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# Measuring the Economic Contribution of the Philippine Creative Sector

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***Measuring the Economic Contribution of the Philippine Creative Sector***

## Objectives

- To provide an overview of the scope of the Philippine creative sector and its key economic measures and indicators
- To present the preliminary estimates on the economic contribution of the sector, in terms of trade value, value-added, and employment;
- To outline key recommendations moving forward, particularly on validating and improving classification processes, and more accurate estimations of the economic contribution

## Outline

- Overview: Recent developments and scope and coverage
- Creative measures and indicators
- Models in measuring the economic contribution
- Estimates of economic contribution: value-added, employment, trade flows
- Ways forward



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# Overview:

## Recent developments and scope

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## Developments in the creative sector

Pre-COVID

COVID-19



## Challenges and gaps

The **lack of standardized** definitions, framework, and methodology on scope and measurement

- What should be the scope and coverage internationally? In the Philippines?
  - United Nations Educational, Scientific and Cultural Organization (UNESCO)
  - World Intellectual Property Organization (WIPO)
  - United Nations Conference on Trade and Development (UNCTAD)
  - Combination?
- How do we measure its economic contribution?

## Defining ‘creative’

- Its multiple dimensions are difficult to capture but its characteristics can be articulated (e.g., cultural/artistic, scientific, economic, and technological)
- Ambiguity and vagueness
  - A matter of “considerable inconsistency and disagreement in the academic literature and in policymaking circles, especially in relation to the parallel concept of “cultural industries” (UNCTAD [2010])
  - Distinction among vs. interchangeable use of the ‘creative’, ‘cultural’, and ‘copyright-based’ industries
  - **No consensus** on the composition of the creative industries across countries.

## Defining Philippines' 'creative'

- Use the **UNCTAD** definition, framework and methodology in classifying creative industries
  - Extends the UNCTAD framework **extends the concept of “creativity”** from activities having a strong artistic component to “any economic activity producing symbolic products with a heavy reliance on intellectual property and for as wide a market as possible” (UNCTAD, 2010).
  - Employs a refined and unifying **product classification method** which uses the fundamental element of the creative economy, goods and services, as the primary indicator and guide in identifying creative industries
  - Indonesia and Thailand, **neighboring countries similar to the Philippines**, in terms of economic structure, have patterned their national creative economy frameworks with UNCTAD





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# Operationalizing 'creative' elements in PH context

- Creative good or service: if it satisfies at least one of the following criteria (UNCTAD, 2010):
  - its production requires some input of **human creativity**
  - a vehicle for **symbolic messages** to those who consume them, i.e., they are more than simply utilitarian insofar as they additionally serve some larger, communicative purpose; and
  - contain an **intellectual property factor**
- Creative industries: the cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as **primary** inputs
  - Empirically, to classify creative industries is to determine **if the product of the activity is considered creative or not**. Otherwise, it is not.
- Creative occupation: if its **main tasks are classified as creative**. Otherwise, it is not.





