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Creative industries  
for youth:  
**unleashing potential  
and growth**



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION  
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This document has been prepared under the overall guidance of Aurelia Calabrò and Inez Wijngaarde, Rural Entrepreneurship and Human Security Unit, Agri-Business Development Branch, as the UNIDO focal point working on the development of Creative Industries. Dr. Keith Nurse, Faculty Member at the University of the West Indies, based at the Barbados Campus, and Dr. Zhen Ye of the University of Chicago Booth, School of Business Programme, are the two main authors of this paper. In addition, expertise and comments were provided by the other panellists, namely Arch. Giulio Vinaccia, Dr. Gertraud Leimüller and Dr. Lemlem Sissay, who all closely worked with the UNIDO Team at the Alpbach Political Symposium 2012.

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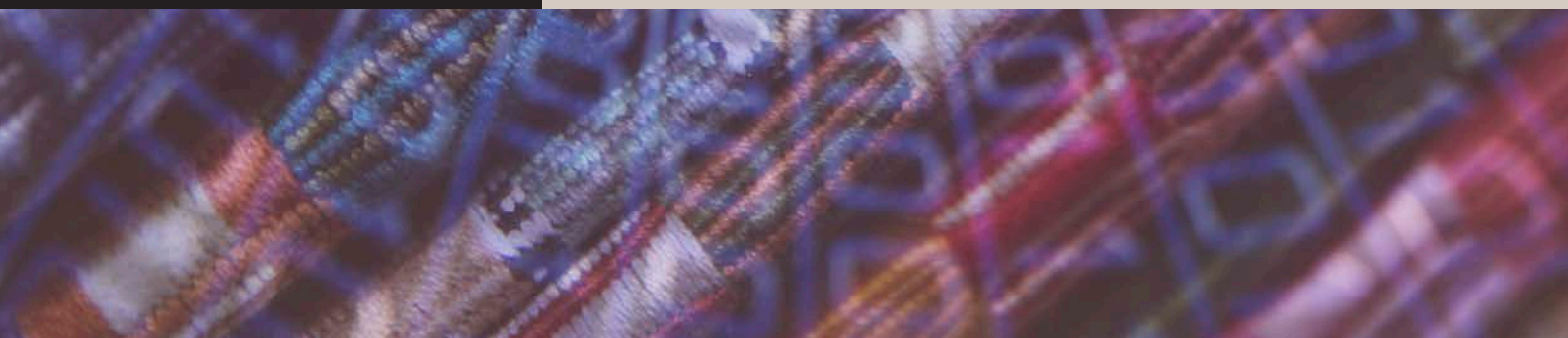
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## ■ BACKGROUND

CREATIVITY is the untapped and innate human resource, whose potential economies have yet to harness. It can contribute to prosperity, to cultural exchange and social justice. Creativity is the inspirational energy and knowledge that spurs many individuals, including young men and women, to undertake new industrial ventures with a vision of the future transformation of their societies.

While no nation inhabited by people can be short of creativity, innovation tends to emerge where the value of creativity is favourably perceived, with a high degree of freedom to set one's own agenda, where creative talents are better organized through business and supported by institutions, and where competition encourages and, most importantly, rewards creativity and entrepreneurship. The institutionalization of creativity explains why certain societies are able to productively organize creativity to solve their most pressing problems and achieve progress, while others lag behind in spite of abundant creativity and a rich civilization.

Within this context, the United Nations Industrial Development Organization (UNIDO) has, over the years, put forward the following question: can a development model that does not take into account a culture that has existed for hundreds or thousands of years be applied sustainably to any industrial sector? In what ways have current development models overlooked the role of culture and civilization, which long predate the dominant development paradigm of our times? What are the best ways to combine culture and civilization with creativity and innovation? How can the creativity of global youth be transformed into culture-based innovation, and how can such synergy be translated into development outcomes and entrepreneurship?

The technical assistance programme of UNIDO for creative industries recognizes the integral role of culture in industrial development and the importance of combining culture with innovation and opportunity-driven entrepreneurship. In response to an increasing number of requests from countries such as Bhutan, China, Egypt, Ethiopia, Nicaragua, Pakistan, Peru and the Caribbean island States, UNIDO has been intensifying its assistance to promote the development of cultural assets through creative industries, amid global competition and concerns regarding the harnessing of resources in an environmentally friendly way. Creative industries are considered a key sector for facilitating the operationalization of new perspectives and technologies through sustainable national development strategies. This is being demonstrated in a number of European Union countries, in the United States of America and in emerging economies, such as Brazil, India and China.

The Organization has identified, together with several countries requesting assistance, traditional cultural products and services which require creativity and innovation and which cannot be outsourced, in order to enhance capacities to be used by local or international markets. The skills identified are those which cannot compromise the traditional cultural heritage of a province, region, country or geographical area. The creative industry concept includes several subsectors that offer the potential for wealth and job creation, when accompanied by appropriate policies and strategies. These include industries related to advertising, arts, architecture, crafts, design, film and audiovisual media, as well as the agribusiness sector for textiles, fashion design, leather, furniture, (slow) food and even community-based tourism-related services.



There have been several global forum activities related to creative industries, one of which was a peer review workshop, held in 2010. It served as a first encounter for UNIDO projects related to agribusiness and audiovisual/new media technologies to exchange experiences and to learn and review technical issues related to creative industry projects. This was a learning platform, with participants drawn from project partners who joined as international experts in presenting good creative industry practices in China, Egypt and Pakistan, offering a range of perspectives and outlining various challenges. Specifically, these were drawn from the creative economy sector, areas of academia that are spearheading policy-related research, in close

collaboration with United Nations agencies, European Union initiatives in support of industrial innovation and the Austrian Chamber of Commerce (WKO). Input from innovative young entrepreneurs supported within a booming creative industry sector is currently being sought through the Laureate International Universities Network.

UNIDO is focusing on a dynamic creative industry sector to generate new jobs and empower opportunity-driven women entrepreneurs, youth groups and peripheral communities to transform that sector and industrial landscapes with innovation and to respond to new opportunities, utilizing creativity, rich cultural heritage and diverse knowledge to create competitive goods and services.

