



NEW JERSEY CREATIVE VITALITY INDEX 2010
Defining and Measuring the Creative Economy

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This document provides a basis and explanation for the research strategy employed by Arts Build Communities in measuring the creative sector for the New Jersey Creative Vitality Index. This memo also offers a matrix to allow researchers to refine their analysis of the sector.

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Definitions

These are the definitions used for research by Arts Build Communities.

Economy (as a compound noun) – The collective set of actions related to the production, distribution or consumption of related goods and services.

(Definition adapted from Collins English Dictionary, as reported in <http://www.thefreedictionary.com/economy>)

CREATIVE Economy ????

Creative economy – An economy focused on products whose monetary value derives as much or more from their aesthetic qualities as their functional qualities. The creative economy is a subset of other economies, such as the cultural economy, which includes goods and services, such as historic sites, that have strong aesthetic value; knowledge economy, which includes goods and services of intellectual value; and the experience economy, which includes goods and services connected to experiences, which is what is valued by consumers.

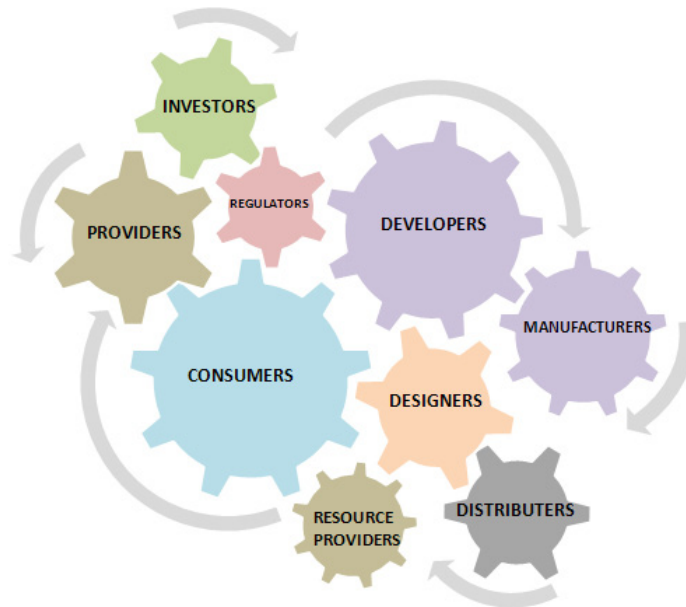
Industry – The collection of establishments that engage in the production or distribution of related products.

Field or sector – The collective individuals and establishments who participate in an economy and share similar interests or concerns related to the economy, and who would be affected similarly by wholesale changes in the economic environment. The term “field” can be used to distinguish a group of producers or distributors from the public, nonprofit and private sector.

Establishment – An organization or individual that works as an independent economic unit to produce or distribute goods and services within the economy.

Economic functions

An economy consists of several functions that together form a cycle of activities. These functions are:



- **Resource providers:** The establishments and individuals that extract, create, or collect the raw resources used by manufacturers to produce products. Creative sector example: Paint manufacturer.
- **Designers:** The establishments and individuals that design the products or service models that reproduced by manufacturers or distributors. Creative sector example: Artist studio or architecture firm.
- **Manufacturers:** The establishments and individuals that produce designed products. Creative sector example: Artist studio or architecture firm.
- **Distributors:** The establishments and individuals that distribute products in bulk (wholesale) or to individual consumers (retail). Creative sector example: Importer/exporter of artisanal products.
- **Providers:** The establishments and individuals that cater to the demands of individual or collective consumers. Creative sector example: Art gallery.
- **Consumers:** The individuals or organizations that purchase products or services. Creative sector example: Theater-goers.
- **Developers:** The establishments and individuals that build the capacity of all other members of the economy to engage more productively in that economy. Creative sector example: Music school.
- **Regulators:** The establishments and individuals that determine and protect the rights of economic actors and mete out disincentives (punishments) to restrict actions that are considered inappropriate within the economy. Creative sector example: Planning and building agencies that decide on the location, size and concentration of creative sector uses.
- **Investors:** The establishments and individuals that provide large amounts of funding to support the activities of other members of the economy. Unlike consumers, their participation in the economy is not tied to the receipt of specific designed products. Creative sector example: Foundations.

Measures of vitality for economic functions

There are various ways to measure the health and wealth of the various establishments in the creative sector.