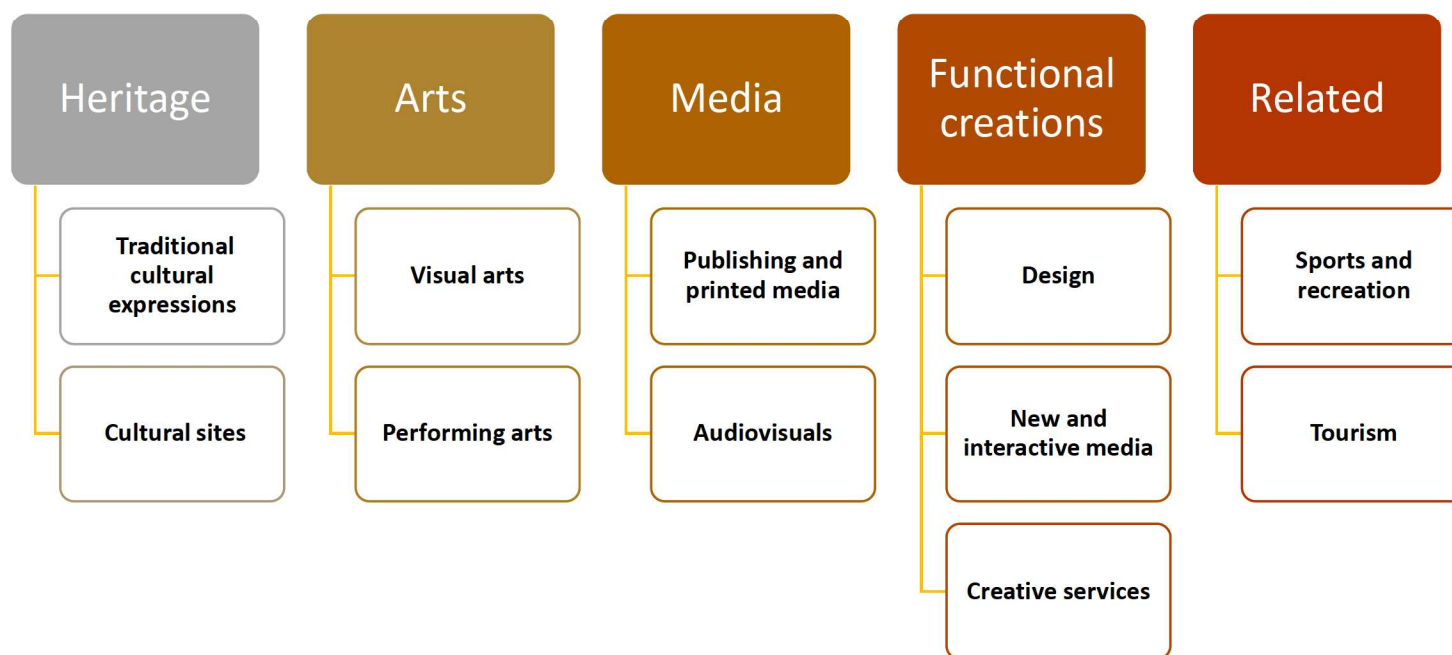
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## Creative industry: domains and segments



**Proposed Philippine Creative Industry (domains and segments) Framework**

Source: Generalao (forthcoming). Scope and Coverage of the Philippine Creative Sector



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## Creative industry: segments and groups

Traditional cultural expressions	<ul style="list-style-type: none"> <li>festivals, fairs, and feasts; traditional medicine; gastronomy; religious practices; celebration</li> </ul>
Cultural sites	<ul style="list-style-type: none"> <li>museums (physical and virtual); libraries (physical and virtual); cultural exhibitions; book fairs; natural heritage; archeological and historical places; and cultural landscapes</li> </ul>
Visual arts	<ul style="list-style-type: none"> <li>painting, sculpture, art crafts, drawings, antiques, photography, fine arts, graphic arts</li> </ul>
Performing arts	<ul style="list-style-type: none"> <li>music (live or recorded), musicals, theatrical production, and opera, dance (live, recorded), other live events (circus, puppetry, spoken word)</li> </ul>
Publishing and printed media	<ul style="list-style-type: none"> <li>books, newspapers, magazines, comics, graphic novels, and other publications</li> </ul>
Audiovisuals	<ul style="list-style-type: none"> <li>film and video, television and radio, broadcasting, VCRs, CD players, dvd players, cassette players, electronic gaming equipment and other similar equipment</li> </ul>
Design	<ul style="list-style-type: none"> <li>fashion design, graphic design, interior design, landscape design, visual communication design, web design, animation design, product design</li> </ul>
New and interactive media	<ul style="list-style-type: none"> <li>video games and computer games (online and offline), mobile games, applications, digitalized creative content, digital content streaming platforms (livestreaming, podcasting, etc.), software and databases</li> </ul>
Creative services	<ul style="list-style-type: none"> <li>architectural, engineering and other technical services (e.g., IT-BPM services, environmental planning), advertising, market research and public opinion services, digital and other related creative services, research and development services (application and game development, cultural education and training) other personal, cultural and recreational services)</li> </ul>
Sports and recreation	<ul style="list-style-type: none"> <li>sports, physical fitness and well-being, amusement and theme parks, gambling</li> </ul>
Tourism	<ul style="list-style-type: none"> <li>charter travel and tourist services, hospitality and accommodation</li> </ul>

