



Literature Review of the Economic Impact of Creative Industries on the Caribbean Economy

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Introduction

In the context of the substantial economic difficulties experienced by Caribbean economies during the recent global recession and the continuing struggle by some economies to emerge from its aftermath, the review of Caribbean economic strategy has become urgent. The global recession underscored the dangers of overdependence on a single or a few major economic industries as drivers of economic growth and particularly the vulnerabilities of the tourism industry, the dominant industry in the Caribbean. While there is some attempt to strengthen tourism industry performance through increased promotions; enhanced airlift capacity; diversification into new areas of activity (for example, sports and health tourism); and market diversification (non-traditional markets in Europe, Latin America), the identification and development of new industries is being pursued as another important option to strengthen the regional economic architecture. In this context, the current focus on the possible development of creative industries (CI) is understandable. However, in the context of resource scarcities, there is clearly need to investigate potential economic and social benefits of the industry before further commitment to CI development. The presentation below focuses the analysis on the economic impact. However, the social benefits of creative industries such as the contribution to a sense of national identity; fostering of social cohesion in communities; attractiveness to and opportunities for youth who might otherwise go astray; and other considerations ought to be part of the discussion going forward.

A. Attractiveness of the Sector

In addition to the recent and current economic difficulties, the attractiveness of CI development is based partly on the fact that it is largely service based, and hence circumvents the constraints of high transport costs to external markets. In addition, it can help small economies to some extent to circumvent the constraints of scale diseconomies due to small size. Moreover, given the dynamic growth registered by some developed (US, Canada, UK) and developing economies (India, Brazil), it suggests the potential for accelerating regional growth performance. Nurse et al (2007) noted that between 1994 and 2002, global exports in CI products grew by 51.3% from US\$39Bn to US\$59bn. Additionally, he reported that global expansion in CI economic activity was projected at 33% during 2008-11.¹ Also, indications are that in some instances, CI employment growth has significantly outpaced that in other sectors. The rapid growth of the global CI market together with the potential for employment generation, both direct and indirect, in the context of low growth in the Caribbean, high unemployment and underemployment, are compelling reasons for further development of the CI sector, assuming the possibilities and capabilities for rapid development in the region.

The explosive CI growth witnessed in several economies in recent years is due to global income growth over recent decades, the favourable income and price elasticities characteristic of the sector but also cost and price reductions due to technological innovations. The proliferation of access to some CI products (music, film, books, magazines etc.) through new IT platforms (internet, cell phones etc.) has also been a driving factor in market development in recent years. Additionally, given the export orientation of Caribbean economies; the lacklustre performance of regional commodity exports in recent years; the demonstrated vulnerabilities of the Region's main export sector; together with outstanding globally recognised performance of Caribbean nationals and countries in several segments of the CI industry (music (calypso, reggae, carnival etc.), the arguments for the development of the CI industry are very persuasive.

¹ Nurse et al (2007), p.5.

B. Challenges

There are, however, challenges. A significant challenge for the Region is the definition of creative industries which spans a very wide range of subsectors ranging from the performing arts (film, music, theatre, carnival) to literary works (print/publishing , newspapers, books,) to painting, furniture, sculpture, each with its own challenges and opportunities and specific country interests. Given the global nature of the market and uneven performance across sectors, subsectors and countries, clearly, a fundamental question that the Region and individual countries need to answer is, where in this vast array of subsectors does our comparative advantage lie? Given resource scarcity, the answer to this fundamental question will determine the subsectors into which regional and national resources should flow. The answer to the question would also determine the areas and types of regional cooperation possible to push the development agenda forward.

For example, in his study on the economic impact of copyright-based industries in Jamaica, James (2007) focused on the economic contribution of copyright industries which has four clusters: core copyright industries; interdependent copyright industries; partial copyright industries; and non-dedicated support industries. The total amount of these industries or subsectors amount to more than twenty. The core copyright industries alone have eight sectors (press and literature; music, theatrical productions and opera; motion picture, video and sound; radio and television; photography, visual and graphic arts; related professional and technical services; software, databases and new media; advertising services; collective management societies). As can be seen, many of these categories themselves have various sub-categories.

Nurse et al (2007) in their study of the economic impact of creative industries on the Caribbean economy focused on seven areas or industries: the music industry; the audio-visual industry; publishing; visual arts; performing arts; fashion; and festivals. They used the terms 'creative industries' and 'cultural industries' interchangeably, and focused on those industries considered most relevant to the Caribbean.

These differing definitions of creative industries make somewhat difficult the discussion of the comparison of economic contributions of creative industries across the region. Settling the definition issue or perhaps more importantly, the subset of industries that should be the focus of regional development, is fundamental in pushing the regional discussion forward.

