The Human Capital in the Creative Economy in Region

IVETA KOROBANIČOVÁ, GABRIELA PAČUTOVÁ
Faculty of Economics, Technical University in Košice
Němcovej 32, 040 01 Košice
Slovakia
Iveta.Korobanicova@tuke.sk

Abstract

The concept of the creative economy itself is new to economics. So far in Slovakia there has not been given any special attention to the industry, where the main role is played by the creative potential of human resources. To achieve more objective results of the research, this article will be focused on the creative social class, especially, on the area of architecture. This sector was chosen due to superficial focus of general education on this area. The main interest is to evaluate conditions, which are affecting creative work of architects. Creating sufficient theoretical base helped to suggest own conditions that are affecting architects creativity. The research focuses mainly on the educational factor. This is the most important factor, because it forms and shapes the creative class.

Key words: human capital, creativity, creative economy, creative class, creative cluster, creative industry.

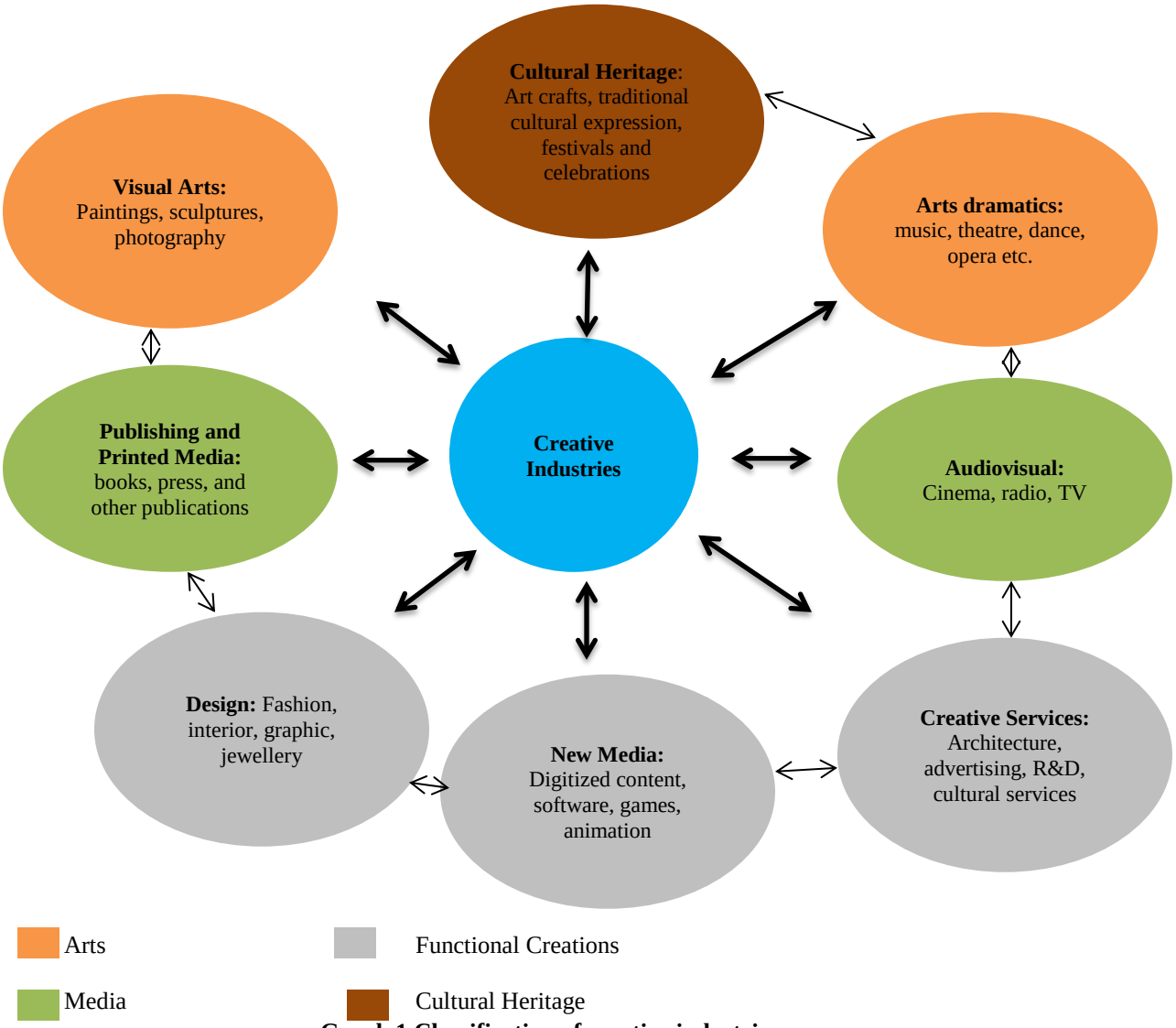
JEL Classification: R58, I21, Z18

1 Introduction

Creative economy is an important and growing part of the global economy and knowledge-based economies. During the last period, a number of governments around the world have recognised the fact, that creative industries create jobs in favour of economic growth. On the basis of this fact, the government started to prepare and developed special policies to promote these industries. On the other hand, the scientists and economists cannot agree on a uniform definition of the creative economy. In view of Snieska and Normantiene (2012) the creative economy is based on the capital of ideas rather than the physical capital; it is developed on the basis of information and communication technologies. The creative economy concept was developed by John Howkins (2001) in his study on the relations between creativity and economy. He indicated that creativity is not necessarily an economic activity but may become such when it produces an idea with economic implications or a trade able product. (in Snieska and Normantiene, 2012) Howkins (2007) defines the creativity economy as "an economy where the person´s ideas, not land or capital, are the most important input and output (not intellectual property). The creative economy concept has become more widespread, it has become more and more crucial to exactly define what is meant by the term "creative economy". In the UNCTAD Creative Economy Report (2010) creative economy is determined as "an evolving concept based on creative assets potentially generating economic growth and development; can foster income generation, job creation and export earnings while promoting social inclusion, cultural diversity and human