### Proposed Philippine Creative Industry Segments and Groups

Source: Generalao (forthcoming). Scope and Coverage of the Philippine Creative Sector



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# Creative measures and indicators

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## Key characteristics

- Based on official statistics data sources
- Statistical in character and produced on a regular basis (i.e., not one-off estimations, but as ongoing statistical processes)
- Based on internationally-harmonized codes and presented within internationally recognized macroeconomic frameworks, which implies:
  - Comparable over time within the same country, comparable among countries, and comparable with other fields of economic activity, allowing for cross-sectoral and time-series analyses.
  - Comparable over time, allowing trends to be measured and monitored
  - Subject to limitations of the underlying classifications of the make-up of the local economy.



## What can be measured?

- For each of the five creative domains and its corresponding segments, the following measures for establishments can be estimated:
  - Value added
  - Income
  - Expense
  - Employment
  - Labor productivity
  - Contribution to GDP
- Trade flows can then be traced and calculated by product (e.g., good or service) and by creative domain and segment over the years.





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# Models in measuring the economic contribution

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## Models in measuring the economic contribution

- Trade value: UNCTAD's trade model
- Employment: Creative trident approach
- Value-added: WIPO's copyright model

## Trade flows: UNCTAD's trade model

- Background: The market for creative products (e.g., goods and services) are not only growing domestically, but naturally extends to the international market.
- Significance: Critical to highlight the importance of measuring the trade flows (i.e., import and export) of these creative products and assess the impact of the creative sector on development

## Employment: Creative trident approach

- Premise: Not all creative workers are working in creative businesses (specialists), and not all workers in the creative industries are creative workers (support occupations) (Higgs and Cunningham, 2008)
- Builds and improves on previous iterations of estimating creative employment by other countries, such as DCMS of UK, Hongkong, Australia, and Singapore (Higgs and Cunningham 2008)

## Value-added: WIPO's copyright model

- **Copyright-based industries:** “involved directly or indirectly in the creation, manufacture, production, broadcast and distribution of copyrighted works (WIPO)”
- The methodology outlines four groups of copyright industries classified based on the industry's level of dependence on **copyright material**
  - Core, interdependent, partial, and non-dedicated support industries
- Build on existing studies, such as Francisco et al. (2006), Francisco et al. (2014) and Bayudan-Dacuycuy (2021)



## Defining copyright-based industries

- **Core: wholly engaged** in the creation, production and manufacture, performance, broadcasting, communication and exhibition, or distribution and sale of works and other protected subject matter
- **Non-core**
  - Partial: **a portion** of the activities is related to works and other protected subject matter and may involve creation, production and manufacture, performance, broadcasting, communication and exhibition, and distribution and sales
  - Interdependent: **wholly or primarily to facilitate** the creation, production, or use of works and other protected subject matter
  - Non-dedicated: **a portion** of the activities is related to **facilitating** broadcast communication and the distribution or sale of works and other protected subject matter whose activities have not



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## Creative domains and segments: WIPO (2015)

### Core

- Advertising
- Copyright Collecting Societies
- Motion Picture and Video
  - Music, Theatrical Production, and Opera
- Press and literature
- Radio and Television
- Software and Databases
- Video and Graphic Arts

### Interdependent

- Blank recording material
- Computers and Equipment
  - Musical Instruments
    - Paper
  - Photocopiers
  - Photographic and Cinematographic Instruments
- TV sets, Radios, VCRs, CD Players, DVD Players, Cassette Players, Electronic Gaming Equipment and Other Similar Equipment

### Partial

- Apparel, Textiles and Footwear
- Architecture, Engineering, Surveying
  - Furniture
- Household Goods, China, and Glass
  - Interior Design
- Jewelry and Coins
  - Museums
  - Other Crafts
  - Toys and Games
- Wall Coverings and Carpets

### Non-dedicated support

- Food and Beverage Service
- General Transportation
- General Wholesale and Retail

Source: Author's compilation based on DTI-OUCIG's initial groupings

## Assignment of copyright factors

- Rationale: Avoid overestimation and inclusion of non-copyright related aspects of creative industries
- Copyright factor for core industries will be 100%.
- Capture only the copyright-related aspects of non-core CBIs (e.g., non-dedicated support industries, such as wholesale and retail trade) and products (e.g. value of gold jewelry, where only the artistic aspect part is copyright-related) to avoid overestimation.