## ■ INTRODUCTION

The aim of this paper is to elaborate on the key challenges for youth employment and to identify ways in which the growth of the creative sector can be enhanced by tapping into youth culture and entrepreneurship led by youth. The rise of the creative industries presents

significant opportunities for transforming youthful energy into new ideas, organization and a future vision for societies. The paper outlines some of the critical policy approaches that are required to promote creative entrepreneurship among young people.

## ■ WHY A FOCUS ON YOUTH NOW?

The incidence of unemployment and poverty among youth has risen at an alarming rate with the onset of the global economic crisis. The International Labour Organization's (ILO) latest employment report (2011) revealed that, at the peak of the crisis in 2009, global youth unemployment had increased from 11.8 per cent to 12.7 per cent—an unprecedented increase of 4.5 million unemployed youth worldwide and reversing the pre-crisis trend of declining youth unemployment rates since 2002.<sup>1</sup> These trends have resulted in a reversal of fortunes for youth in the advanced economies (Europe, North America and Japan) and in many emerging countries, especially in Latin America and the Caribbean, Africa, the Middle East and South-East Asia. These economic realities have now begun to alter expectations of lifestyle and livelihoods, which for the last few decades were considered stable and predictable.

In many respects, one can say that the changes point to an emerging context of paradigm shifts as exemplified by geo-economic and technological changes that have wiped out traditional economic sectors and markets, resulting in the migration of industries and jobs to new locations where labour is cheaper or skills and resources are more abundant.<sup>2</sup> Noted Venezuelan economist, Carlota Perez, argues that the contemporary world economy is in an innovation-rich phase that gives rise not only to new leading

<sup>1</sup> At the end of 2010, there were an estimated 75.1 million young people in the world struggling to find work—4.6 million more than in 2007. Between 2008 and 2009, the number of unemployed youth increased by an unprecedented 4.5 million. (ILO, 2011).

<sup>2</sup> See Keith Nurse, "Techno-Economic Paradigms and the Migration of Industries to the Peripheries" in Rainer Kattel and Wolfgang Dreschler eds., *Techno-Economic Paradigms: Essays in Honor of Carlota Perez*. Anthem Press, London (2009): 287-305.

sectors (e.g. product, process and service innovations), but also to new organizational and managerial innovations that ultimately have a pervasive effect on how business is conducted throughout the world economy.<sup>3</sup> This scenario, which has been described as a process of "creative destruction",<sup>4</sup> heralds both challenges and opportunities for the next generation of adults. Slogans such as "Generation X" and the "Lost Generation" are phrases that have been used to describe the general decline in social mobility and options open to young people in the coming decades on account of structural and technological unemployment.

On the positive side, the paradigm shifts that we are currently experiencing offer new opportunities in new growth sectors and growth economies. While the advanced economies have been mired in low growth with rising unemployment, faltering consumer spending, high debt levels along with widening trade and reserves deficits, many of the large emerging economies such as the BRICS<sup>5</sup> have been experiencing rapid growth on account of deepening industrial capabilities, rising global competitiveness and an expanding consumer class. In contrast, many small and developing economies are faced with deindustrialization and reduced global competitiveness in addition to debilitating austerity measures.<sup>6</sup>

<sup>3</sup> See Carlotta Perez, 2002. *Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages*. Cheltenham: Edward Elgar.

<sup>4</sup> The concept of "creative destruction" was made popular by Joseph Schumpeter. See Schumpeter, Joseph. 1939. *Business Cycles*. 2 Vols. New York: Mc Graw-Hill.

<sup>5</sup> The term "BRICS" refers to a group of countries (Brazil, Russia, India, China and South Africa) that are considered to be at a stage of newly advanced economic development.

<sup>6</sup> See Ashwini Deshpande and Keith Nurse, eds., *The Global Economic Crisis and the Developing World: Implications and Prospects for Recovery and Growth* (London: Routledge, 2012).

The other bright spark in an otherwise gloomy outlook is the rise in importance of new transversal economic sectors such as the green economy (e.g. renewable technologies and energy),<sup>7</sup> the diaspora economy (e.g. remittances, brain circulation, diaspora tourism), the digital and Internet economy and the creative economy. These sectors involve intersecting and overlapping flows that belie the traditional conception of an economic sector.

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<sup>7</sup>For example, see Renewable Energy Policy Network for the 21st Century (REN21), (2009). *Renewables Global Status Report: 2009 Update*. Retrieved from [http://www.ren21.net/pdf/RE\\_GSR\\_2009\\_Update.pdf](http://www.ren21.net/pdf/RE_GSR_2009_Update.pdf)

Under such profound global transformation, any foresighted government should have the sense of urgency to develop youth creativity as a crucial source of national competitiveness in the fastest growing, innovative sector of the global economy. Creative, sector-based entrepreneurship development programmes should not be seen as another programme designed to tackle the problem of mass unemployment. Indeed, creative youth entrepreneurship should be seen as a central part of mainstream economic development strategy that can transform creativity and human capital into early growth and sustainable development.



## ■ WHY INVEST IN YOUTH ENTREPRENEURSHIP IN THE CREATIVE SECTOR?

This paper focuses on the opportunities associated with the growth and expansion of the creative sector because it has a strong interface with youth culture and provides much scope for youth entrepreneurship. Young people are media-oriented in that youth subcultures are informed by, as well as expressed through, a wide array of texts, images, music and lifestyles. Youth culture is often considered transient because of its association with what is modern, hip and cool and thus future-oriented. Through popular media this has also entailed an aestheticizing of everyday life. And as such, young people do not vote with red ink on their fingers but with their various expressions in popular culture.