The challenge for a meaningful regional discussion is further compounded by the substantial inadequacy of economic data (GDP, employment; foreign exchange earnings, fiscal impacts) on the various subsectors due to the absence or inadequacy of institutional infrastructure for data collection; the unwillingness of participants to provide data, for example, because perhaps of the fear of taxation; the difficulty of obtaining data from export markets and/or the informal nature of the sector which allows activities to be undertaken without a paper trail. Given the foregoing, reading of the discussion which follows on the contribution of the creative industries to the Caribbean economy should be informed by the foregoing caveats.

C. CI Contribution to GDP

The most detailed assessments of the contribution to GDP of the creative industries so far are those of James (2007, 2012) in relation to Jamaica and Trinidad and Tobago respectively. Focusing on the four components of the copyright sector noted above, he estimated the total contribution to Jamaica's

GDP in 2005 at US\$464.7mn or 4.8% of GDP. The core copyright sector contributed 1.7%, the non-dedicated copyright subsector contributed 1.9% and the remaining two subsectors, the independent and partial copyright subsectors, contributed 1.2%.

Nurse (2007) reported that the contribution of cultural industries to global GDP was estimated at 7% and was projected to grow annually by 10% due to “rapid technological changes (for example, internet, and e-commerce) in products, manufacturing, distribution and marketing.”² These estimates are significant and perhaps suggest the outer limits to regional expectations in terms of the contribution to GDP and annual growth. Both estimates quoted above for Jamaica are within the range found in developed countries and developing countries. For example, Nurse (2007) noted that the contribution to GDP of cultural industries in several Latin American countries ranged from 2% (Chile) to 6.7% (Brazil) during the early nineties to the early 2000s.³

While James’ (2007) estimate of the economic contribution in the case of Jamaica is useful, it is at this point unfortunately close to a decade old. Additionally, even more useful would have been an estimate of the growth of the Jamaican industry over a given period. This would have helped, for example, to determine whether the Jamaican industry was experiencing the dynamic growth experienced by other economies, or whether it had stagnated or regressed and the reasons for the performance. These findings would have been much more informative and useful to Caribbean decision makers in 2015, given the fact that Jamaica, arguably, is the most CI intensive economy in the Region. Hence, data on its performance would have perhaps helped to benchmark expected performance of other Caribbean economies. For this reason, it may be very useful to update the Jamaican study, covering a more recent and extensive time period and focusing on the reasons for the performance. Such a study would more firmly ground the current regional discussion and would temper perhaps some of the possibly unwarranted optimistic expectations in the context of limited information.

James’ (2012) study of Trinidad and Tobago is not only much more recent, but also much more detailed and informative in relation to the contribution of the copyright industry to GDP. It has the additional advantage of providing assessments of the performance of the industry and the various subsectors over a period of time. He noted, for example, that the copyright industry increased its contribution to real GDP from 3.9% in 2000 to 4% in 2007 and to 4.8% in 2011 (See Table 1). In comparison with several other important sectors, the performance of the copyright sector was superior In terms of the contribution to GDP due to better growth (See Table 2). For example, the contribution of agriculture to real GDP declined from 1.2% in 2000 to 0.5% and 0.6% in 2007 and 2011 respectively. Hotels and guest houses, the core of the tourism industry, meanwhile contributed 1.4%, 0.3% and 0.2% of GDP in 2000, 2007 and 2011 respectively. The shares for manufacturing were 16.9% (2000); 8.1% (2007) and 9.4% (2011).

Year	Agri.	Petroleum	Manufacturing	Construction and Quarrying	Distribution and Restaurants	Hotels and Guest Houses	Transp. And Comm.	Other	GDP	Copyright
2000	1.2	45.3	16.9	7.3	19.4	1.4	8.4	26.3	100.0	3.9
2007	0.5	40.8	8.2	7.9	12.0	0.3	7.2	22.8	100.0	4.0
2011	0.6	39.5	9.7	7.1	13.2	0.2	7.5	26.4	100.0	4.8

Source: James (2012), p.64

² Nurse 2007 et al, p.5.

³ Nurse 2007 et al, p.24.

Year	Agri.	Petroleum	Manufacturing	Construction and Quarrying	Distribution and Restaurants	Hotels and Guest Houses	Transp. and Comm.	Other	GDP	Copyright
2000-07	-3.4	8.2	-2.3	12.6	1.2	-9.1	7.2	7.4	10.7	11.7
2007-11	0.2	-1.9	-3.4	-3.4	1.2	-4.7	-0.3	2.7	-1.1	3.2

Source: James (2012), p.63

The foregoing industries, quite unlike the copyright industry, were beneficiaries of government policy and financial support.⁴ The performance of the copyright industry is particularly outstanding also, given the fact that the period covered in the study included the worst global recession since the Great Depression of the 1930s. This speaks to the resilience of the industry as a whole, a very important characteristic, given the substantial vulnerability of the dominant economic sectors in the region which was clearly demonstrated by the recent recession. This by no means implies, as documented by James (2012) that all the subsectors of the copyright industry performed well. However, it points probably to the fact that the spreading of risks over a variety of subsectors led to greater economic resilience, and suggests a possible paradigm shift in Caribbean economic strategy away from dependence on a dominant industry.

