ECONOMIC ASPECTS OF THE CULTURAL SECTOR IN POLAND

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Abstract: The purpose of this article is to present the economic aspects of the cultural and creative industries and the current levels of expenditure from national budget, local authorities and households on culture in Poland. Its first part discusses the relationship between economics and culture, to continue with the economic analysis of the cultural sector and creative industries as well as of the expenditures of the national budget, local authorities and households on culture, followed by a comparison of the situation in Poland with that in other countries. The analysis was developed on the basis of data published by the Ministry of Finance, the Ministry of Culture and National Heritage, data from the 2011 Household Budgets Survey, the Central Statistical Office of Poland, the Eurostat and the Polish report on the economic significance of cultural sector (Lewandowski *et al.*, 2010).

Keywords: economics of culture, cultural sector, creative industries

1 Relationship between culture and economy

Cultural values and ethical standards are the function of the society which determines the traditions and identity of the habits and customs. Man as a social being functions within a system of multiple social ties. A society is a community of social beings, rooted in the common cultural values and ethical standards supported by the society's economic, cultural, educational and political institutions that promote integration of its constituent groups and communities. The quality of social life is determined by a hierarchy of cultural and ethical values (Szołtysek, 2009).

The concept of 'culture' requires a clarification. Culture is a word that we use in different ways. Sometimes, it denotes a general sense of community: shared eating habits, shared religion, shared priorities and values. However, it can also denominate a signal of the underlying activity – something that carries a message about the world we live in and the life we lead. It is just what the artists express in their novels, sculptures and works of music. According to this interpretation, culture teaches us something or allows some experience (Hutter, 2011).

The 2004-2013 National Strategy for the Development of Culture emphasizes that beyond the intangible, social benefit, the investments made in the area of culture also have their purely economic dimension. It is recognized that – with proper management – every dollar invested in the sphere of culture offers its multiple in the annual return. The amount of investment in a cultural project, in addition to social and educational advancement of culture participants, also gets multiplied in the supporting environment of cultural industries, providing employment to many people and contributing to the gross domestic product. Investment in the social infrastructure development in the area of culture can, like any other public expenditure, function as a development multiplier.

Reliable data and information on the facts and trends in cultural policies as well as on the available public funds and methods of direct / indirect financing of the cultural sector are needed especially now, in the times of economic crisis. Lack of funds is almost universally invoked as an explanation of the stagnation or decline in cultural sector financing and in financing all types of cultural activities: protection of cultural heritage (a good example is the partial collapse of Pompeii in Italy), patronage in the area of music and visual arts, the operation of ministries of culture and important cultural institutions (as evidenced by liquidation of the UK Film Commission) or small voluntary cultural associations and organizations that are fighting for survival (Bodo, 2011).

The *Needs analysis and the development of creative industries* report prepared for the Ministry of Economy concludes that there is a need to broaden the scope of economic analyses of the cultural sector to include the creative industries. The Conference of German Ministers of Economic Affairs has identified the creative industries as follows: the creative industries are broadly construed to include the creative businesses that are market-oriented and deal with the creation, distribution and/or dissemination of creative goods and services through the media. Results obtained in one of the first studies that have been conducted in Poland to identify the differences between both sectors (i.e. culture and creative industries) in terms of their economic performance and individual industries' shares are presented below.

2 Cultural sector

The presented report on the cultural and creative industry, *Economic Significance of the Cultural Sector*, was developed by Instytut Badań Strukturalnych [*Institute for Structural Research*]. The main objective of the study was to identify the economic significance of the cultural sector in Poland. The report was prepared on the basis of data available for the year 2008. In order to evaluate the contribution of the cultural and creative industries to the national economy, the analysis focused on identifying the contribution of their product (value added) to the total value added generated by the economy, or the Gross Domestic Product. For both categories, their share in total employment was calculated.

Table 1. Value added and employment

Value added generated by the cultural sector and creative industries, 2008 [€M]	
Creative industries:	6,721
of which cultural sector:	4,299
Employment in the cultural sector and creative industries in 2008 [persons]	
Creative industries:	375,858
of which cultural sector:	260,616

Source: Lewandowski, P., Mućk, J., Skrok, Ł. *Znaczenie gospodarcze sektora kultury* [*Economic Significance of the Cultural Sector*]. Warsaw: Instytut Badań Strukturalnych, 2010.