Youth expressions, however, tend to be subject to much criticism and are hardly ever allowed a voice in the established media. The tendency is to point fingers at young people and to consequently marginalize their voices. Instead, what is required is to exploit the emancipatory potential that modern youth culture and popular culture offer. It is here that the real power of youth culture resides. Youth culture has long been associated with social protests as well as future hopes, thereby promising a new life and social change. Young people's biological, social and culturally-conditioned flexibility also gives them an ability to unearth deep but hidden social contradictions and the creative sector allows them to express alternatives in a format that is popular. In essence, young people's imaginations are a productive source for the economy and social entrepreneurship and thus need to be released from the shackles of convention and outmoded strictures.

Creativity is often the biggest asset for young people who can afford to experiment and take calculated risks in the early stage of their lives and careers when a whole range of possibilities exists. Indeed one can argue that the absence of opportunities for young people to experiment on new ideas and take on risk usually differentiates a creative, flexible, entrepreneurial society from another in which institutions are becoming increasingly rigid, hierarchical and risk adverse.

An entrepreneur's relentless search for opportunities is made possible by the "rules of the game"—an economy's entrepreneurial reward structure.<sup>8</sup> For society to support and invest in youth entrepreneurship today is like a venture capitalist investing in the early stage of an innovative company that later achieves equity growth. An economy's future structure is determined by today's investment in human capital and new skills. Investing in creative industries which share boundaries with the traditional cultural sector is investing in culture, as today's arts and way of life become tomorrow's heritage. With 43 per cent of the world's population currently under twenty five,<sup>9</sup> today's youth is tomorrow's consumer who has significant purchasing and bargaining power—something no business can fail to overlook or be influenced by.

<sup>8</sup>Baumol, William J., 2010. *Microtheory of Innovative Entrepreneurship*. Princeton, NJ, USA: Princeton University Press, 2010. p. 172.

<sup>9</sup>International Conference on Population and Development Beyond 2024. <http://icpdbeyond2014.org/about>

## ■ CREATIVE INDUSTRIES AS A NEW ENGINE OF GROWTH AND VEHICLE FOR STRUCTURAL TRANSFORMATION

The creative sector refers to aesthetics, identity and goods and services which are underpinned by a full range of intellectual properties. Being knowledge-based, it embodies a wide array of activities that make and circulate sounds, words, and images, design and concepts, or a combination of the above in a physical product. It applies to artistic, creative and copyright works that are identifiable commodities, services, traditional heritage and intellectual properties embodied in geographical indications, trademarks, innovative design rights and patents. In short, the term cultural or creative industries describes the value chain of economic activities of creative enterprises and cultural entrepreneurs, for-profit as well as for non-profit, in the production, distribution and consumption of products related to multimedia/film, advertising and communication services, music, theatre, dance, visual arts and crafts, new product design, festivals, cartoons/animation, textiles and fashion, (slow) food as well as other high value-added products which are agribusiness based. Creative products (see table 1) or services related to tourism or producer-based services with innovative design are also to be included. The creative industries are also considered the key driver of demand for the Internet, broadband access and e-commerce on account of people's desire to access creative content.

The creative industries are distinctive in that they have several transaction networks and income-streams. The sector generates income from the sale of goods (e.g. merchandise sales), the provision of services (e.g. professional fees, live performances, games development), and the licensing of intellectual property (e.g. royalties, subscription fees). The creative industries create a circular trade and an experiential

economy. For example, a book can be adapted into a screenplay for a movie, which could then generate a soundtrack (e.g. sound recording) which generates copyright flows and then there is the possibility of producing specialty merchandise (e.g. toys, clothing lines, crafts) and designs which may be protected and commercialized through patents and trademarks. Traditional knowledge, embedded in geographical indicators or collective brands, provides a wide range of possibilities for producers to increase the value of agribusiness based products through better brand recognition (e.g. leather goods, furniture) and more sustainable conservation of limited resources.

In this sense, the creative industries consist of an ecology of economic flows with value chains that are transversal and that can have "a long shelf life" and generate a myriad of spin-offs, with catalytic and multiplier effects. Creative industries are less dependent on natural resources as compared with the traditional manufacturing sector which relies heavily on resources flow. Indeed two crucial inputs to creative industries are human ingenuity and organization which can be combined relatively easily for consumption. The global entertainment and content industries offer the best examples in this regard.

The recent expansion and dynamism of the creative industries is accounted for by rapid techno-economic change in products, distribution, marketing and social media (e.g. e-books, iPods/iPads, iTunes, Amazon.com, Google, iCloud, Facebook, Twitter, etc.) and the increasing commercialization of intellectual property in the digital world (e.g. digital rights management, apps market). The convergence of media and the expansive growth of the digital economy (e.g. the Internet and e-commerce) allows for easier production, distribution

Table I. Categories of creative goods and number of sub-codes/classification

<i>Category and number of code included</i>	<i>Sub-group</i>	<i>Sub-code</i>
Arts and crafts (60)	Carpets	17
	Celebration	2
	Other	6
	Paperware	1
	Wickerware	4
	Yarn	30
Audio-visuals (2)	Film	2
Design (102)	Architecture	1
	Fashion	37
	Glassware	5
	Interior	32
	Jewellery	10
	Toys	17
New media (8)	Recorded media	6
	Video games	2
Performing arts (7)	Music (CD, tapes)	6
	Sheet music	1
Publishing (15)	Books	4
	Newspaper	3
	Other printed matter	1
Visual arts (17)	Antiques	3
	Paintings	3
	Photography	4
	Sculpture	7

Source: Ye and Wijngaarde (2011) compiled from UNCTAD 2010 Creative Economy Report

and consumption, as well as causing infringement (e.g. piracy, file swapping) of cultural products, services and intellectual property.

The new digital and telecommunication technologies facilitate, in effect, a global reach that was previously impossible. In addition, consumers have a greater variety of products and services to choose from

and also a greater say in how these products and services are designed and delivered, hence the notion of “prosumership”. New products and new delivery systems present challenges for traditional business models (e.g. firms that are built on bricks and mortar infrastructure and large inventories), while providing opportunities for new entrants with digital and virtual business models.