D. Contribution to Employment

James (2007) also estimated the contribution of the copyright sector to employment in Jamaica. He found that in 2005 the sector accounted for 3.03% of employees or 32,032 persons. Given the contribution to GDP, his estimate suggests that the sector in Jamaica is not labour intensive since on average 0.63 percentage point of sector employees accounted for each percentage point contribution to GDP. This conclusion is consistent with the findings of Dunn (2012) who noted that,

“CI enterprises do help to reduce unemployment but at a rather lower or smaller scale compared to more labour intensive industries. During the three year period 2009-11, Barbados’ CI enterprises employed either 1 or 2 workers generally. Similarly, most firms in Trinidad and Tobago seem to employ 1 or 2 employees. Jamaican CI entrepreneurs seem to employ 1 to 3 workers.”⁵

Dunn’s comment illustrates that the CI sector in the region is largely dominated by small enterprises with all of the vulnerabilities inherent therein such as low capitalisation, weak management, limited economic sustainability etc.

James’ (2007) assessment of the CI sector in Jamaica depicts a somewhat rosier view. He notes, for example, that education and skills are the dominant form of capital in the sector. His findings indicate high labour productivity and high returns to education and skills. This suggests that the copyright sector to a large extent has been generating quality jobs. The latter is a very important consideration since, in addition to contributing to growth acceleration, the CI sector should also provide quality employment rather than expand the ranks of the economically vulnerable or working poor.

He also noted, however, that there was significant underemployment in the sector, suggesting limited absorptive capacity with respect to labour. He attributed this to a shortage of physical capital which is largely imported. On a more sombre note, however, significant underemployment in the sector suggests that, at least in 2005, sector growth might not have been robust.

⁴ James (2012), p.81.

⁵ Dunn (2014), p.16

In his 2012 study of the copyright industry in Trinidad and Tobago, James estimated that it accounted for 3.6%, 5.1% and 5.0% of employment in 2000, 2007 and 2011 respectively. In those years, the number of employees in the industry were 18,304 (2000); 29,758 (2007) and 29,413 (2011).⁶ Two notable conclusions emerge from the foregoing. The first is that there was an increase in employment in the industry. Secondly, despite the recession, indications are that the level of employment remained fairly steady or that even if there was some job loss initially, the number of jobs was restored and even surpassed by 2011. Again, this speaks to the resilience of the industry. However, there was a significant decline (26%) in the average annual real wage over the period from TT\$44,963 (2000) to TT\$33,473(2011). The drop in the real wage has been explained as the result of the recession and also to changes in technology. This does lead once again to the concern about sustainable livelihoods. For example, James (2012) notes:

“The critical challenge that pan musicians face is to find regular means of survival while playing music full-time. Older artistes who do not perform have no steady income, even though they might be holders of national awards.”⁷

In other literature on the Region’s creative industries, estimates of the contribution to overall employment have been less rigorous and more anecdotal, related, for example, to specific cultural events and or subsectors. For example, Nurse et al (2007) noted that in the case of Jamaica, 35 film production companies provided full employment to a core staff of approximately 200 persons aided by a number of full-time/part-time and freelance staff.⁸ He noted as well that the number of staff is ramped up significantly when filming actually takes place, swelled by the number of actors, makeup artists and other personnel etc. This speaks, of course, to the sporadic nature of employment in these industries and recalls James’ (2007) reference to significant underemployment in CIs and by extension the probability of a significant number of economically vulnerable or working poor, given the sporadic nature of employment. James (2007), for example, noted a high rate of underemployment in the motion picture and video industry in Jamaica. He noted the same in the television and radio industry.⁹

However, indications are that the issue of employment opportunity is very much specific to the type of subsector. For example, Nurse et al (2007) noted that some carnivals, both directly and indirectly, provide a large number of jobs and more steady employment throughout the year.¹⁰ Additionally, there are indications that some other CIs such as theatre production provide year round employment for actors in Jamaica.¹¹

The importance of this discussion on sector employment is the need to focus not only on the number of employed, but also on the nature of employment (sporadic, full time/part-time etc.). The latter should be an integral part of the policy discussion on development strategies for the CI industry. Strategies for ensuring the sustainability of livelihoods should be identified and implemented as a core component of the CI development strategy.

⁶ James (2012), p.74.

⁷ James (2012), p.41.

