

CREATIVE INDUSTRY IN TERMS OF COVID-2019 PANDEMIC: EUROPEAN COUNTRIES RESPONSIVE MEASURES

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Abstract: Creative sectors are vital in their own right in terms of their economic footprint and employment. Furthermore, they push innovation across the economy, as well as contribute to various other channels for positive social effect (education, inclusion, well-being, health, urban renewal). Creative industry was hit hard by the pandemic, with large cities often covering the greatest share of jobs at-risk. This paper aimed to discover the effects of the pandemic on creative sectors and the measures European countries have introduced to support creative industry. The study employed the methods of statistical and comparative analysis and the construction of logical assumptions. The results show that the COVID-19 has affected almost every individual in the creative industry. Many European countries have used various approaches and tools to support the impact of the pandemic on creative industry. There is a need for all the countries to be proactive in protecting the arts and culture and to give the creative sector and arts professionals the appropriate tools to develop strong and cultural policies.

Key words: creative industry, COVID-2019, pandemic, European countries

Introduction

The effects of COVID-19 on customer behavior were fast and extensive crosswise all industries and nations. Anticipations have strengthened as priorities have switched to health and safety first, which have in turn transformed buying behavior and decision-making. Accordingly, what was before considered to be an important customer experience has no longer been acceptable enough and almost all businesses have been pushed into changing their approach to customers. Many purchases have had to move from in-person to online channels, developing a more digitally wise consumer that demands easy and easy dealings. Consumers of all ages have revealed that the internet makes their regular routines more effective and these attitudes are likely to stay. Indeed, the transfer to digital allowed higher value to be created by lowering costs to serve (Kliuchnyk, 2019). In this research, we have investigated the effect of the COVID-2019 pandemic on the creative industry and how European reacted to the pandemic hit.

Contribution of the creative industries in the economy of the countries

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According to the latest surveys of consumer habits (KPMG, 2020; McKinsey, 2021a; PwC, 2018, 2019), there is a shift in global demand from the ordinary purchase of goods towards the acquisition of positive experiences, emotions and impressions. These mechanisms underlie the cycles of creation, production and distribution of goods and services in the creative economy. In a creative economy, human capital is the main resource and the primary value added of a product is created in the form of intellectual and creative content, often linked to the cultural heritage and traditions of the place of production. A large share of the sector's revenue comes from the sale of copyright licenses. The creative industry is one of the most dynamic and fastest growing segments of the world economy, its share in world GDP is 3-6%, the annual growth of exports is 12%, services – 4.3% (UNCTAD, 2018). More than 30 million people work in the creative sectors, with the largest share of women and youth aged 15-29, as well as self-employed population. The share of creative industries in the large economies is presented in the Table 1.

Table 1: The structure of creative entrepreneurship in selected economies

	Indonesia	Australia	USA	Italy	UK	Germany	Netherlands	France
Contribution to the country's GDP, %	8	6	5	5	4	3	3	2
Number of jobs, million	17	0.7	3.5	1.5	3	1.2	0.8	0.7
Share in the total number of jobs, %	16	6	2	6	9	8	11	8
Number of firms thousand	n/a	125	673	414	284	254	221	324
Share in total business, %	n/a	6	4	7	12	8	14	10
Share of micro companies, %	n/a	89	90	91	94	92	94	89
Share of self-employed, %	92	47	34	46	38	32	52	30
Share of women %	54	47	47	43	36	n/a	42	46

Source: UNCTAD (2018)

The impact of COVID-19 pandemic on the creative sectors of European economies

Available national studies show that the creative industry revenue losses were in the range of 20-32% in 2020 (Germany – 23%, France – 25% , UK – 31%, (OECD, 2020).

The most serious damage from the pandemic as a whole was suffered by micro-enterprises, as well as self-employed population. The latter forms the backbone of the labor force in the most affected industries: culture, leisure, tourism and retail.

Disruptions in creative sectors, including the cancellation of cultural, entertainment, business and sports events (including the global scale – the Olympic Games in Tokyo) provoked a crisis in subsectors and related areas: publishing, brand management, design, advertising, show business, merchandising, fashion industry, souvenir industry and others. In the Table 2 below, we have presented the figures on the expected losses in creative industries for the UK as the country which considerably suffered by the pandemic effects.