The creative sector is not just a commercial arena; it is a symbolic and social space where ethical values, psychic meaning and pleasures are displayed, enacted, negotiated and represented. As such, the creative industries are not just informed by existing societal mores and values; they also shape society through the ways in which they represent these mores and habits in text, sound, images, experiences and even products. From this perspective, the creative industries play a dual role: they are an important area for investment in the new knowledge economy and a means of bolstering spiritual values and cultural identity. This is why UNIDO, UNESCO and UNCTAD recommend that countries should “maximize potential economic contribution” as well as “facilitate national, regional, and world dissemination of endogenous cultural creativity” and engage in “culturally inclusive development”.<sup>10</sup>

While creativity has always been a key force behind human development, it can be argued that the concept of creative “industries” offers a new lens through which one can examine and capture kaleidoscopic combinations and recombinations of human ingenuity and organization. In the context of development, trade in creative goods and products, such as designs and crafts, provides developing countries with opportunities for income generation and diversification from traditional agriculture to higher value-added agribusiness (e.g. food, leather, textiles and furniture) or heritage-based eco-tourism.<sup>11</sup>

Frugal innovation coming out of this sector can facilitate growth and capital accumulation and provide a basis for subsequent upgrading in the global value

chain without losing touch with culture.<sup>12</sup> Indeed, the creative sector is a major growth pole in the knowledge economy. It is increasingly recognized that creativity and innovation or creative industries<sup>13</sup> have become the key drivers of global competitiveness, hence the increasing interest in creative entrepreneurship, especially among young people, who are both the key consumers and producers of creative content.

Creativity and creative entrepreneurship can be developed on the basis of individual capacity development potential, resources and marketability. Identifying unique cultural amenities, appreciating the opportunities and values of creative products, and promoting their outstanding character are part of the core values of successes. Yefikir design<sup>14</sup> and soleRebels<sup>15</sup> are a good reference for eco-friendly, socially responsible traditional knowledge-based creative industries lead by women entrepreneurs.

Global market demand for creative content has risen steadily over the last decade. In economic terms, the creative industries are among the fastest growing sectors of the world economy despite the downturn in the global economy.<sup>16</sup> The convergence of media and

<sup>10</sup> UNESCO (1999), *The Value of Culture*. Position paper for the forum “Development and Culture,” Inter-American Development Bank/UNESCO, Paris, 11-12 March; UNCTAD XIII, Doha, Qatar, 2012.

<sup>11</sup> For example, See Keith Nurse, *Development of a Strategic Business Management Model for the Sustainable Development of Heritage Tourism Products in the Caribbean* (Bridgetown: Caribbean Tourism Organization, 2008). <http://www.caribtodp.org/Documents/Outputs/CTO%20Outputs/Heritage%20Tourism%20Report.pdf>

<sup>12</sup> For example, trading a country’s authentic material culture embodied in the form of traditional handicraft gives voice and greater understanding to the nations (Barrowclough and Kozul-Wright 2007; Schultz and Van Gelder 2008).

<sup>13</sup> UNCTAD’s classification of creative industries (based on Harmonized Systems HS 2002) is divided into three categories: (a) Trade in Creative Goods, (b) Trade in Creative Services and (c) Related Industries. Both (a) and (b) constitute “core” creative industries, which is different from UNESCO’s framework for Cultural Statistics by UIS. UNCTAD obtained creative goods data from UN COMETRADE and services data from IMF’s Extended Balance of Payment in Services (EBOPS). The size of the sector is large. Appendix I provides a classification of creative goods, which includes 209 sub-codes. For further technical exposition, see UNESCO (2009), UNIDO (2010), Ye and Wijngaarde (2011), <http://www.epip.eu/conferences/epip06/papers/Parallel%20Session%20Papers/YE%20Zhen.pdf>

<sup>14</sup> [http://yefikirdesign.com/news\\_single.html](http://yefikirdesign.com/news_single.html)

<sup>15</sup> <http://www.solerebelsfootwear.co>

<sup>16</sup> This growth is accounted for by rapid techno-economic change in products, distribution and marketing (e.g. e-books, iPods/iPads, iTunes, Amazon.com, Google, iCloud), and the increasing commercialization of intellectual property in the digital world (e.g. digital rights management, apps market).

the expansive growth of the digital economy (e.g. the Internet, e-marketing and e-commerce) allows for easier production, distribution and consumption. The promise of development attached to the growth of the creative sector is also increasing. Many countries and international development agencies such as UNIDO now view the creative industries as a “new engine of growth”, a vehicle for structural transformation as well as a mechanism for improving the competitiveness of nations. For example, in spite of major instability in the last decade, Afghanistan has emerged as the 11<sup>th</sup> largest carpet exporter in the world with a 2 per cent global share of exports. “Nollywood” is the new buzz word for the Nigerian film industry and its spin-offs, which have already overtaken “Hollywood” and is second only to “Bollywood” in terms of the number of films produced.<sup>17</sup> Increasing levels of specialization have made India the world’s largest exporter of handmade paper with 23 per cent of the world’s export market share.<sup>18</sup>

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<sup>17</sup> Globally, India, Nigeria and the United States are the three biggest film producers. In 2009, India’s Bollywood produced 1,200 feature-length films, compared to 987 productions (in video format) from Nigeria. The United States produced 694 major films. (UNESCO, 2009) [http://www.uis.unesco.org/culture/Pages/cin\\_ema-data-release-2011.aspx](http://www.uis.unesco.org/culture/Pages/cin_ema-data-release-2011.aspx)

<sup>18</sup> Computed from trade flow matrix based on the UNCTAD Creative Economy Database (Ye and Wijngaarde, 2011).

Creative industries have become crucial to European countries and island economies. The creative trade dependency ratio (CTDR), which measures a country’s trade dependency on creative industries (both for goods and services) to GDP showed that more than half (23 out of 36) on the list of countries with above average (CTDR > 2.8 per cent) are European (12 from Central and Eastern Europe). Open island economies such as Cyprus, Hong Kong, Malta and Singapore top the list. In many countries in Latin America and the Caribbean the creative sector makes a significant contribution to these economies in terms of GDP and employment impact. Brazil ranks the highest, with a GDP contribution of 6.7 per cent and an employment share of 5.0 per cent. However, even a smaller economy such as Uruguay has impressive figures to report with 6.0 per cent and 4.9 per cent shares in GDP and employment, respectively. Jamaica, a small Caribbean economy, also benefits from a sizeable creative sector with GDP and employment shares of 5.0 per cent and 3.0 per cent.<sup>19</sup>

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<sup>19</sup> For further details and data from other countries see WIPO (2012), *Copyright + Creativity = Jobs and Economic Growth: WIPO Studies on the Economic Contribution of Copyright Industries*, World Intellectual Property Organization.

