

## Measuring Romania's Creative Economy

Ana Bobircă<sup>1</sup>, Alina Drăghici<sup>2+</sup>

<sup>1</sup> Bucharest Academy of Economic Studies

<sup>2</sup> Bucharest Academy of Economic Studies

**Abstract.** The objective of this paper is assessing the creative industries' positioning in Romania, considering the other EU member states. We have extended the methodology proposed by Florida and Tinagli (2004) for computing the Euro-Creativity Index, by adding new indexes we consider more relevant for highlighting the economic and socio-cultural parameters of the European creative sector and by the dynamic analysis, over 2001-2007 period.

**Keywords:** creative industries, creative economy, talent, technology, tolerance, creativity index.

### 1. Introduction

It became apparent nowadays that Europe's position in the world is increasingly determined by its capacity to innovate, both socially and economically. The role of creativity in this perspective was so far largely overlooked, with the mainstreaming of creativity in policies to foster innovation and with the move towards measuring the socio-economic performance of the sector growing to be a recent concern.

According to recent research undertaken by the European Commission (2009), the creative sector is a growing one, developing at a higher pace than the rest of the economy. Also, the sector growth in terms of jobs out-performs the rest of the economy. Furthermore, it drives many other sectors of the European economy, and in particular innovation and ICT sectors.

Our research is based upon constructing a creativity composite index designed to capture the growing role of creativity in driving economic and social development for the 27 European Union countries, including Romania. In the following sections, we highlight the methodology used to construct creativity indexes, as well as the main results obtained. We also provide an interpretation of our findings and conclude by emphasizing on the potential of creativity to promote and sustain competitiveness.

### 2. Methodology and Data

Our research proposes a new approach for the measurement of EU-27 creative potential and for determining its capacity to attract and develop creative human capital. We apply a modified version of the 3T model developed by Richard Florida and Irene Tinagli (2004) for constructing a Euro-Creativity Index.

Our work extends and adapts to the current European and Romanian context the conceptual framework and indicators introduced by Richard Florida and further adapted by Florida and Tinagli (2004), as well as other works such as Europe in the Creative Age (KEA European Affairs, 2009) and Global Creativity Index (*A Study on Creativity Index*, 2005). It is based on the 3T model of economic development – talent, technology and tolerance – used to analyze and compare 27 European countries.

A European and Romanian Creativity Index are developed, by adding new relevant indicators to the existing framework, as well as by a dynamic approach to the study of creative sector development for the 2001-2007 period.

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<sup>+</sup> Corresponding author. Tel.: + 40.021.319.19.01 (267); fax: +40.021.319.18.99  
E-mail address: alina.draghici@gmail.com

Our index is based on a wider set of indicators and sub-indicators than those used in previous studies, representing more specific and appropriate tools for capturing the creative vitality of countries in Europe.

The present research represents the first attempt to apply the 3T framework at the EU-27 European level and in a dynamic manner, covering a large period of time.

Our proposed European-Creativity Index has a three-dimensional structure, as follows:

- the Talent Index, based on three indicators: the creative class index, the human capital index and the scientific talent index;
- the Technology Index, composed of three indicators: the innovation index, the technology innovation index and the research&development index;
- the Tolerance Index, based on three dimensions: the tourism openness index, the students index and the creative talent index.

For the purpose of the study, we are calculating nine component sub-indexes, which represent the annual composite indexes mentioned above; annual aggregated creativity indexes, which represent the annual European Creativity Indexes; a global aggregated creativity index, which is the European Creativity Index corresponding to the entire period of time analyzed; trend indexes, both at composite index level and at aggregated level (i.e. the European Creativity Trend Index and the Global European Creativity Trend Index), as well as the Creativity Matrix.

The talent measures include:

- the Creative Class Index, which measures the number of people employed in creative occupations as percentage of total employment. The data used is drawn from the International Labor Organization statistics for the 27 European countries. A similar procedure was used by Florida&Tinagli, as well as by the European Commission for approximating statistics for the cultural and creative sector;
- the Human Capital Index represents the percentage of population age 25-64 with a bachelor's degree or above and is based on EUROSTAT data;
- the Scientific Talent Index is calculated as the number of researchers per thousand workers and is based on data collected from EUROSTAT. The data is referring to people employed in research-related activities by sector, expressed in full time equivalents.

