI workers are highly qualified, helping them diversify their offered services, especially digitalizing their products. Thus, the majority of the entrepreneurs and CCI employees highlighted the growing opportunity to increase online business activities and pointed out that SMEs are very agile and can adapt quickly to changes because decisions do not request a lengthy approval process. Some CCI actors intensified their promotional activities as well as are searching for new opportunities on the market. The current situation is not a reason to close down their companies as they operate daily. This perception fits the ongoing situation because even though 95% of the museums closed during Corona times, the number of online accesses to online museum websites increased by 200%, revealing that not the cultural demand decreased during corona. However, only the channel the clients consumed cultural services. Unfortunately, the related revenues of all alternative channels of the CCI sector did not keep the standard level [9].

Besides these facts, significant social effects related to the COVID pandemic are discussed since nearly all countries passed lockdown with substantial restrictions related to social contacts to reduce the transfer risk of the virus. Surveys in several countries revealed that these epidemiological measures reduced the number of infections, but they also caused mental problems, depressions, and even suicide due to anxiety, unemployment fears, family aggressions, and social isolation [10]. The German association for depression helped ask about 5000 persons between 18 and 69 years in February 2021 in a representative online panel concerning mental problems related to the COVID situation. The study results showed that the lockdown had a significant negative mental impact on the average population and that 20% of the population that suffered already at least once from depressions 44% indicated a worsening of their mental situation; even 8% had suicidal thoughts or impulses.

These observations motivated OECD to the extent the traditional role of the CCI sector by advocating cross-sectoral co-operation of CCI and health companies since the experiences

of lockdowns and social distancing measures made evident the importance of arts and culture for people's mental well-being "and possibly, through the increasingly documented psychosomatic effects of cultural access" also to health [4]. This approach reacts simultaneously to two challenges, first by supporting the CCI economy after the pandemic and second by facilitating and accelerating the recovery of post-COVID mental problems. Such an approach provides new opportunities to capitalize on the role of arts and culture in the prevention and treatment of illness across the lifespan, contributing to solutions for health and welfare systems, such as through reductions in hospitalization or medication rates and can be used to spur digitalization for regional development. The support for artists and firms, which is intended to come from both the public and private sectors, can also leverage culture's economic and social impacts in their broader recovery packages and efforts to transform local economies.

Meanwhile, first cities and regions recognized the advantage of CCI potential for post-COVID recovery and a driver of social-economic impact. Typical areas of CCI involvement in post-COVID recovery are cross-sectoral innovation projects with traditional manufacturing and service companies trying to push besides social and mental recovery issues related to climate change, aging society, or the support of creative and cultural tourism. An essential aspect of the CCI involvement is that the first projects showcase that the concepts are not limited to metropolises, but they also seem to succeed in remote areas. Gerald Vernon-Jackson, Chairman of Culture, Tourism, and Sport of the UK Local Government Association, stressed that "Local creative industries can be the cornerstone of recovery for our communities and local economies from the impact of COVID-19".

Comparable statements are not limited to the UK; they are also expressed in BSR according to the surveys in CCI-related projects comprising "CTCC project" and "Creative Ports project." The open research question for the BSR is to find out which intercultural offers of the CCI sector can facilitate the post-COVID recovery in BSR. Here, more research is necessary to answer this question. The positive message, even with the ongoing COVID pandemic at the end of 2021, is that the outstanding role of the CCI sector becomes more and more hearable in different parts of the world, indicating that the political level gets aware of the social-economic potential of CCI sector to overcome the damaged of COVID pandemic.

4 Conclusions

CCI sector is one of the business branches that have been hit most by the COVID pandemic, but first feedbacks from this sector showed that the CCI workers were not so scared by the economic consequences; they even tried to understand the pandemic as a chance to innovate and find new channels to their clients, especially by using digitalization strategies. Experiences and research concerning cross-sectoral cooperation between CCI and traditional companies delivered encouraging innovation results.

Until now, the mental problems caused by the pandemic, especially related to lockdowns and social isolation, have been neglected in the discussions and psychological studies that highlight severe existing mental problem fields. Thus, post-COVID time requires innovative solutions to overcome these psychological deficits. Here, a promising approach seems to be cross-sectoral cooperation between CCI and the health sector to facilitate and accelerate the post-COVID recovery process. First steps are already taken by initiating culture-health projects for recovery, and the results of these projects seem to be promising.

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