## ■ HOW CAN YOUTH ENTREPRENEURSHIP BE FACILITATED IN THE CREATIVE SECTOR?

The Hungarian Nobel scientist Albert Szent-Gyorgyi once remarked that “discovery consists of looking at the same thing as everyone else and thinking something different”. This aptly defines the essence of creativity. While no nation inhabited by people can be short of creativity, innovation tends to emerge where the value of being creative is favourably perceived, where there is a high degree of freedom to set one’s agenda, where creative talents are better organized and supported by business and institutions, and where competition encourages, but most importantly, rewards creativity and entrepreneurship. The institutionalization of creativity explains why certain societies are able to productively organize creativity to solve society’s most pressing challenges and achieve progress, while others lag behind in spite of abundant creativity and a rich civilization.

Compared with lifelong employment in Government or a career in the traditional corporate sector, young people need to be encouraged and become fully prepared to take on risk and a leadership role since these are all part and parcel of entrepreneurship. They can do with the support of appropriate business services that help to develop new opportunities, facilitate learning and mitigate risks. From the perspective of public policy, this is especially important for countries with a declining “demographic dividend”<sup>20</sup> as investing in youth entrepreneurship provides timely opportunities for upgrading human capital and reorienting the economy towards new skills needed for future growth.

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<sup>20</sup> Bloom, David E. and Jeffrey G. Williamson, 1998, Demographic Transitions and Economic Miracles in Emerging Asia, *World Bank Economic Review*, 12: 419 - 455.

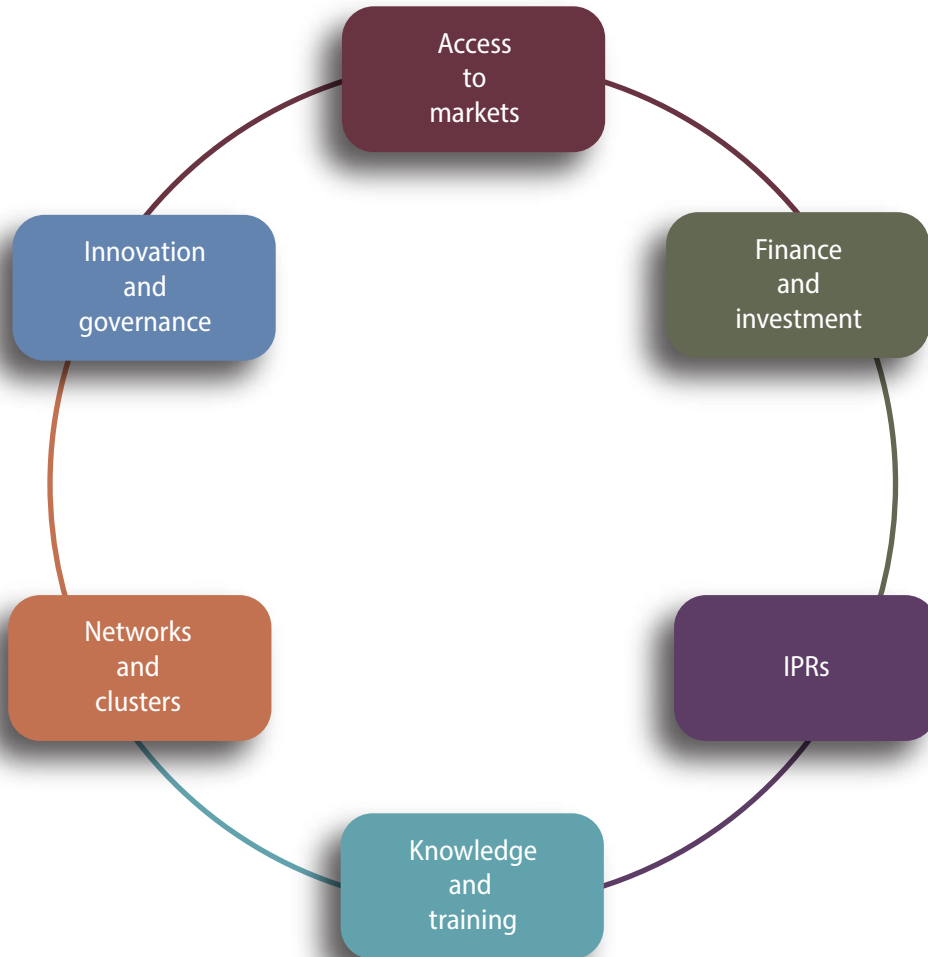
The EU report on promoting entrepreneurship in the creative sector suggests that there are at least six areas for intervention that would improve the prospects for the sector: access to markets; access to finance and investment; promotion and protection of intellectual property rights; access to knowledge and training; networking and cluster development; and last but not least, governance in the area of innovation and technology.

The foregoing analysis suggests that there are specific areas for intervention, which differentiate from the traditional goods sector. One of the key interventions required is that of intellectual property protection. The creative industries cannot survive in the marketplace without adequate protection from copyright infringement. Without such protection, creative entrepreneurs would be at the mercy of piracy, bootlegging, counterfeiting and other forms of infringement, such as unlicensed broadcasting. Furthermore, a strategic system of intellectual property rights specific to the creative sector is needed to mobilize all forms of intellectual property rights as assets for development. This should include a system of trademarks, collective/certification marks, design rights, geographic indications, patents, traditional knowledge as well as copyrights. Effectively managing these intellectual property rights/assets is the first step towards designing a legal and policy system conducive towards creativity and culturally inclusive development.