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## Adopting copyright factors from comparable countries

- No copyright factors estimated for the Philippine non-core CBIs, although there have been previous efforts to do so, as discussed by Francisco et al. (2014).
- Adopt the methodology and the estimated copyright factors of Francisco et al. (2014), which followed framework of Abadie and Gardeazabal (2003) and created a “synthetic Philippines.”

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### Copyright factors for the Philippine Creative Sector

Interdependent Copyright Industries	Francisco et al. (2006)	Francisco et al. (2014)
1. TVs, radios, VCRs, CD and DVD players electronic gaming equipment	35.00	38.76
2. Computers and equipment	35.00	38.92
3. Musical instruments	20.00	30.00
4. Photographic and cinematographic instruments	30.00	25.93
5. Photocopiers	30.00	20.00
6. Blank recording material	25.00	20.00
7. Paper	25.00	15.00
<b>Partial Copyright Industries</b>		
1. Apparel, textiles and footwear	0.40	15.00
2. Jewelry, costume jewelry	8.3, 42	1.86
3. Other crafts	42.00	26.90
4. Furniture and fittings, furnishings	8.3, 1.7	34.69
5. Household goods, china, and glass	0.60	0.80
6. Wall coverings and carpets	1.70	1.08
7. Toys and games	42.00	27.52
8. Architecture, engineering, and surveying	8.30	6.81
9. Interior design	8.30	6.81
10. Museum		0.62
<b>Non-dedicated support industries</b>		
1. General wholesale and retail	5.80	6.25
2. General transportation	5.80	6.25
3. Telephony and Internet	5.80	8.04

\*Adopted the Singapore's copyright factors generated and documented in Chow et al (2004)

\*\* Created a synthetic data following Abadie and Gardeazabal (2003) to get the weights associated with “synthetic Philippines” (represented by Malaysia, Singapore, and Thailand) and applied these to the “synthetic Philippines” copyright factors data

Source: Compilation of Bayudan-Dacuycuy (2021) (Annex Table B)

## Application of WIPO's copyright model

1. Following the detailed process in the creative classification process, classify 5-digit PSIC-coded industries as creative.
2. Map the creative industries identified in Step 1, to WIPO's classification of copyright industries, using the WIPO guide as reference.
3. Assign copyright factors for each segment in the WIPO classification, following Bayudan-Dacuycuy (2021). As stated in the WIPO guide, 100% will be given for core industries, while the other industries will be assigned depending on which segments they belong to.
4. Using the ASPBI datasets, calculate the value added as the difference between output minus intermediate consumption.
5. Using the same set of datasets, also calculate the employment in creative industries.
6. Adjust the values of value added and employment calculated in Steps 4 and 5, respectively, by weighting these using the copyright factors in Step 3.
7. Compute for labor productivity as the ratio between value added and total employment.





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# Estimates of economic contribution: value-added, employment, trade flows

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## Caveats

- Primary **datasets** used for value-added and employment: ASPBI 2015 and 2016
- Sample: Cover establishments with the ff. characteristics:
  - with total employment (TE) of 10 or more, and;
  - all establishments with TE of less than 10, except those establishments with Legal Organization = 1 (single proprietorship) and Economic Organization = 1 (single establishment), that are engaged in economic activities classified according to the 2009 Philippine Standard Industrial Classification (PSIC).
  - In effect, it only includes formal and generally large establishments and exclude individuals in the informal economy



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# Employment and value-added

- In 2016, the creative sector accounts for:
  - **5.58%** of total employment
    - equivalent to **349,000** employed persons
  - **4.70%** of total GDP
    - equivalent to **Php 2.77 trillion**



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## Core industries

- **More than half** (55% and 61%, respectively) are accounted for by **core** creative industries.
- Almost half of this comes from the employment and value added of the **software and databases** segment of the core domain.