The process of culture shifting from non-profit to market orientation gives rise to the need of viewing the traditional cultural sector as a component of the wider area of creative industries. Thus the product generated by the cultural sector during that period amounted to about 4.29 billion euro, while the total product of creative industries was about 54% higher and exceeded 6.72 billion euro. In 2008 over 260,000 people were employed in the cultural sector, whereas the figure for creative industries was higher by 44% and stood at nearly 375,000. The above figures translate into the 2008 contribution to Polish GDP at the levels of 1.6% for the culture sector and 2.5% for the creative industries [Lewandowski *et al.*, 2010].

Table 2. Structure of value added and employment in the Polish cultural sector by industry, 2008 [%]

Industry	Value added	Employment
Publishing	28.7	17.5
Broadcasting	22.1	6.8
Libraries, museums and monuments of history	20.2	22.4
Cable TV services	8.9	2.2
Creation, distribution and showing of films, video and TV programmes	5.8	4.7
Sales of newspapers, books, music and video recordings	4.5	13.9
Literary and artistic creativity, art institutions' activities	3.9	24.1
Antiquities trade	3.4	7.1

Sound and music recordings	2.4	1.3
Reproduction of recorded media	0.1	0.1

Source: Lewandowski, P., Mućk, J., Skrok, Ł. *Znaczenie gospodarcze sektora kultury* [*Economic Significance of the Cultural Sector*]. Warsaw: Instytut Badań Strukturalnych, 2010.

In the cultural sector, the largest value added (over 1.22 billion euro) was generated by the publishing companies. However, the structure of employment was predominated by industries related to the artistic and literary creation and the activities of cultural institutions such as libraries, museums, theatres and art galleries. The analysis of the value added structure suggests a high degree of concentration of the product generation. Nearly 75% of the cultural sector's product was generated by publishing, broadcasting and libraries, museums and monuments of history. The first two industries contributed more than a half of the 2008 total added value of the cultural sector The other industries together generated the equivalent of the value added produced by publishing. About 47% of the sector's total workforce are employed in the industries related to artistic and cultural activity, another 17.5% in publishing and as much as 14% in the sale of newspapers, books, music and video recordings [Lewandowski *et al.*, 2010].

3. Creative industries

Extension of the analysis scope to cover the creative industries, and not only the cultural sector, produces a share increase – in the overall value added by more than a half, and in the total employment by more than 40%.

Value added is an economic variable describing the size of product generated by an enterprise, industry or economy, less the cost of materials consumed.

The value added of the cultural and creative industries is their sum.

$$VA = \sum_{i=1}^{s} VA_i$$

where:

VA is the value added produced by the cultural sector and creative industries,

VA_i is the value added generated by the i-th industry, and

S is the number of industries covered by the substantive scope of the analysis (higher for the creative industries than for culture).

Employment is an economic variable representing the number of people employed within an enterprise, industry or economy. Due to the insufficient amount of data, it is impossible to adjust employment by time factor.

Employment in the cultural sector and creative industries is defined as the sum of respective employment figures for the industries covered by the adopted definition of these industries.

$$E = \sum_{i=1}^{s} E_i$$

where:

E is the number of people employed in the cultural sector and creative industries, and

E_i is the number of people employed in the i-th industry.

Table 3. Structure of value added and employment in the Polish creative industries by industry, 2008 [%]

Industry	Value added	Employment
Advertising	18.5	14.6
Publishing	18.3	12.1
Broadcasting	14.1	4.7
Libraries, museums and monuments of history	12.9	15.5
Architectural services	7.3	7.0
Cable television service	5.7	1.5
Software publishing	4.2	2.9
Creation, distribution and showing of films, video and TV programmes	3.7	3.3
Sales of newspapers, books, music and video recordings	2.9	9.6
Literary and artistic creativity, art institutions' activities	2.5	16.7
Antiquities trade	2.2	4.9
News agencies	2.0	1.2
Specialized design / other design services	1.9	2.2
Sound and music recordings	1.6	0.9
Organisation of trade fairs, exhibitions and congresses	1.2	1.2
Production of toys	0.6	0.9
Professional photography services	0.4	0.7
Reproduction of recorded media	0.1	0.1

Source: Lewandowski, P., Mućk, J., Skrok, Ł. *Znaczenie gospodarcze sektora kultury* [*Economic Significance of the Cultural Sector*]. Warsaw: Instytut Badań Strukturalnych, 2010.

The largest input to generating value-added is provided by advertising, which accounts for almost 20% of creative industries product and 15% of their employment. When summed with the two largest industries of cultural sector – publishing and broadcasting – these three largest industries produced over 50% of the value added of creative industries. A significant contribution is also brought in by software publishing, cable television services and architectural services, which together account for about 17% of the value added of creative industries, or about 0.4% of total GDP.