development; embraces economic, cultural and social aspects interacting with technology, intellectual property and tourism objectives; is a set of knowledge-based economic activities with development dimension and cross-cutting linkages at macro and micro levels to overall economy; is a feasible development option calling for innovative, multidisciplinary policy responses and interministerial action; at the heart of the creative economy are the creative industries."

The term "creative industries" emerged in Australia in 1994 with the launching of the report "Creative Nation" but was given wider exposure by policymakers in the United Kingdom in 1997. (Duisenberg, 2008) For UNCTAD, creative industries are "centered but not restricted to arts and culture. They can be tangible products or intangible services with creative content, economic value, and market objectives. It can be defined as the "cycle of creation, production, and distribution of marketable products or services using creativity as primary input"." Their classification of creative industries is divided into four broad categories: cultural heritage; arts; media and functional creations. (Graph 1)



Graph 1 Classification of creative industries

Source: UNCTAD

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According to the Interim Report written by Propris et al. (2009), the diversity of definitions of creativity and related concepts demonstrates the complex multi-disciplinary nature of these constructs (UN, 2004; Garhnam, 2005; Hartley, 2005; Wiesand and Söndermann, 2005; KEA, 2006, 2009; UNESCO, 2006; EC, 2007; Galloway and Dunlop, 2007; O'Connor, 2008; UNCTAD, 2008). As UNCTAD (2008) points out: "There is no unique definition of the 'creative economy'. This is a subjective concept that is still being shaped."

For the purpose of this article, we will define the concept of creative industries according to the United Nations Educational, Scientific and Cultural Organisation (UNESCO) "creative industries encompasses a broader range of activities which include the cultural industries plus all cultural or artistic production, whether live or produced as an individual unit. The creative industries are those in which the product or service contains a substantial element of artistic or creative endeavour and include activities such as architecture and advertising. In this article we discussed about architecture as one of the creative industry. Cultural industries generally include printing, publishing and multimedia, audiovisual, phonographic and cinematographic productions as well as crafts and design.

Creative workers find their use in so-called cultural and creative industries as we mentioned above. The position of human capital in society is confirmed by a lot of literature and researchers as we can see on the next part.