- Changes in the number of establishments and employees and amount of receipts are useful indicators for resource providers, designers, manufacturers, distributors, providers and developers.
- Changes in participation (e.g., number of people attending performances, number of series ticket holders) are useful indicators to measure growth (or decline) in consumers.
- Changes in funding amounts and patterns are useful indicators of the participation of investors in the creative sector within a region.


Industry definitions within the creative sector

Just like defining art, developing a strict definition for the creative sector is virtually impossible. Since creativity is a key function of all industries, every part of the entire economy could be said to be connected to the creative economy. The best that any researcher can hope for is to get a representative sample of industries and economic data to understand the status of and changes in the creative economy. The Colorado Council on the Arts provides perhaps the most precise definition for industrial classification: It defines “a ‘creative enterprise’ as *any company for which the primary value of its products or services is rooted in its emotional and aesthetic appeal to the customer.* Using that definition in the context of an “industry cluster” means that all companies in the value chain, from materials to distribution, are part of the creative economy.”¹

¹ Alliance for Creative Advantage, *The State of Colorado’s Creative Economy*. December 2008, page 9. http://www.colorarts.org/programs/economic/co_creativeeconomy/The%20State%20of%20Colorado%27s%20Creative%20Economy%20-%20Full%20Study.pdf

There are several differing industry definitions of the creative sector, all of which we find problematic for the work of Arts Build Communities.

- *U.S. Census Bureau/Department of Commerce* has an industry classification of Arts, Entertainment and Recreation (NAICS code 71). This classification includes manufacturers and institutional producers of creative products, such as artists, theaters and museums. But the Department of Commerce classification is problematic for two reasons: The industry classification includes amusement parks, sports stadiums and other uses which generally do not create artisanal products. It excludes resource providers who service creative sector manufacturers, retailers such as art galleries, designers, and developers, such as art schools.

-  The *Americans for the Arts Creative Industries Classification* divides the creative sector into six classifications: Museums and collections; performing arts, visual arts and photography; film, television and radio; design and publishing; and art schools and services (such as agents). This classification system is problematic because it includes zoos, botanical gardens, historical societies and planetariums, which generally do not fit into our definition of the creative economy.

-  The *Colorado Council on the Arts*, influenced by the *New England Foundation for the Arts*, divides the creative economy into six “creative sub-groups”: Design, film and media, heritage, literary and publishing, performing arts and visual arts and crafts. This classification system is problematic for the same reasons as the *Americans for the Arts* classification.



ABC follows the model of the Colorado Council on the Arts (CCA) and New England Foundation for the Arts (NEFA) by using industry codes defined under the federal government's North American Industry Classification System (NAICS). However, we differ by including a smaller number of industries in our definition of the creative sector. NEFA includes 112 types of establishments in the creative sector. CCA counts 79. Arts Build Communities has 63 establishments. A comparative list of establishments is in Appendix 1.

To create ABC's universe of creative establishments, we eliminated manufacturers and distributors of products that could be valued more for their utility than their aesthetic qualities. These include media organizations, radio and television distributors and manufacturers of gypsum products. While newspapers may have emotional appeal to some, most people buy them to get information. There are many artistic television and radio programs, but audiences also often go to broadcast media for news. Gypsum can be used to create plaster for statues, but it be more likely to be used as drywall.

The more broadly the creative sector is defined, the more difficult it is to justify including one type of establishment while excluding others.

We draw on several types of information² to measure the creative sector:

- Number of establishments, including self-employed individuals (defined as 'non-employed' in County Business Pattern)
- Number of employees
- Receipts
- Payroll

2. This information can be found in County Business Pattern and the Economic Census, both of which are produced by the US Census Bureau.

Arts Build Communities creative sector subsector classifications

The work of the Americans for the Arts, Colorado Council on the Arts, and New England Foundation for the Arts is most closely aligned with the work of Arts Build Communities.

Arts Build Communities

Our classifications, therefore, mirror theirs, with two notable exceptions – we exclude experience and cultural economy industries, such as historic sites and zoos, which do not as a key business function create or distribute artisanal products.

The five ABC subsector classifications are:

- **Architecture and environmental design.** This includes all functions related to architecture, landscape architecture and interior or industrial design, as well as housewares and furniture.
- **Performing arts.** This includes all functions related to theaters, musical performances and other activities in the providers engage in live action and which consumers must attend at locations determined by providers or manufacturers
- **Broadcast and Internet media.** This includes all functions related to performing arts products that are consumed through a technological medium – such as film, television, radio or Internet – and that does not require consumers to congregate at central locations to participate in this subsector.
- **Literature and publishing.** This includes all functions related to literary works, whether they be offered in traditional print or through an Internet-mediated technology.
- **Visual arts and crafts.** This includes all functions related to objects that have visual appeal, such as paintings, crafts, photographs and clothing.