Table 2: Expected losses in sectors of the creative economy in 2020 in the UK

	Loss of income (pounds sterling)	Job cuts
Media (film, TV, video, radio and photography)	36 billion (57%)	102 thousand (42%)
Advertising and marketing	19 billion (44%)	49 thousand (26%)
Fine and visual arts	11 billion (54%)	178 thousand (57%)
Publishing	7 billion (40%)	51 thousand (26%)
Museums and art galleries	3.9 billion (45%)	7 thousand (8%)
Music industry	3 billion (50%)	114 thousand (60%)
Theatrical art	3 billion (61%)	12 thousand (26%)
Fashion and design	2 billion (58%)	51 thousand (30%)
Architectural services	1 billion (24%)	2 thousand (2%)
Post-production and visual effects	827 million (58%)	n/a
Crafts sector	513 million (53%)	58 thousand (47%)

Source: Oxford Economics (2020)

It should be noted that the creative sector is characterized by the following specific features and problems during the COVID-19 period: a small margin of safety and a limited set of resources (approximately 2/3 of workers are micro-enterprises and self-employed), a sharp drop in production activity, a high unemployment rate relative to the economy as a whole, a high proportion of workers outside the system of social guarantees and support (high concentration of non-standard forms of employment).

The plight of the sector negatively affects the level of general social well-being, given that a significant part of the employed in this sector is represented by the young people (15-29 years old) and women, many of whom work on the brink of financial stability, coupled with precarious forms of employment. It is common for most people in creative professions such as artist, writer, journalist, musician, designer, etc. to combine several project contracts as a self-employed/freelancer with part-time paid work or main paid work (often in other sectors of the economy).

Most creative sector employees rely heavily on major cultural events for their activities and income, where artists, in addition to presenting their work and live performances, have also had the opportunity to develop personal connections to support business and negotiate lucrative contracts for future production (Bilan et al., 2019; Centárová, 2020; Harper, 2020, p. 19).

Creative industry is facing difficulties in accessing financial support, since its activities are often based on intangible assets (skills, experience, reputation, connections) that are difficult to assess from the point of view of credit institutions. Among the negative side effects of the COVID-2019 it is expected in the medium term a drop in investment in the industry (both private and public), loss of income from sponsorship and the sale of copyrights, a decrease in marketing costs, a drop in demand for products and services, change in consumer habits due to COVID-19, lower incomes and production activities due to social distancing measures, as well as a decrease in the share of the creative class due to the lack of demand in the labor market.

The impact of the pandemic on the selected sectors of the creative industry in Europe and the world

Fashion

The average market capitalization of apparel, fashion and luxury companies fell nearly 40% between early January and March 24, 2020 – a much sharper fall than the stock market as a whole. Global fashion industry revenues (apparel and footwear sectors) declined by 27-30% in 2020. With store closings within two months, 80% of registered companies in Europe found themselves in a financial crisis, and a significant number of global fashion companies went bankrupt (McKinsey, 2021b).

Advertising

According to the data of the world's largest advertising agency conglomerates – Publicis – in the first quarter 2020 the annual revenue of advertising industry in dropped by 9 % in Europe (in Germany – by 7%, in France – by 12%). According to the data, around 46% of media-developers decreased their expenditures and almost 90% are expecting considerable loss compared to the world financial crisis 2008 (Harper, 2020; Mason et al., 2021, p. 19; R. Taylor, 2020, p. 19).

Cinema

The drop in revenues in the global film industry by the end of May was 17 billion euros. All filming and production processes, including the audiovisual sector, were frozen, the security protocols could not be implemented taking into account the specifics of filmmaking. Film festivals canceled, cinemas were closed, and premieres were postponed, which also affected related industries and sub-sectors (Voldere et al., 2021). In August 2020, the US statistical office showed a 75.9% decrease in revenue in 2019. The Hollywood Reporter reported the multi-million dollar spending of US film production companies on safety during filming as only COVID tests cost the creators of Jurassic World USD 3 million (Johnson, 2021).

Music

A six-month interruption in an artist's live performance cost the music industry USD 10 billion sponsorship losses. Physical sales, which account for a quarter of recorded music revenues, fell by a third, while digital sales fell by 11% (WEF, 2020). The ban on live performances also negatively affected support workers responsible for sound engineering, maintenance, tour promotions, concerts, and

ticket sales. The cancellation of live performances negatively affected the city budgets that profit from indirect economic activity and marketing.

Art market

The art market is highly dependent on the global schedule of events (festivals, exhibitions, auctions), which has been suspended due to COVID-19. The global art sales fell by 97% at auctions such as Christie's, Sotheby's and Philips from USD 2.9 billion to USD 93 million in May 2020, the lowest monthly revenue since 2007 (Klein, 2020). Global museum revenues fell by 75% in the first month of the pandemic (OECD, 2020).

Publishing

Due to bookstore closures and access restrictions, the global book publishing market shrank from USD 92.8 billion in 2019 to USD 85.9 billion in 2020. Growth in online sales only partially offset the loss in revenue. Cancellation or postponement of book fairs affected the release of new books, which adversely affected the income of authors and publishers (Business Research Company, 2020; Guren et al., 2021).