To sum up, the largest creative industries in Poland in terms of product were advertising and publishing. This means that both the advertising industry, strongly related to the development of market economy and providing B2B services, and the publishing industry that to a large extent uses foreign creativity were far more significant for the national economy than the other industries (especially those assigned strictly to the cultural sector) that often deliver non-marketable goods. Conversely, the latter occupied the dominant position in the structure of employment. This suggests the importance of public provision of culture in Poland, especially where low productivity is typical. It is worth noticing here that the above-average productivity occurs in the relatively capital-intensive industries like broadcasting, cable television services and recording. The labour-intensive sectors, e.g. sales of cultural goods, trade, libraries, museums and monuments of history, but also literary or artistic creativity, show low levels of value added per employee. If, however, as a result of public choice it is deemed desirable for the goods and services produced by these industries to be delivered (e.g. for the sake of public benefit), then there is a need for governmental intervention to finance the operation of these industries in full or at least in part (Lewandowski *et al.*, 2010).

4. Household spending on culture

The analysis of expenditures of the national budget, local authorities and households on culture presented here was made on the basis of data published by the Ministry of Finance, the Ministry of Culture and National Heritage as well as data from the 2011 Household Budgets Surveys conducted by the Central Statistical Office of Poland.

In 2011, the average annual spending on cultural goods and services in Poland amounted to €98.96 per person. The share of spending on culture in the total household expenditure was 3.3%.

In 2011, the largest items of households' expenditure on culture were the cable TV fees – €33.89 per person on average (34.3% of total spending on culture). Expenses on radio and television subscription amounted to €7.99 (8.1%), while on the purchase of TV sets - €8.98 (9.1%). Purchase of newspapers and magazines households entailed the expense of €9.22 per person (9.3% of spending on culture), while purchase of books and other publications (excluding textbooks and other educational books and magazines) as well as the theatre, music institutions and cinema tickets cost €4.71 per person (4.8%).

Table 4. Possession of selected household articles of cultural use in different cultural socio-economic groups in Poland, 2011 (pcs per 1000 households)

Households of:	TV set	Personal computer	Camera
Manual workers	1,417	941	743
Office employees	1,373	1,263	990
Farmers	1,489	857	696
Self-employed outside agriculture	1,484	1,335	1,028
Old-age pensioners	1,241	364	398
Disability pensioners	1,165	332	301
Households of:	Satellite or cable TV receiver	DVD player	Radio or radio-cassette player
Manual workers	765	662	602
Office employees	782	661	574
Farmers	597	599	777
Self-employed outside agriculture	856	687	614
Old-age pensioners	597	338	792
Disability pensioners	530	286	727

Source: Central Statistical Office

In 2011, the most popular article of cultural use in households was a TV set, owned by 98.4% of households. The number of households owning personal computers grew from 64.9% in 2010 to 66.7% in 2011, including those with Internet access (from 59.6% to 62.3%). A satellite or cable TV signal receiver was owned by 67.6% households (in 2010 - 64.5%). In 2011, one in six households were equipped with a home theatre system, and one in ten had a video camera.

5. Government's and local authorities' spending on culture

In 2011, the Polish government's expenditures on culture and national heritage protection (including grants and subsidies to local authorities) amounted to 364.32 million euro, while the expenditures of local authorities (including transfers between them) stood at 1,647.46 million euro.

With such transfers between local authorities excluded from calculation, the 2011 total of national and local public expenditure on culture and national heritage protection was 1,970.07 million euro. A majority of public expenditure (82.4%) was made from the budgets of local authorities (83.4% in 2010).

With transfers to local authorities included in the calculation, the government's expenditure on culture and national heritage protection accounted for 0.5% of the total public expenses. This means that public expenditure on culture and national heritage protection amounted to €9.54 per population head.

When we look at the structure of public expenditure on culture and national heritage protection, most (i.e. 991,90 million euro or 25.2%) was allocated to the operation of museums, while protection and conservation of monuments of history and other activities for the protection of historic sites cost 56.41 million euro (15.5%). Another significant item of public expenditure were the expenses related to the operation of culture and art centers as well as theatres, which accounts for 41 million euro (11.3%) and 38.51 million euro (10.6%) respectively. The functioning of archives got allocated 28.97 million euro (8.0%), libraries – 21.34 million (5.9%), and philharmonic halls, orchestras and choirs – 12.34 million (3.4%).