The European Talent Index is a composite index that combines these 3 sub-indexes. It is calculated based on a system of scores, the country with the highest values being assigned the highest score (which is 27). For the other countries, a distance indicator is calculated, reflecting their relative difference in values of the sub-indexes from the top.

The technology measures include:

- the Innovation Index, calculated as the number of patent applications to the EPO per million inhabitants and is based on data from EUROSTAT.
- the Technology Innovation Index, calculated as the number of high-tech patent applications to the EPO per million inhabitants and is also based on EUROSTAT data.
- the R&D Index, which represents the R&D expenditure as percentage of GDP and is drawn from the EUROSTAT data.

The European Technology Index combines the three measures illustrated above. It is based on a scale from 0 to 27 and is calculated in a similar manner with the European Talent Index.

The tolerance measures include:

- the Tourism Openness Index, calculated as the number of international tourist arrivals as percentage of total population. The choice of this indicator has been determined by the need to illustrate the tolerance to foreigners, as well as the degree of exposure to social and cultural diversity. The data is collected from UNCTAD.

- the Students Index, which represents the number of students studying abroad and the number of foreign students studying on the domestic market, as percentage of the total number of students. The data for constructing this index is drawn from EUROSTAT.

- the Creative Trade Index, calculated as creative goods and services export as percentage of total exports. This is the indicator used by UNTACD to determine the level of development of the creative sector and it was included in our study in order to emphasize the economic dimension and impact of the creative sector. Data is drawn from UNCTAD statistics.

The European Tolerance Index combines the three measures indicated above. It is also based on a system of scores ranging from 0 to 27.

The annual European Creativity Index is computed as follows: the values corresponding to the nine sub-indexes are ranked, the country with the highest value being ranked the first; the ranks are normalized; the index is calculated as the difference from the maximum value (i.e. 1) of the average of the nine values calculated.

The methodology for calculating the Global European Creativity Index is similar to the one presented above: the aggregated values are obtained as a difference from 1 of the average of each group of three normalized values.

Trend indexes are calculated based on the average annual growth coefficients and following the methodology illustrated above.

The correlation matrix (the Creativity Matrix) is a bidimensional representation of the relationship between the European Creativity Index and the European Creativity Trend Index. It allows for the classification of the countries analyzed in four different categories: *leaders*, which are countries with developed creative economies and with high growth rates in creative potential; *up and comers*, which are countries with lower European Creativity Index scores, but with higher growth rates; *losing ground*, which are countries with relatively high European Creativity Index scores, but cannot sustain the growth of their creative capabilities; and *laggards*, which are countries with low scores for their European Creativity Index and with low rates of creative growth.

### 3. Results and discussion

The values of the Creative Class Index indicate that for some of the European countries the percentage of people employed in creative occupations is constantly over 30% (Sweden, Denmark, the Nederland's, Finland, Germany), demonstrating their orientation towards an occupational structure that favors the development of the creative sector. The involvement of the recent EU member countries like Czech Republic, Slovenia and Slovakia in the development of the creative class is surprising, illustrating their commitment to stimulate creativity and creative talent. The creative class represents only 17% of the working class in Romania, but the growth rhythm is impressive, Romania being on the top position with respect to the growth potential of the creative class.

For the composite European Talent Index, a polarization of the European countries is apparent: some countries constantly register high values (e.g. Finland, Denmark, the Nederland's, France), while others are occupying the last positions for the entire period of time (e.g. Spain, Greece, Cyprus, Portugal).

As for Romania, it sits on the 25th-26th position of the ranking, with low values of the sub-indexes, especially of the Scientific Talent Index (the lowest number of researchers in Europe). Still, Romania ranks the first with respect to its growth rhythm, determined particularly by the trend of the Creative Class and of the Human Talent Indexes.

The results obtained for the European Technology Index indicate that the Nordic countries occupy the first positions. Their orientation towards innovating and developing new technologies is also supported by the amount of expenditure allocated for research and development, illustrated through the respective values of the R&D Index.

Romania sits on the last position, due to the very low number of patent applications, as well as to the extremely low level of R&D expenditure as a percentage of GDP (i.e. 0.45%). With respect to the growth

rhythm, Romania is on the middle of the European countries ranking, having a moderate increase, determined especially by the increase in R&D spending in the period analyzed.