The second key intervention that is required is investment in innovation and/or research and development, which in the creative industries means investment in human and creative capital. For example, in the music industry, this is referred to as



Figure I. Key areas for intervention in creative entrepreneurship



Source: Adaptation based on HKU (2010) The Entrepreneurial Dimension of the Cultural and Creative Industries. Hogeschool voor de Kunsten Utrecht, The Netherlands

artists and repertoire (A&R). This is a critical area because the creative industries start with creativity, and A&R accounts for a large share of investment. The creative industries sector is estimated to spend at least 15 per cent of its turnover on research and development, more on average than other

industries.<sup>21</sup> Investing in creative capabilities calls for the establishment of training institutions as well as

<sup>21</sup>The Recording Industry Association of America (2008) estimates that the investment in talent by the music industry averages 15 per cent of turnover, which is higher than most key industries.

support mechanisms for young artists and creative entrepreneurs. This also has important implications for preserving traditional cultural expressions and oral traditions and requires resources and commitment from international public institutions.

The third key intervention of the creative industries relates to marketing and distribution. Client or audience loyalty is difficult to build and predict, hence the need for significant resources in terms of marketing and building a brand. What is also evident is that there is product differentiation based on genre or specific markets. This calls for lifestyle marketing or niche marketing, as well as an integrative marketing strategy that heuristically combines, for example, intellectual property rights/assets with social and territorial marketing campaigns to open up communication channels to specific groups in the form of cause-related marketing. Such a strategy aims at levelling information asymmetries between buyers and sellers, thereby bridging the gap between supply and demand.

Dealing with the distribution issue is a critical element of the development equation as large oligopolistic firms traditionally control a large share of markets in the creative sector.

The diversification of markets therefore requires the growth of independent firms and the facilitation of market access and market presence also through the Internet.

Another key area for investment is in knowledge creation and training. Upgrading the human resources capabilities of the creative sector through training in the arts as well as training in arts administration, management and creative entrepreneurship is vital.

Investment in infrastructure for educational facilities involved in the arts is also needed. Education systems play a vital role in creative industries development. Even though traditional knowledge and resources offer unique opportunities for creative entrepreneurs, the nature of curriculum design, the training environment, values and social perceptions towards the resources influences the growth and development of the industry.

To build global competitiveness, creative industry firms need to attract adequate financial resources: to cover the cost of (artistic) production; to cover the fees of industry facilitators such as entertainment lawyers, designers, agents, promoters and technical services; to bear the relevant risks in marketing and promotion; to bundle intellectual property rights and protect them; and to be able to gain from ancillary markets such as merchandising. Improved access to finance, credit and business support services is critical for start-ups and export-ready firms. These measures should be matched by market development grants and financing for participation in trade fairs.

New mechanisms for financing intangible assets need to be pioneered so that creative businesses can grow sustainably and benefit from increased access to different sources of financing (credits, saving schemes, private equity or venture capital).

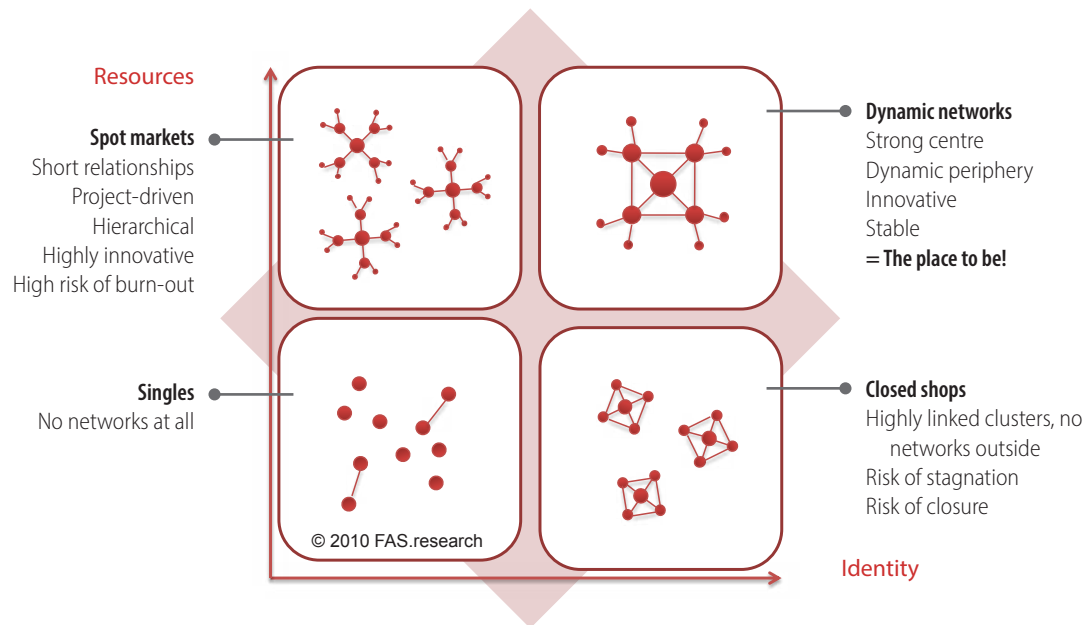
Networking and the building of clusters are another area that has become increasingly important in the development of industries such as the creative sector because these initiatives allow for firms to achieve economies of scale and scope. Without it firms suffer from high levels of fragmentation.

This is exemplified in the case of the creative sector in Austria. It has been observed that as much as 60 per cent of the firms in the sector operate either as individual operators with no network or as spot markets where relationships and work is project-driven, short-term and highly risky. Fewer firms operate in highly linked clusters or in dynamic networks.

As such, a key intervention in the creative industries relates to institutions and organizations. Currently, entrepreneurs working within the creative industries in a number of countries are seeing themselves as individuals, but not as members of a larger group, sector or even a network. This leads to isolation and weak economic performance, whereas collaboration, even across genres, could tremendously increase the success rates of young entrepreneurs. Additionally, in various economies creative entrepreneurs are neglected by the more traditional players in business

Figure II. Creative networks, Austria

Creative networks are dynamic, but insufficiently linked



Source: www.creativwirtschaft.at

and policymaking, despite their dynamic development and job creation.