	Employment		Value added	
	2015	2016	2015	2016
Total creatives	6.03	5.58	4.47	4.70
Core	55.3	55.99	60.1	62.17
Advertising	7.7	9.12	8.2	10.73
Copyright Collecting Societies	0.4	0.40	0.2	0.18
Motion Picture and Video	1.4	1.28	2.9	2.51
Music, Theatrical Production, and Opera	0.8	0.94	0.6	0.47
Press and Literature	16.0	16.81	10.0	11.39
Radio and Television	3.8	3.93	8.1	8.36
Software and Databases	22.8	20.91	28.8	27.00
Video and Graphic Arts	2.5	2.60	1.2	1.53

Employment and Value-added (%) in 2015-2016, overall and core industries

Source: Author's calculations





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## Non-core industries

- In terms of employment:
  - Partial industries account for **20%** of total creative employment, while interdependent and non-dedicated support industries comprise around **15%** and **9%**, respectively, of employment in the sector.
- In terms of value added:
  - Interdependent industries contribute **14%** of total value added, driven by the **apparel, textiles and footwear** segment.

Employment and Value-added (%) in 2015-2016, non-core industries

	Employment		Value added	
	2015	2016	2015	2016
<b>Interdependent</b>	17.2	15.22	16.6	14.21
Blank Recording Material	0.2	0.20	0.2	0.31
Computers and Equipment	12.8	11.40	11.5	9.42
Musical Instruments	0.4	0.29	0.2	0.15
Paper	0.7	0.69	0.8	1.03
Photocopiers	0.2	0.15	0.1	0.09
Photographic and Cinematographic Instruments	0.6	0.37	0.4	0.40
TV sets, Radios, VCRs, CD Players, DVD Players, Cassette Players, Electronic Gaming Equipment and Other Similar Equipment	2.4	2.11	3.4	2.80
<b>Partial</b>	19.4	19.87	11.0	11.45
Apparel, Textiles and Footwear	10.2	10.91	4.6	4.28
Architecture, Engineering, Surveying	1.1	0.88	1.3	1.07
Furniture	5.8	5.65	3.1	2.93
Household Goods, China, and Glass	0.0	0.03	0.0	0.03
Interior Design	0.1	0.07	0.0	0.03
Jewelry and Coins	0.1	0.06	0.0	0.02
Museums	0.0	0.00	0.0	0.00
Other Crafts	2.0	1.92	1.7	2.95
Toys and Games	0.3	0.34	0.2	0.15
Wall Coverings and Carpets	0.0	0.00	0.0	0.00
<b>Non-Dedicated Support</b>	8.1	8.92	12.3	12.16
Food and Beverage Service	2.7	3.14	2.3	1.53
General Transportation	0.3	0.34	0.2	0.27
General Wholesale and Retail	4.1	4.40	4.2	5.27
Telephony and Internet	0.9	1.04	5.6	5.09



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## Growth rates

- A slight decline in total employment in the creative sector (**-0.7%**) from 2015 to 2016.
- A **12.2%** growth rate in the total value added of the sector from 2015 to 2016, driven by **core** industries.
- **Overall labor productivity** grew by **13%** in the same period.

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### Employment and Value-added (%) in 2015-2016, overall and core industries

Employment	2015	2016	Growth rate
Total (ASPBI)	5,828,823	6,256,268	7.3
Total (non-creatives)	5,477,175	5,907,102	7.8
Total (creatives)	351,648	349,166	-0.7
Core	194,567	195,495	0.5
Interdependent	60,567	53,128	-12.3
Partial	68,174	69,394	1.8
Non-dedicated support	28,339	31,149	9.9
Value added (constant prices, in PHP 1000)			
Total (ASPBI)	2,593,887,768	2,765,836,896	6.6
Total (non-creatives)	2,477,995,520	2,635,859,712	6.4
Total (creatives)	115,892,248	129,977,184	12.2
Core	69,633,200	80,807,368	16.0
Interdependent	19,263,966	18,470,824	-4.1
Partial	12,727,396	14,888,839	17.0
Non-dedicated support	14,267,682	15,810,153	10.8
Productivity (PHP/employed persons)			
Total (ASPBI)	445,011	442,091	-0.7
Total (non-creatives)	452,422	446,219	-1.4
Total (creatives)	329,569	372,250	13.0
Core	357,888	413,348	15.5
Interdependent	318,059	347,666	9.3
Partial	186,689	214,554	14.9
Non-dedicated support	503,457	507,564	0.8