In 2011, local authorities spent 473.78 million euro on the operation of cultural centers, clubs and community centers (28.8% of all local public spending on culture and national heritage protection) and 287.46 million (17.5%) on libraries. Financing of museums and theatres cost 178.56 million (10.8%) and 171.71 million euro (10.4%) respectively. Local authorities funding of the protection and conservation of monuments of history and other activities for the protection of historic sites amounted to 113.51 million euro (15.5%). They spent 68.34 million euro (4.2%) on art and culture centers, while functioning of philharmonic halls, orchestras and choirs cost them 67.78 million (4.1%). Finally, local authorities allocated 0.32 million euro to the operation of archives.

6. Polish and other countries' expenditure

Polish spending needs to be looked at in the context of other European Union countries. Such a context was provided with data presented by the Eurostat in their publication of *Cultural Statistics*. The analysis covered the most developed countries, with the highest growth rates, where much attention is paid to various aspects of culture: Germany, the United Kingdom, France, Italy and Austria. The selection was broadened by adding two countries who, like Poland, joined the EU only in 2004 and underwent transformation from socialist to market economy in 1989, i.e. the Czech Republic and Slovakia.

Table 5. Number of persons employment in cultural sectors, 2009 ('000s)

Country	Population in 2009		GDP per capita
Germany	82,002,356		29,400
France	64,350,759		29,600
UK	61,179,256		25,300
Italy	60,045,068		25,200
Austria	8,355,260		32,800
Czech Republic	10,467,542		13,100
Slovakia	5,412,254		11,700
Poland	38,135,876		8,100
Country	Total employment	Cultural sectors employment	Cultural sectors employment (% of total)
Germany	38,797	847.2	2.2
France	25,704	437.3	1.7
UK	28,923	597.1	2.1
Italy	23,025	246.7	1.1
Austria	4,078	64.1	1.6
Czech	4,934	63.1	2.3

Republic			
Slovakia	2,366	26.1	1.1
Poland	15,868	222.0	1.4

Source: Eurostat

In comparison with the EU countries selected for the study, Poland has the lowest GDP per capita. Employment in the cultural sector is largest in Germany, the UK and France, and smallest in Slovakia. In Poland a relatively large number of people are employed in the cultural sector, but in relation to total employment and population this sector's rate of employment is higher in the Czech Republic.

The level of education is usually considered one of the factors determining participation in culture. Therefore the study also covered an analysis of the selected countries' populations in terms of education (Table 6).

Countries with the largest 25-39 years-old population with tertiary education are France, the UK and Poland. Conversely, this group is smallest in the Czech Republic, Italy and Slovakia.

Table 6. Educational attainment of population by age group, 2009 (%)

Country	25 – 39 y.o.		
	low	medium	high
Germany	13.9	59.5	26.5
France	17.6	41.4	41.0
UK	19.4	41.4	39.2
Italy	33.0	47.9	19.1
Austria	12.6	66.3	21.1
Czech Republic	5.5	76.2	18.3
Slovakia	5.1	75.9	19.0
Poland	7.0	61.1	31.9
Country	40 – 64 y.o.		
	low	medium	high
Germany	14.8	58.9	26.3
France	36.7	41.8	21.4
UK	29.1	41.0	29.9
Italy	53.5	34.8	11.7
Austria	30.7	39.4	29.9
Czech Republic	10.8	75.6	13.6
Slovakia	12.0	74.6	13.4
Poland	15.4	70.7	13.8

Source: Eurostat

A very large increase in the number of young people with university education is visible in France (an increase of over 20%) and Poland (ca. 18%). Austria is the only country that recorded a decrease of over 8% in the number of people with higher education among the younger generation; in Germany the situation remains practically stable. Other countries record increases of a few percent. The largest population with low education is found in Italy.

Table 7. External trade in cultural goods, 2009 (€M)

Country	Exports	Imports	Balance 2009
Germany	4,279	2,399	1,880
France	2,317	2,044	274
UK	4,489	3,068	1,421
Italy	833	719	115
Austria	548	981	-433
Czech Republic	396	287	109
Slovakia	121	94	27
Poland	499	179	319

Source: Eurostat

An important element in the study of culture economics is the market for cultural goods. The European Union in its reports on the creative industries development emphasizes the importance of such development. The economic performance of a country is affected by the volumes of its imports and exports. Export capacities of individual countries make the basis for identification of the developmental capacity of their cultural and creative industries. The largest export revenues are enjoyed by Germany and the United Kingdom. Only in Austria more cultural goods are imported than exported. On the one hand, it is indicative of individual countries' potential for the production of cultural goods, and on the other, the volume of imports may help identify the level of a country's recognition of the importance of acquiring foreign cultural goods.