⁸ Nurse et al (2007), p.72.

⁹ James (2007), p.250

¹⁰ Nurse et al (2007), p.178.

¹¹ Nurse et al (207), p.72.

E. Impact on Trade

Data with respect to the impact of CI industries on regional trade is very scarce. According to James (2007), writing about Jamaica,

“The sector is actively involved in international trade and payments, but strong estimates are not available. At best, it can be claimed that the sector runs a general trade deficit, with the exception of press and literature, which appears to run an overall trade surplus. It is likely that music also runs a positive payments balance.”¹²

Given the importance of the external sector to Caribbean economies, it is natural to have expected a greater availability of data to permit a relatively accurate assessment of CI external sector activities. However, the data is often anecdotal and scant, relating for the most part to the music industry, to festivals and carnivals. One of the more informed assessments is that done by Hendrickson et al (UNECLAC, 2012) who estimated that during 2005-06 the Trinidad and Tobago entertainment industry (music, carnival, visual arts, theatre, dance) generated foreign earnings of US\$56.3m equivalent to 0.47% of goods exports and 6.3% of service exports. This indicates that, though with a significant CI industry relative to the rest of the Caribbean, the CI impact on commodity trade is very small, given arguably the dominance of the oil industry in the case of Trinidad and Tobago and also the very small number and quantities of CI product exports. However, even in the case of service exports, the performance though not negligible, is also relatively small.

The estimates of James (2012) are not substantially different. He estimated net exports of the copyright sector at US\$32mn (2000); US\$35mn (2007) and US\$50mn (2011) equivalent to 0.7% (2000), 0.3% (2007) and 0.3% (2011) of exports of goods respectively. As a percentage of export services, the contributions are 5.6% (2000) and 3.8% (2007), the estimates being somewhat lower than those cited in the previous paragraph because of the use of net rather than gross service exports for the industry. The 2011 estimate is not provided since there was a substantial discontinuity in the services series due to significant reclassification of gross export services. However, perhaps the best indicator to have used in the denominator is net services which provide estimates of 19.3% (2000); 5.9% (2007) and 9.9% (2011) which give a somewhat more defensible and improved but erratic estimate. Overall, however, indications are that the CI sector is capable of impacting to a greater extent the level of foreign exchange earned. In addition to more earnest pursuit of copyright revenues, a greater focus on development of those industries with a relatively higher level of import productivity, defined by James (2005, 2012) as the ratio of value added per dollar of foreign exchange earned, is likely to generate higher net foreign exchange earnings for the Region.

F. Fiscal impact

Discussion of the fiscal impact of CI activity in the literature is close to non-existent, and most likely reflects the difficulty of accessing data and the informal nature of the sector in some cases. Also, the majority of the regional literature in any case is advocating at this point a much more supportive role by governments. Hence, interest in the fiscal impact of CIs in terms of revenue seems largely absent. However, the following suggests that the lack of interest is perhaps misplaced.

“ The Trinidad Carnival has a large number of visitors and generates departure taxes of US\$0.5mn, one quarter of the budget of the festival. There are other tax benefits. When value-added taxes (15%)

¹² James (2007), p.224.

are applied to visitor expenditures of US\$14.08mn, the Government earns US\$2.1mn in indirect taxes. The combined effect is that taxes generated by the festival exceed the government's initial investment of US\$2.0mn by approximately US\$600,000."¹³

G. Conclusion

A number of important conclusions arise from the foregoing discussion. The first is the need to narrow the regional discussion to a prioritised subset of creative industries that have the best chance of being competitive globally and therefore benefitting from the expansion of dynamic global markets. Support initiatives can then focus on these subsectors. For example, given resource limitations, the establishment of a regional facility for the provision of financial support to the industry will have to be guided as to the subsectors which should be supported so as to maximise impact. Secondly, there is clearly an urgent need to increase the level of study and knowledge of the performance of creative industries in the Region. This could include primary data collection through surveys, establishing satellite accounts for CI and advocating for its explicit inclusion in the national accounts of Caribbean countries. Enhanced information on the various subsectors would facilitate better decision making and strategic interventions with respect to critical policy, institutional, training, financial and other support. Thirdly, while cognisant of the importance of the potential economic benefits of CI development, it is also necessary to take into consideration and possibly seek to enhance the potential social benefits in the crafting of initiatives. Finally, every effort should be taken to ensure that sector employees benefit as much as possible from their endeavours and that livelihoods are sustainable. This is an important element of strategy in expanding and maintaining the vibrancy of the sector. Implementation of the Caribbean single market and Economy (CSME) with the free movement of labour would also help facilitate this. For example allowing festival artists and those employed in support services to work continuously in festivals that occur at different times of the year in the region.

¹³ Nurse et al (2007), p.178.

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