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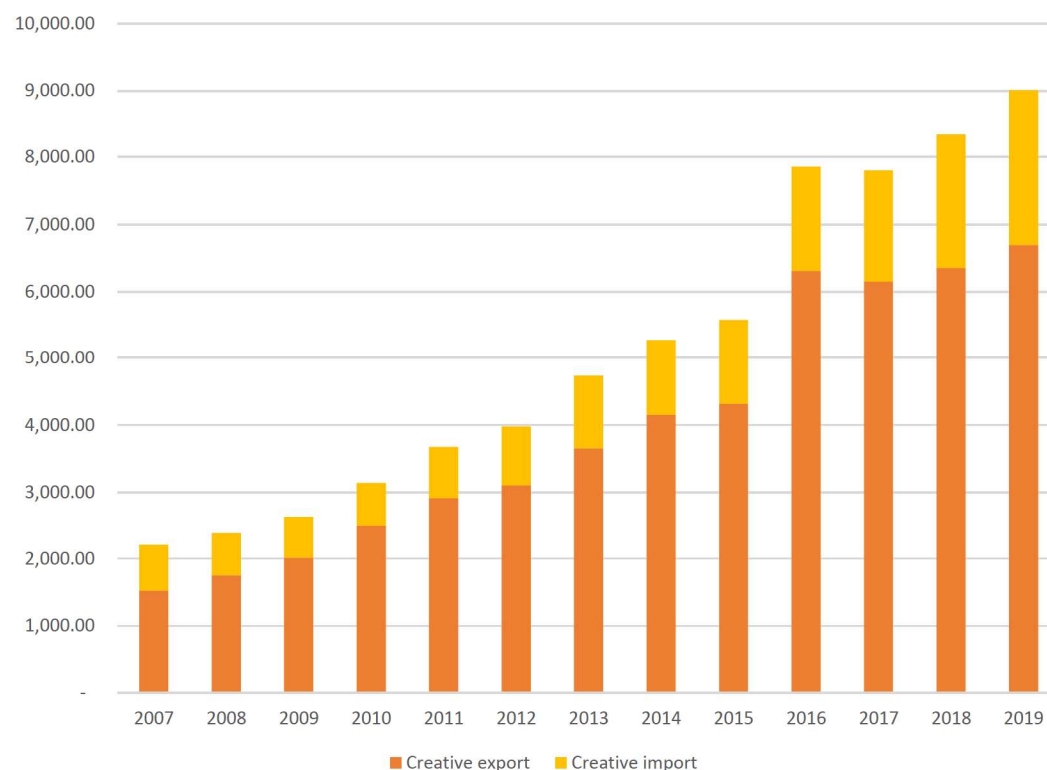
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### Trade flows

- Total trade value in 2019: **9,010.30 USD million**
- **Consistent positive growth** from 2007-2019 (except in 2017)
- **Positive trade balance**: 4,389.24 USD million
  - Demand > supply of creative products



**Total Philippine Creative Industry Trade Value, by component, 2007-2019**

Source: Author's compilation using UN Comtrade data



## Trade flows by product and by segment

- **Surplus in creative services far exceeds the deficit in creative goods**
  - 4,789.44 USD million > 400.20 USD million
- **Creative goods**
  - Most trade value is accounted for by the design segment (e.g., architecture, fashion, glassware, interior, jewelry, and toys) at 81% and 71% for exports and imports, respectively.
- **Creative services**
  - Almost all of the trade value of creative services are attributed to telecommunications, computer, and information services at 98% and 89% for exports and imports, respectively.



## Ways forward

- The lack of copyright factors
  - Implementation of survey questionnaires
    - structured following the sample questionnaire outlined in the WIPO guide and implemented with the close coordination and support of PSA, DTI, the IPOPHIL, WIPO, and other key government agencies and local governments
- Enhanced data access and better data collection
  - Capturing informal creative employment and creative MSMEs
  - Disentangling types of creative employment



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