In view of Kern and Runge (2009) the learning and education are important indicators concerning the levels of human capital in any given society (OECD, 2001, Barro, 2001; in Kern and Runge). There are also arguments opposing this positive influence of education and training on creativity. Claxton (2008) highlights that traditional teaching is mainly built on dispositions of analytical thinking and tends to neglect other qualities of mind, such as imagination, intuition and intrinsic curiosity. (Kern and Runge, 2009) On the other hand, Lucas (1988) identified the role of human capital externalities in economic development and also highlighted the clustering effect of human capital in great cities. Florida (2002 and 2005) associates human capital with talent and highlights that the economic geography of talent is highly concentrated. Thus, human capital externalities contribute to explain the concentration of activities in concrete points of the space and can explain creative clustering.

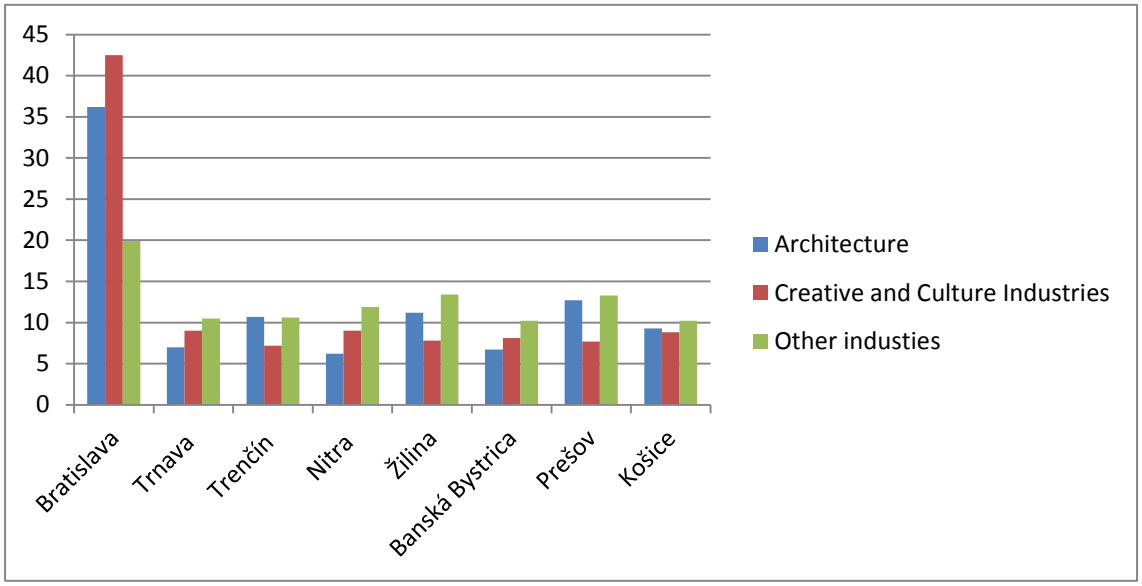
2 Methodology

The aim of this paper is to further analyse the environment in which a person as a holder of human capital learns, moves and forms, its requirements for space and the possibilities of stimulating the creativity. To achieve the aim of this research we used the qualitative research method. Our decision was driven by the fact that respondents will be willing to answer the questions.

The present study of architecture sector in Kosice is based on interviews 'questionnaires in order to assess the architectures' environment, quality and opportunity for the development of human capital. There were semi-structured interviews used providing the opportunity to receive a deeper and broader interpretation of respondents' answers. The research results cannot be summarized as