This is a clear barrier to the further development and strengthening of this emerging sector and therefore calls for framework conditions and incentives supporting the formation of sound organizations and institutions. New institutions and special interest organizations can help to speed up the process of developing a shared identity within the creative industries. For example, CI-related umbrella organizations can create awareness of issues relevant to this sector (such as IP-rights, new networking patterns, marketing, etc.), do lobbying work and organize networking formats in order to connect diverse actors with each other. Setting up special interest organizations would make creative entrepreneurs more visible to the public, potential clients, audiences and policymakers.<sup>22</sup>

<sup>22</sup>“Creativ Wirtschaft Austria” is an example for such a CI umbrella organization. Founded in 2003, it is closely associated with the federal chamber of commerce, but co-founded by the Federal Ministry for Economics.

Expanding market access requires interventions beyond the traditional trade policy tools (e.g. implementation of trade agreements) to involve the establishment of market incubators, including business parks. These play a crucial role in the development of entrepreneurial skills among the participants and encourage experimentation with new ideas, innovative techniques and media.

Market incubators along with market development programmes can facilitate capacity development among young creative entrepreneurs as well as support the expansion of the industry by fostering entrepreneurship and deepening market penetration and export promotion.

In addition, young entrepreneurs can overcome their creative or intellectual isolation through an expanded network while participating in residencies or internships. They can also benefit from a process of mentorship, new support services and peer-to-peer-coaching as creative entrepreneurs often do not easily accept authorities and traditional institutions.



## ■ HOW CAN CREATIVE ENTREPRENEURSHIP BE PROMOTED AMONG YOUNG PEOPLE?

Arising from the six key areas of policy and infrastructure intervention, it is recognized that a number of business development and innovation mechanisms need to be implemented.

The innovation diagram presented on page 15 illustrates the interrelationship between “tools for creation”, “tools for construction” and “tools for trade” and the “democratization of information”.

### Democratization of information

All creative work is built on the inspiration of designers, artists and creative workers. Democratizing the information flow involves the free flow of ideas, opinions and knowledge. Such freedom is imperative for the development of the personality of each person and consequently for the cultural, social, scientific and economic development of humanity.

In short it can be defined as a basic human right (Art. 19 of the Universal Declaration of Human Rights).

The first step in the democratization of the “information infrastructure” is the alignment of data collection and research with support for key policy issues. In the creative industries sector there tends to be a misalignment of critical data that start-ups and emerging businesses need for business and strategic planning, in order to tap into new markets and build new enterprises. Many public agencies maintain databases rich with information, but do not make it available to the public due to a variety of concerns related to security, technology or bureaucracy. Where they are available, data sets often cannot be compared or cross-referenced because common indexes do not exist.

More significantly, critical data on pressing policy issues are simply not available because the information is not collected consistently. This approach recommends that policymakers and the organizations involved in collecting and analysing data should work together to ensure that the necessary information is available to craft effective policy and better understand the sectors.

Some interesting examples of how creative entrepreneurship can be facilitated are illustrated by the experiences of the “Comitê para Democratização da Informática, Brazil”, the Open Museum, Glasgow, Scotland, open libraries and the various image banks set up.

Democratizing information involves especially the empowerment of young people to realize their opportunities themselves. Conventional culture tends to reinforce its value through parental influence which does not generally encourage risk-taking behaviour when compared with more stable employment options. However, creative entrepreneurship requires changed mindsets and behaviour that often go beyond conventional wisdom and personal comfort zones. These important behavioural characteristics provide initial conditions to allow policy tools to work at both individual and group levels.

Through interaction at different levels, lasting institutional changes can be produced.

### Tools for creation

There is an increasing need to create new mechanisms that make it possible for the development of ideas from the younger generation. Open systems, free of

bureaucracy, will be required to bring the creative world together for the realization of their ideas. It should be noted that the new generation often do not have the opportunity or financial means to access the high cost of software and hardware.<sup>23</sup> (i.e. Linux and Mozilla).

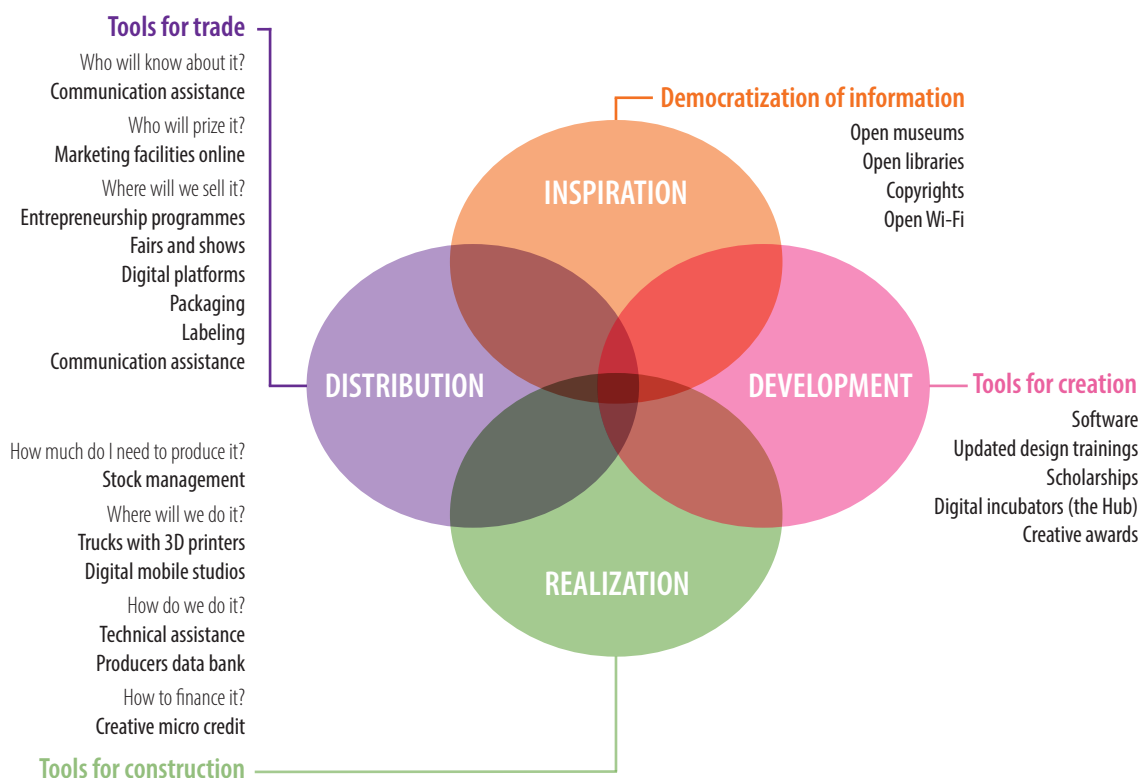
<sup>23</sup> [http://www.oemr.org/membership\\_in\\_oemr/what\\_is\\_opensource/advantages-of-open-source-software/](http://www.oemr.org/membership_in_oemr/what_is_opensource/advantages-of-open-source-software/)  
[http://en.wikipedia.org/wiki/Open\\_source](http://en.wikipedia.org/wiki/Open_source)  
<http://www.internetmarketinginc.com/blog/10-great-startup-incubators/>