At the same time, lockdown and social distancing measures have greatly increased the demand for home entertainment and self-development, and therefore, sectors such as video games and online services with streaming audio/video content have received a huge boost to develop and expand audience reach.

Sectors of the creative industry that had income growth during the COVID-19 pandemic were video-games and streaming services. According to the forecasts, the revenue from the video games market is expected to grow up to USD 159.3 billion – by 9.3%), including the mobile games sector – USD 77 billion – by 13.3%. The US consumer spending on video games in the second quarter 2020 were USD 11.6 billion – 30% higher than last year (Gaspar et al., 2020). In March and April 2020, the digital video game distribution service Steam regularly updated records for the number of concurrent users online – for example, on April 4, their number was 24.5 million people.

The audience of the streaming video market, the market size of which in 2019 was USD 42.6 billion grew by about 10% during the pandemic, while the main players of NETFLIX, Amazon Prime Video, YouTube, Disney + recorded audience gains of more than 30 %. In the first quarter of 2020, the number of paid subscriptions to online music services grew by 36 million – an increase of 35% in annual terms – and reached a record of 394 million subscriptions (Grand View Research, 2020).

Measures to support creative industries by the large European economies

Support for the creative sector of the economy during the COVID-19 pandemic was provided both at the national and regional and local levels of the countries. Private, non-profit and charitable organizations also provided support measures. In their aid packages for the creative sectors, national governments have tried to take into account the specifics of the industry: financial volatility; dependence on cultural and recreational activities; limited access to financial instruments; a high concentration of microenterprises, the presence of freelance workers and non-

standard forms of employment. The largest aid packages for the creative sectors have been provided by the following European countries: Austria – EUR 2 billion, Germany – EUR 1 billion, Poland – EUR 900 million, the Netherlands – EUR 300 million.

The introduction of measures can be divided into two stages: the adoption of urgent measures to maintain liquidity (March-May 2020), then the transition to longer-term measures to facilitate the recovery of economic activity in the sectors (June 2020-present). During March-May 2020 there have been introduced the measures to support liquidity of SMEs, including rent cuts, tax breaks, grants and soft loans. Online platforms for supporting creative businesses have been created, some countries, Poland, for example, Poland introduced digital aggregators of artistic and cultural content to support consumer demand during self-isolation.

There were also introduced employment support measures. Many countries have extended special social security programs to artists and freelancers, recognizing that these groups are often excluded from general economic support measures.

Additional subsidies came directly to creative sector organizations to prevent massive bankruptcies and shutdowns. Some governments have also reoriented funding to provide additional grants to the selected artists. Since June 2020 till present time measures to rebuild and restart the creative economy after COVID-19 pandemic included the development of the funds to revive productive activity, organize events, stimulate investment and promote employment.

The top-priority package of measures was aimed primarily at solving short-term liquidity problems, including the following support instruments:

- grants and subsidies for companies or artists (schemes for reimbursing lost income, loan guarantees, incentives to attract investment in production);
- employment promotion measures (bridge credits, social insurance, extended unemployment benefits);
- deferred payments and simplified administrative procedures;
- structural measures to strengthen resilience (training and employment, digitalization, new business models).

In order to support the liquidity of the creative sectors, European governments provided subsidies in the amount of EUR 55 million under the REACT-EU Initiative (European Commission, 2020).

Brussels supported creative sectors by the subsidy of EUR 8.4 million and EUR 5 million to individual workers (EUR 1500 each) who were left without support within the framework of general measures. Austrian government compensated EUR 25 million to producers of audiovisual products in the form of non-refundable grants covering up to 75% of damages, the UK provided grants to art organizations.

As a rule, the funds were allocated in the form of a single assistance fund for the creative industry, or were distributed on a point basis between individual sectors. Some countries have provided subsidies and grants directly to creative industries instead of helping companies, thereby providing more targeted assistance, including to freelance workers. In some cases, funding for creative companies was carried out through the packages of measures to support SMEs (Popa et al., 2021).

Conclusions

COVID-19 has had an adverse effect on all sectors of the economy and, notably, creative industry has been hardly affected by the necessity for social remoteness. Most of the activities related to the arts and culture imply physical contact; therefore, the postponement of meetings has affected almost every individual in the sector.

Many European countries have used various approaches and tools to support the impact of the pandemic on creative industry.

Because of the huge experience in struggling with COVID-19, the countries have to develop a new way of thinking that will affect the worldwide perception about the role of creative industries in addressing stress and depression problems and find out the opportunities appearing from current situation for the arts and culture. There is a need for all the countries to be proactive in protecting the arts and culture and to give the creative sector and arts professionals the appropriate tools to develop strong and cultural policies.

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