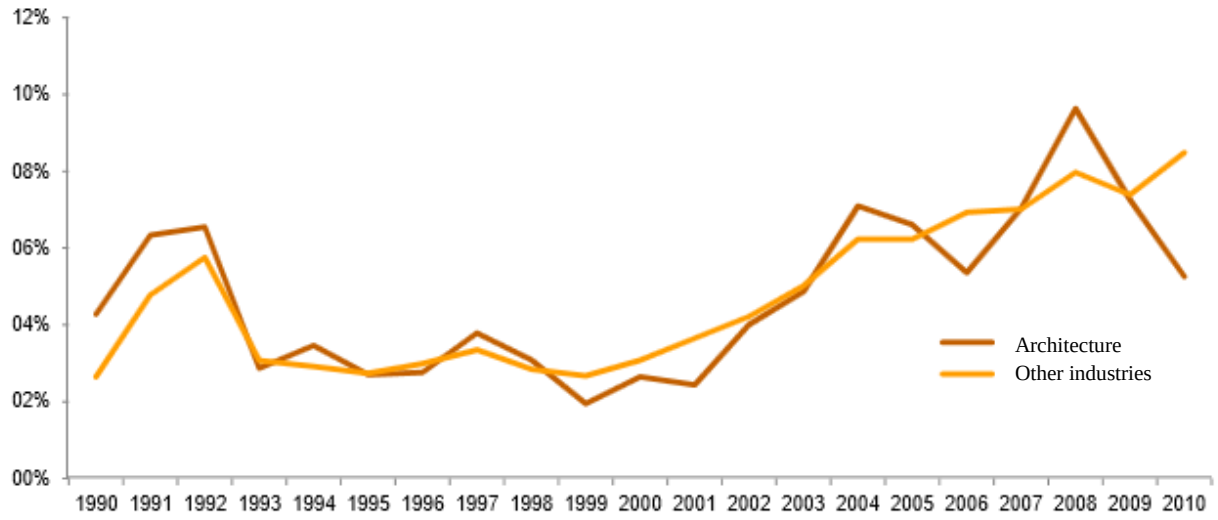
the consensus of all architects, since the selected study sample is made by using a convenience sampling method. The interviews were conducted within three months, from January 2014 till March 2014. The interviews were initiated by the e-mail and / or telephone communication and agreeing on mutually suitable meeting time and location. We have used semi-structured interviews with ready-skeleton of the interview framework issues that researchers adapt to the situation during the interview. At the beginning of the interview, the researchers followed the so-called oral history (Rochovská et al., 2007), at which the respondent got the space for the termination of their personal experience and experience with the setting up and developing their companies in the creative industries. The other parts of the interview were focused on issues relating to the educational system and also conditions fostering the development of creativity in this kind of work.

In the Slovak Republic, in the architecture business there are 1847 companies in total, which means 9.2% companies in the cultural and creative industries. Architects are mostly concentrated in Bratislava region (36,2%), whilst the concentration of this industry is around 9,3% in Košice region. (Graph 2)



Graph 2 Regional location of companies in Slovakia (in %)
Source: Balogh et al. (2014)

The development of this industry was more significant at the beginning of 90s in comparison with other creative industries. Entry barriers into the industry have been very low and the market of building construction has been relatively large. After the year 2004, the development of architecture was uneven and there was a strong decline of the dynamics in the last two years. (Graph 3)

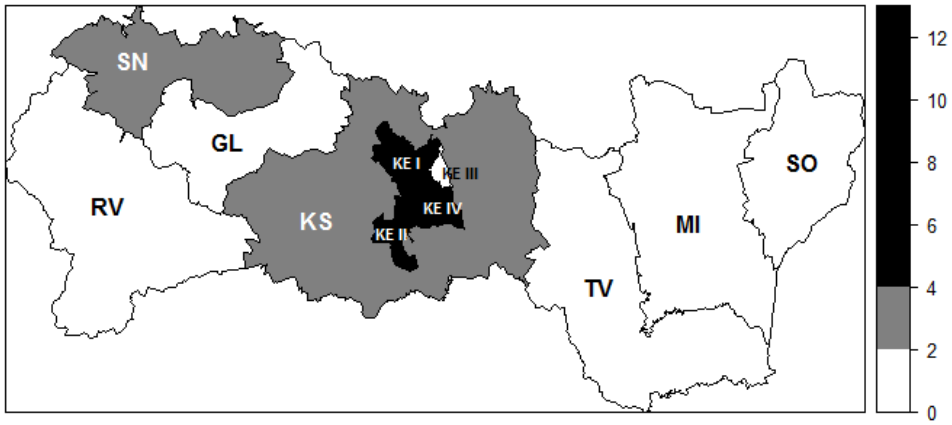


Graph 3 Dynamics of companies´ establishment in Slovak Republic
Source: Balogh et al. (2014)

The creative industries are as likely to cluster geographically as any other industry (Lazaretti et al, 2008). De Propris (2005) defines a creative cluster as a place that brings together: a) a community of 'creative people' (Florida, 2002) who share an interest in novelty but not necessarily in the same subject; b) a catalysing place where people, relationships, ideas and talents can spark each other; c) an environment that offers diversity, stimuli and freedom of expression; and finally d) a thick, open and ever changing network of inter-personal exchanges that nurture individuals' uniqueness and identity.