The results obtained for the European Tolerance Index reveal a change in the ranking of the European countries: Slovenia, Luxembourg, Hungary, Estonia occupy the first positions, particularly as a result of the values registered by the Tourism Index and by the Creative Trade Index. The evolution of the European countries performance is more volatile for this index.

Romania ranks better for this index, especially due to its international trade with creative goods and services. Still, its growth rhythm is negative, indicating a deterioration of its international position, both in terms of international tourism, as well as international creative trade.

The results for the European Creativity Index confirm the positioning of the Nordic countries, with Finland as the top performer, followed closely by Sweden, Denmark and the Nederland's. At the other end of the ranking, four nations are laggards: Lithuania, Greece, Bulgaria and Romania.

By analyzing the evolution of the Romanian Creativity Index, we can conclude that the best values of the component indexes registered by Romania are for the Creativity Trade Index, for the Human Capital index and for Students Index.

Regarding the contribution of each component of the European Creativity Index (ECI) to the aggregated value, we noticed that for the developed economies, the value of the ECI is significantly determined by the Talent and Technology Indexes, while for the countries occupying the middle ground, the contribution of the Tolerance index tends to increase. Romania's ECI score, ranking the last for the entire period analyzed, is largely determined by the Tolerance and Talent Indexes.

Concerning the correlation between ECI and economic growth we have found an indirect correlation between the values of the ECI and economic growth: the average values for the 2001-2006 period of time indicate that countries with high values of the creativity index had low rates of economic growth.

The analysis of the trend indexes indicates that Romania is in a much better position, confirming the high growth rates illustrated above for some of the composite indicators. Also, countries that were top performers based on the values of the annual indicators register quite low growth rates.

The contribution of the nine indicators to the Romanian Creativity Trend Index highlights the fact that the impressive growth rate of the number of people employed in creative occupations contributed the most to the aggregated value of the trend index, which ranks Romania on the ninth position among the 27 European countries analyzed. The other indexes that contribute towards increasing the aggregate value of the Romanian Creativity Trend Index are the Human Capital Trend Index and the Innovation Index, illustrating the potential of Romania to engage in a catching up process, and the need for policy initiatives aimed at supporting creative sector development.

Concerning the contribution of each component of the trend index to the aggregated value it is important to emphasize the reverse level of contribution to the aggregated value as compared to the European Creativity Index. Here, we observe an increased contribution of the technology and talent indicators for the highest growth countries, which are mostly the developing ones, as compared to the higher contribution of the tolerance index for the developed countries, representing the laggards of this ranking.

The Creativity Matrix places Romania on the group of countries with low scores of the creativity index, but with high growth rates ("up and coming"), indicating its potential to improve its position among the European countries.

#### **4. Conclusion**

Our research represents the first systematic effort to apply the methodological framework proposed by Florida & Tinagli to all the 27 European Union member countries and for a longer period of time. The results obtained are relevant and illustrative.

The creative class represents on average about 30% of employment in the EU, registering an annual growth rate of 8%, higher in particular for countries with low index values. Romania ranks the first among

the EU-27 countries in terms of the growth of its creative class, being in a very good position to mobilize and harness creative assets.

Our analysis confirms the results of Florida and Tinagli, according to which the epicenter of competitive Europe is transferred from traditional powers like France, Germany, Great Britain to a creative cluster of Northern European countries, namely Finland, Sweden, the Netherlands. Finland tops the aggregate rankings of the creativity index. Sweden, Netherlands and Denmark recorded also high values, suggesting their commitment to a development path centered on harnessing the creative economy potential.

Even if it occupies the last position of the ECI ranking, Romania, along with other European countries like Bulgaria, Latvia, Czech Republic, Lithuania recorded high growth rates of their creative potential.

Attracting creative talent is a highly dynamic and very sensitive process. Traditional leaders of this market can easily lose their position, due to the emergence of new and vibrant creative centers. The European Union, capitalizing on its advantages determined by low levels of cultural and trade barriers, is well positioned to exploit the potential to develop the creative economy.

Consequently, the ability of states to attract, retain and develop creative human capital and to exploit creative capabilities tends to become, to a significant extent, the key to global competitiveness. Thus, our survey confirms that talent and creativity have at a greater extent than traditional inputs such as labor or capital, the capacity to deliver sustainable economic growth and social development.

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