Expenditure on education per capita is largest in Austria, the UK and France, and smallest in Poland, Slovakia and the Czech Republic (in this order). Most is spent on recreation and culture per capita in France, Austria and the UK, and the least again in Poland, Slovakia and the Czech Republic. France spends six times and Germany over four times more on recreation and culture than Poland, with their respective populations just twice (Germany) and over one and a half times (France) larger (Table 8).

Table 8. Total general government expenditure on recreation, culture and education by country, 2010 (€M)

Country	Population	Education	Recreation and culture
Germany	82,002,356	106,320	20,830
France	64,350,759	115,834	28,743
UK	61,179,256	118,663	18,903
Italy	60,045,068	69,321	12,703
Austria	8,355,260	16,306	2,953
Czech Republic	10,467,542	7,209	2,049
Slovakia	5,412,254	2,944	788
Poland	38,135,876	20,026	4,758

Source: Eurostat

7. Conclusions

In the times of economic crisis, it becomes essential to refine the methods of measuring the economic significance of cultural goods and services. The social impact of culture has been emphasized for many years. The need to protect the cultural heritage and to offer public support to the promotion of culture has been recognized, especially in the areas requiring a financial input from the government. It becomes important to carry out a detailed identification of the industries whose existence depends on public support, the more so that they usually belong to the so-called high culture, where the audience have sophisticated tastes and are relatively small in number (it is often emphasized that the high culture is consumed by the social and intellectual elite). Frequently these industries (opera, philharmonic, theatre, museums, etc.) require a huge financial support from the government, as shown in the chapter on the governmental and local authorities' spending on culture. In 2011, these expenses constituted 0.5% of the total public expenditure. Increasingly, however, there is emphasis on the need to identify the creative industries or the cultural industries which do not require aid and whose operations generate large profits. The economic analysis results presented here indicate that their economic performance (in terms of value added and employment rate) significantly affect the rate of economic growth of a country.

At the time of a dynamic growth in reaching the audiences by means of state-of-the-art technologies, cultural statistics can no longer be handled in the traditional way. On the contrary, the methods of cultural statistics must be continuously improved. The EU-27 countries largely differ in their methods of processing and classification of statistical data on culture in its broad sense, which causes some incomparability of the statistics supplied by the Member states. Enhancing the quality of data would require harmonization of the statistical methods applied by the member countries.

Poland made an attempt to demonstrate the differences between the economic performance and employment in the cultural sector both alone and expanded by additional sectors to form the creative industry. The differences are large indeed, even if the authors point out that their results are not complete as despite the wide scope of study, we could not get all the information about specific industries.

The Central Statistical Office of Poland carries out annual surveys on households' spending on culture, which allows tracing changes in the significance of spending on culture in relation to other expenses. The comparisons are not optimistic. Data show that in 2010 urban dwellers spent €6.94 per person per month to buy books and other publications and another €6.76 on tickets for theatres, cinemas and music institutions, while the respective spending of rural areas' residents on the same articles used cultural amounted to €1.73 and €1.81. Households spend more than twice as much on alcoholic beverages, tobacco products and drugs as on education. Monthly household spending on alcoholic beverages, tobacco products and drugs averaged €6.57 (€5.39 in rural areas), while the spending on education averaged €3.11 (€1.73 in rural areas).

However, as shown in Table 4, TV sets are owned by as many as 98.4% of households, and many households own more than one. The number of home computers keeps increasing year over year (62.3% of households in 2011). The smallest number of computers can be found in the households of old-age and disability pensioners but this is also a function of age - older people are less likely to use computers, and some have never used one. The largest cultural expense of households is the subscription fee for cable television services, i.e. a mass culture service.

Looking at Poland in the European context, it lags behind the eight EU countries selected for comparison in virtually every respect, except in the size of well-educated population of the 25-39 age group. Poland has the lowest GDP and it spends the least on education, recreation and culture. However, the growing rank of Poland is noticeable as regards the development of creative industries. The reports prepared in Poland and the economic policies pursued in Poland during recent years has focused on facilitating the development of creative industries, which could bring an improvement in both the statistics and the standard of living of the Polish population. Yet, the translation of concepts into the actual implementation is not going to be easy and smooth.

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