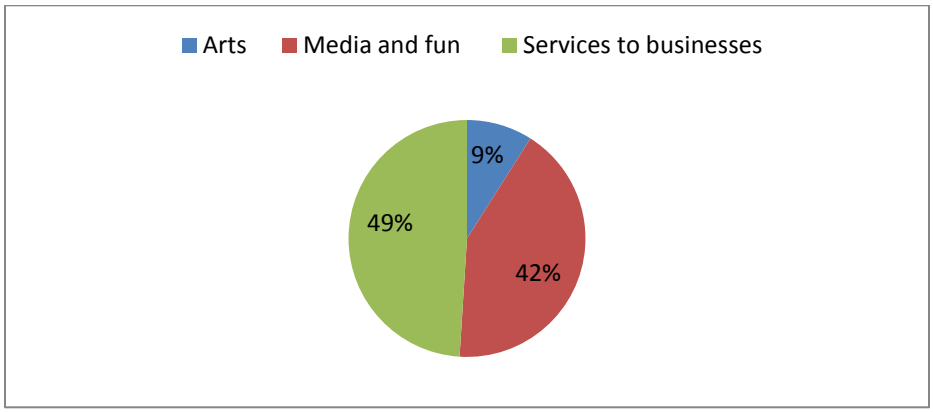
Balogh et al. (2014) analysed the situation of creative and culture industries in Slovakia. Their research was conducted on the basis of 12 936 firms' legal persons of the 39 industries, which have been grouped into 11 categories. Also, in the case of the Slovak republic confirmed that the cultural and creative industries are concentrated more pronounced as the company in general. More than half of the companies are showing signs of clustering. By this research, Bratislava is the capital city for the companies of creative and culture industries. It is the city with the highest rate of clustering of all categories. Košice is on the second position of clustering creative companies.

As the picture below shows, the dominant districts are clearly identifiable by the black colour in Košice region: Košice I (8,07%), Košice II (10,40%) and Košice IV (12,34%). All three districts achieved a higher share of employment in the CCIs than the region itself (5.97%). Based on the statistical data from 2010, only one significant creative centre of the city of Košice can be identified in the Košice region, specifically the three above named districts. This is mainly due to the industries like *software, video and computer games; crafts; architecture* and *art and antiques.* (Blahovec, Hudec, 2012) (Map 1)



Map 1 The employment in CCIs in Košice region in 2010
Source: Blahovec, Hudec (2012)

According to the statistical classification of economic activities NACE Rev. 2[1], there are 2219 companies located that belong to the creative industries in Košice region. The classification consists of 26 creative activities which are divided into three parts: arts[2], services to business[3] and media and fun[4]. (Graph 4)



Graph 4 Creative industries in Košice region
Source: created by authors based on Elis database

3.1 Results and disscusion

In this section we present the data and methods which were used. Data collection was carried out through primary research. The qualitative research was realised in Košice region on the sample size 20 architects. Ten of them were well-known Košice architects with more than 10 years of experiences in this area (four architects have more than 20 years of experience). There were 20 architects contacted, while 10 of them refused to participate in the survey. The main reason for refusal was the fact, that interviews are time-consuming. The interview was set out in the sequential order. The first group of questions aimed at finding out whether respondents had their

[1] This classification is used by author Blahovec and Hudec (2012) in the study of Employment Analysis in the Creative Industries in Slovakia: Spatial and Temporal Evolution in the Years 2001-2010.
[2] Arts consist of audio recordings, scenic arts, artistic creation, the operation of cultural facilities etc.
[3] Consist of architecture, advertising, specialized design activities
[4] Companies: broadcast television, publishing of computer, games, photographic activities, film etc.

own business or not. The research result showed that six architects had their own business; the remaining four work in the company with more co-workers. Around 90% of respondents have achieved the master university degree specialized on architecture.

The second group of questions focused on the education as a tool for development of creative work. As it is mentioned in the introduction of this paper, learning and education are important factors in society and they also influence creativity. According to the research (Claxton, 2008) the education in traditional teaching has negative influence on creativity of humans. That was the reason why we asked questions about quality of education to our respondents.