Arts Build Communities creative sector matrix

Applying the economic functions and subsector classifications, we create a matrix that will allow researchers to investigate the creative sector with better precision:

	Architecture and environmental design	Performing arts	Broadcast and Internet media	Literature and publishing	Visual arts and crafts
Function	<i>Examples</i>	<i>Examples</i>	<i>Examples</i>	<i>Examples</i>	<i>Examples</i>
<i>Resource providers</i>	Makers of architectural products	Set design companies, clothing manufacturers	Web page designers	Paper manufacturers	Paint manufacturers
<i>Designers</i>	Architects, designers	Theater companies, musical groups	Artists, producers, directors, writers	Writers, editors	Artists
<i>Manufacturers</i>	Home goods manufacturers, designers, specialty builders, developers	Theater companies, musical groups	Broadcast companies	Book publishers	Artists
<i>Distributors</i>	Architectural products haulers	Theater companies, musical groups	Broadcast companies	Media companies	Galleries
<i>Providers</i>	Design firms, specialty housewares stores	Theaters, performing arts venues	Websites, radio stations dedicated to creative programming	Bookstores	Galleries
<i>Consumers</i>	Property owners	Theater-goers	Website visitors, listeners, viewers	Readers	Art patrons
<i>Developers</i>	Architecture, design and planning schools	Music schools	Broadcast schools	Universities	Art schools
<i>Regulators</i>	Building and planning agencies	Building and planning agencies	Building and planning agencies	Building and planning agencies	Building and planning agencies
<i>Investors</i>	Government agencies and foundations	Government agencies and foundations	Government agencies and foundations	Government agencies and foundations	Government agencies and foundations

Comprehensive versus representative measurements

As discussed above, any attempt to comprehensively define the creative sector is going to exclude some establishments that could by some definitions be part of the sector, and include others that should not. Similarly, any attempt to make comprehensive measurements is going to be problematic.

The more effective approach is to measure indicators of several representative establishments in industries that make up the creative sector. This is the approach that the Arts Build Communities will take in the New Jersey Creative Vitality Index.

References

Alliance for Creative Advantage, Regional Technology Strategies and Mt. Auburn Associates Inc., *The State of Colorado's Creative Economy*. Report prepared for the Colorado Council on the Arts. December 2008. http://www.colorarts.state.co.us/programs/economic/co_creativeeconomy/The%20State%20of%20Colorado%27s%20Creative%20Economy%20-%20Full%20Study.pdf

Americans for the Arts, *Creative Industries 2008: The State Report*. April 2008. http://www.americansforthearts.org/information_services/research/services/creative_industries/default.asp

US Census Bureau, *County Business Patterns*. Undated. <http://www.census.gov/econ/cbp/index.html>

Appendix 1: The scope of the creative sector

NAICS and type of establishment	Included in New England Foundation for the Arts creative sector universe	Included in Colorado Council on the Arts creative sector universe	Included in Arts Build Communities creative sector universe
323110 Commercial lithographic printing	X	X	X
323111 Commercial gravure printing	X	X	X
323112 Commercial flexographic printing	X	X	X
323113 Commercial screen printing	X	X	X
323114 Quick printing	X		X
323115 Digital printing	X	X	X
323117 Books printing	X	X	X
323119 Other commercial printing	X	X	
323121 Tradebinding and related work	X	X	
323122 Prepress services	X	X	
325910 Printing ink manufacturing	X		
325992 Photographic film and chemical manufacturing	X		
327112 Vitreous china and earthenware articles manufacturing	X		X
327212 Other pressed and blown glass and glassware	X		
327215 Glass product manufacturing made of purchased glass	X		
327420 Gypsum product manufacturing	X		
327991 Cut stone and stone product manufacturing	X		X
327999 Miscellaneous nonmetallic mineral products	X		
332323 Ornamental & architectural metal work manufacturing	X	X	X
333293 Printing machinery and equipment manufacturing	X		
333315 Photographic and photocopying equip. manufacturing	X		X
334220 Broadcast and wireless commercial equipment	X		
334310 Audio and video equipment manufacturing	X		
334612 Audio and video media reproduction	X		
334613 Magnetic and optical recording media manufacturing	X		
336612 Boat building	X		
337212 Custom architectural woodwork & millwork	X	X	X
339911 Jewelry, except costume, manufacturing	X		X
339912 Silverware and hollowware manufacturing	X		X