Austria developed and runs a highly successful peer-to-peer-coaching for its creative industries. A group of 20 young entrepreneurs, guided by two experienced supervisors, works for six months on crucial areas of their own development, e.g. how to find clients, how to differentiate oneself from others, how to manage finances, etc. <http://www.facebook.com/choch3.creative.community.coaching>

## Tools for trade

Closing the circle between production and the market is one of the most difficult challenges faced by young creative entrepreneurs. The development of creative entrepreneurial and marketing skills is important for innovation and sustainable employment. Creative entrepreneurship therefore requires the establishment of an appropriate updated model that involves market access and market entry for young industry practitioners through a sequential and systematic programme of market incubators, business residencies, internships and market access programmes. The aim is to develop entrepreneurial skills, enhance collaboration and networking among young entrepreneurs and build a market presence.

Figure III. Innovation framework for the creative industries



Source: Giulio Vinaccia: *Design Development Policies*, 2012

## ■ WHAT IS THE FUTURE FOR YOUTH AND CREATIVE ENTREPRENEURSHIP?

Developing youth entrepreneurship represents a viable but insufficiently explored policy and programmatic option to deal with the challenges of youth unemployment through employment creation by young people. The failure of the mainstream economic and financial systems and the exit of the “old guards” coincide with the meritocratic rise of creative minds whose ambition, drive and imagination readily exceed the expectations set for them on their paths by traditional business and institutions. Schumpeter’s idea of “creative destruction” resonates behind the growth of creative entrepreneurship and the major innovations and paradigm changes that we are seeing today.

UNIDO considers the concept of creative industries a powerful advocacy tool for development. However, to enable creativity we need to empower young people to change their mindsets and behaviours in “taking entrepreneurial action” and create favourable rules of the game to play in today’s competitive and innovation-driven creative economy. Empowered with the tools to express creativity through the Internet and global media networks, the young people of today have the means to exceed their own expectations once the challenges and barriers of the digital divide are overcome, within and across nations. Platform companies such as You Tube and Twitter have realized this huge potential and have thrived on the principle where investment is customer time and the business

model is their open creativity through sharing, learning and influencing, and innovating. It is paradoxical that these seemingly unimportant social activities, overlooked by the controlled media, have brought about a wave of democratic change from Tunisia to Egypt and other regions. The lessons learnt demonstrate that, unless youth creativity is unleashed and transformed into constructive businesses and productive enterprises, it can easily turn into something which can create major instability within societies and their economies.

From this perspective, today’s youth stands at the threshold of yet another great global transformation. The spirit of creative entrepreneurship defines the expectation of this age. They are the generation of opinion entrepreneurs and are increasingly challenging society’s most pressing issues, on matters relating to sustainability, ethical consumption, environmental issues or other controversies. They are often not driven by profit and they invest their time in speeding up institutional changes through social movements and popular opinion. As such, the process of global institutional change is now driven by innovation, signifying a new world order underpinned by global connectivity and limitless creativity. The promotion of investments in this new wave of creative entrepreneurship and social economic development would facilitate sustainable job impact that the creative economy portends.

## ■ ISSUES FOR CONSIDERATION IN THE DEVELOPMENT OF THE CI SECTOR FOR YOUNG CREATIVE ENTREPRENEURS

- How can we facilitate critical thinking by youth and instill change and transformation in economies and societies at large? How can governments assist young entrepreneurs in shaping their future work in the creative industry (CI) sector and what are the required development institutions?
- What are the related policy changes needed, and which entities in society should initiate or at least attempt to unleash this potential for growth and innovation? What is the role of UNIDO within this context?
- How can the CI sector be converted by young creative entrepreneurs to generate sustainable businesses and jobs for youth?
- What is the role of existing and new institutions in promoting interventions, for example by Governments and the private sector (i.e. Chamber of Commerce and Industry), in support of job creation in the CI sector and, at the same time, to sustain a country's endowment structure (i.e. culture, knowledge, traditions)?
- How can young entrepreneurs develop competitive CIs and foster innovations across the creative economy with a focus on job creation and as a poverty reduction strategy? Additionally, how can creative industries promote environmentally sustainable approaches such as green job creation?
- How can innovative creative industries be scaled up? How do we take these from the level of the informal sector to the formal sector of the economy, i.e. to integrate these in fully-fledged productive industrial sectors, rather than keeping them at a micro level or in incubation?
- Which linkages are to be developed with industrial policies and entrepreneurship strategies to benefit the development of creative industries?





**UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**  
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria  
Telephone: (+43-1) 26026-0, Fax: (+43-1) 26926-69  
E-mail: [unido@unido.org](mailto:unido@unido.org), Internet: [www.unido.org](http://www.unido.org)