Most of the architects graduated at the university, degree program in the branch Architecture or its extended form Architecture and Urbanism. Answering to the question about the quality of the education, the majority expressed their satisfaction with the quality of teachers with practical experience. The study programmes were designed to provide a real view on their work and they also provided a lot of good literature. More than 60% of respondents reported that their creativity was supported during the study by their teachers.

The other question was focused on the further form of education after the graduation. The most of the respondents (70%) are using the internet as a tool for dissemination of knowledge and 30% of respondents have preferred new literature and publications. They do not participate in the training, conferences or other formal education. There was very interesting expression of the architect2: "*Trainings are providing in a high quality, however, I have preferred the system of professional associations, where we share our experiences with other architects. We have more than obligations, we have rights. It is a period of individualism.".*

The respondents defined the problems during the interviews in the field of education, resulting from their experience and / or experience with current students of the architecture study programme. Firstly, it is the lack of experience of current students and also quality of the mandatory practice has decreased. The second problem is focused on the entrepreneurship skills. More than 50% of respondents would like to see more economic subjects during their studies, focused on entrepreneurial skills associated with the process of marketing and management, accounting etc.

The third group of questions was designed to identify conditions that may affect the creative activity of architects. We had prepared the main localisation and institutional factors by the previous researches relating to the location of the theories (Maier a Tödtling, 1997, in Burger a Malatinský, 2007; Hudec, 2007). The table 1 shows the main factors detected by the respondents.

Tab. 1 Localisation and Institutional Factors detected by Architects in Košice region

Area	Factor
Market Factor	• Competition in the industry – very high • Availability of suppliers – sufficient • Institutional support – very high • Political situation – insufficient • Corruption – very high • Open Market

Cost Factor	• Cost of the training – very high • Cost of the resources – very high • Price competition
Human Capital	• Labour Shortage • Very low quality of craftsmen • Good quality of study programme
Socio-cultural Factor	• Cultural activities – sufficient • Personal activities • Conservatism of investors
Environmental Factor	• Geographical diversity – sufficient • Image of the city

Source: created by authors

The primary aim was to determine political conditions. By the words of respondents, the political conditions in Košice region are insufficient. The most common problem is the high rate of corruption. It is visible in every area of their work, from the acquisition of orders to the use of materials and suppliers. The other type of localisation factors are environmental conditions. More than half of respondents (8 from 10) indicated the geographical diversity as a strength in their creative works. All of the respondents expressed their positive opinion on the number of suppliers. On the other hand, 50% of them saw the problem in the weak specialization of the suppliers and the absence of craftsmen with experience. This problem is highlighted by A6: "We lack in particular the craftsmen. At present time, they learn their craft up on construction, which exhibits a rather poor quality. Also, the cooperation with them is limited.".

The high competition in this industry was confirmed by all respondents. For two respondents, the competition has a positive impact on their work. But for the other respondent, it was referred to as the disgust of the unfair competitive fight. Competition is based mainly on the price rivalry. The open market of the country had a major impact on the technological conditions used in the architecture too. All respondents were of the same opinion, that there are great possibilities in import of material and technology; however, more financial resources are needed.

3 Conclusion

The role of the human capital as one of the metrics of the creativity index has been the subject of growing interest and growing debates between the scientists, economics and other interested groups.

With regard to the qualitative research and analyzing of the secondary data, several conclusions can be drawn. Firstly, according to the results of this analyzing, we should apply the several conclusions from national level to the regional (Balogh et al., 2014): a significant presence of small businesses and self-employed in this industry and great diversity of market segments and a high degree of risk of the sector. Also, we can confirm the results of other research (Maier a Tödtling, 1997, in Burger a Malatinský, 2007; Hudec, 2007), that there are minimum five main localization and institutional factors / areas, which influence the creative work of architects, such as environmental factors, market factors, socio-cultural factors, educational factors etc.

Secondly, the education plays the important role in a life of creative work. However, during the interview respondents had identified two problems according the education on universities. The first problem is the different level and quality of education at school / university. By their words, the quality of education is decreasing. It could be caused by the decreasing cooperation between schools and practical fields or by the lower length of the practice.

We can recommend the following statement based on our research: to encourage the development of learning culture where networks and partnerships between educational institutions and related bodies are forged with the corporate sector, support the professional development of teachers as mediators of creativity and innovation.

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