NAICS and type of establishment	Included in New England Foundation for the Arts creative sector universe	Included in Colorado Council on the Arts creative sector universe	Included in Arts Build Communities creative sector universe
339913 Jewelers' material and lapidary work manufacturing	X		X
339914 Costume jewelry and novelty manufacturing	X		X
339942 Lead pencil and art good manufacturing	X		X
339992 Musical instrument manufacturing	X	X	X
423410 Photographic equip. merchant wholesalers	X		X
423620 Electric appliance merchant wholesalers	X		
423920 Toy & hobby goods merchant wholesalers	X		
423940 Jewelry merchant wholesalers	X		X
423990 All other durable goods merchant wholesalers	X		
424110 Printing and writing paper merchandise wholesalers	X		
424920 Book and periodical merchant wholesalers	X	X	X
443112 Radio, TV, and other electronics stores	X		
443130 Camera and photographic supplies stores	X		X
448310 Jewelry stores	X		X
451120 Hobby, toy, and game stores	X		
451130 Sewing, needlework, piece goods stores	X		X
451140 Musical instrument and supplies stores	X	X	X
451211 Book stores	X	X	X
451212 News dealers and newsstands	X	X	
451220 Precoded tape, CD, and record stores	X		X
453220 Gift, novelty, and souvenir stores	X		
453920 Art dealers	X	X	X
453998 Store retailers not specified elsewhere	X		
511110 Newspaper publishers	X	X	
511120 Periodical publishers	X	X	X
511130 Book publishers	X	X	X
511191 Greeting card publishers	X	X	X
511199 All other publishers	X	X	X
511210 Software publishers	X		
512110 Motion picture and video production	X	X	X
512120 Motion picture and video distribution	X	X	X
512131 Motion picture theaters, except drive-ins	X	X	X
512132 Drive-in motion picture theaters	X	X	X

NAICS and type of establishment	Included in New England Foundation for the Arts creative sector universe	Included in Colorado Council on the Arts creative sector universe	Included in Arts Build Communities creative sector universe
512191 Teleproduction & postproduction services	X	X	X
512199 Other motion picture and video industries	X	X	X
512210 Record production	X	X	X
512220 Integrated record production & distribution	X	X	X
512230 Music publishers	X	X	X
512240 Sound recording studios	X	X	X
512290 Other sound recording industries	X	X	X
515111 Radio networks	X	X	
515112 Radio stations	X	X	
515120 Television broadcasting	X	X	
515210 Cable & other subscription programming	X	X	
516110 Internet publishing and broadcasting	X	X	
517510 Cable and other program distribution	X	X	
519110 News syndicates	X	X	
519120 Libraries and archives	X	X	X
532220 Formal wear and costume rental	X		X
532230 Video tape and disc rental	X		X
532299 All other consumer goods rental	X		
541310 Architectural services	X	X	X
541320 Landscape architectural services	X	X	X
541340 Drafting services	X	X	X
541410 Interior design services	X	X	X
541420 Industrial design services	X	X	X
541430 Graphic design services	X	X	X
541490 Other specialized design services	X	X	X
541810 Advertising agencies	X	X	X
541820 Public relations agencies	X	X	
541830 Media buying agencies	X	X	
541840 Media representatives	X	X	
541850 Display advertising	X	X	X
541860 Direct mail advertising	X	X	
541890 Other services related to advertising	X	X	
541921 Photography studios, portrait	X	X	X
541922 Commercial photography	X	X	
611519 Other technical and trade schools	X		

NAICS and type of establishment	Included in New England Foundation for the Arts creative sector universe	Included in Colorado Council on the Arts creative sector universe	Included in Arts Build Communities creative sector universe
611610 Fine arts schools	X	X	X
711110 Theater companies and dinner theaters	X	X	X
711120 Dance companies	X	X	X
711130 Musical groups and artists	X	X	X
711190 Other performing arts companies	X	X	X
711310 Promoters with facilities	X	X	
711320 Promoters without facilities	X	X	
711410 Agents and managers for public figures	X	X	
711510 Independent artists, writers, and performers	X	X	X
712110 Museums	X	X	X
712120 Historical sites	X	X	
712130 Zoos and botanical gardens	X	X	
712190 Nature parks and other similar institutions	X		
812921 Photofinishing laboratories, except one-hour	X		
812922 One-hour photofinishing	X		

Note: Table adapted from *The State of Colorado's creative Economy*, based on North American Industry Classification System codes and definitions