

Ongoing report (last update: 17.04.2020)

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# COVID-19 Impact on the Cultural and Creative Industries in Germany

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## Economic Effects in a Scenario Analysis



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Ongoing report of the Federal Government's Centre of Excellence for the Cultural and Creative Industries about the 'COVID-19 Impact on the Cultural and Creative Industries in Germany. Economic Effects in a Scenario Analysis'

Last update: 17.04.2020

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## Last update (17.04.2020) of the short paper 'COVID-19 Impact on the Cultural and Creative Industries in Germany'

In this report we analyse the extent to which the cultural and creative industries (CCIs) are affected by the COVID-19 pandemic in Germany. We use a scenario analysis to examine the economic effects of public health measures which were introduced to cope with the COVID-9 crisis.

Our report is based on ongoing observations and represents an update of a first version published in German on the 26<sup>th</sup> March 2020. **In a first step**, we focus on how the lockdown measures impact the different CCIs sub-sectors in Germany and analyse the threat that measures such as the cancellation of events pose to professionals and organizations. **In a second step**, we provide a comparative perspective on international lockdown measures and examine the different national approaches. Overall, we estimate potential consequences for the CCIs sector and point towards best practice procedures for political decision-making. Additionally, we focus on recent developments in the political and economic sphere. We do so by providing a process perspective and consider both the lockdown as well as the recently adopted relaxation in the retail sector and the provisional regulations for clubs, theatres, concert halls and major events. Furthermore, our scenario analysis includes the severe developments in the advertising market and its interplay with the broadcasting and press sectors, as well as the economic trend and the associated effects on the demand for CCIs products and services.

In this report, we describe two different scenarios: 1) In a **medium scenario**, we estimate that the CCIs in Germany will experience turnover losses of approximately € 21.7 billion (medium scenario, 12.7 % of annual turnover). 2) In a **severe scenario**, the estimated turnover losses comprise of € 39.8 billion (almost 23 % of annual turnover). Due to the cancellation of public events, the cultural industries are more affected than the creative industries, the latter only consisting of the advertising market and the software/games industry. Nevertheless, and in comparison to our first report, there is a stronger impact than initially expected especially on the submarkets of the broadcasting industry, the advertising and press market and the software/games industry. Our report additionally includes a time perspective of the economic restrictions and shows that more than half of the total turnover losses of the CCIs are concentrated in the second quarter of 2020, although the negative trend will continue over the course of the year due to the economic situation. In some sub-markets, further turnover losses are expected in 2021 due to the lack of revenue pay-outs from the exploitation of rights and high investment backlogs.

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# 1 The COVID-19 Pandemic and its Consequences

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On 11<sup>th</sup> March 2020, the World Health Organisation (WHO) has declared the global spread of COVID-19 a pandemic.<sup>1</sup> Within a short time, the number of infections increased and spread all around Germany. To contain the virus and prevent infections in the private, professional and public sector, the Robert Koch Institute (RKI) particularly stressed the necessity of reducing social contacts.<sup>2</sup>

As a first reaction, the Federal Government and federal states agreed on guidelines for acting upon the crisis. These encompassed closures, among others:

- Bars, clubs, discos, pubs, and similar establishments
- Theatres, operas, concert halls and similar institutions
- Fairs, exhibitions, cinemas, amusement parks, zoos and providers of leisure activities (indoor and outdoor),
- Gatherings in clubs and other leisure facilities as well as adult education centres, music schools and other public and private educational institutions

The restrictions were initially planned until 20<sup>th</sup> April 2020 but then extended until 3<sup>rd</sup> May 2020, based on an interim evaluation of the pandemic on 15<sup>th</sup> April 2020. The Federal Government and the states agreed to meet every two weeks to discuss the current situation and further procedures. According to current regulations, bookstores will be exempted from the bans in the future. However, major events will continue to be prohibited, probably until 31<sup>st</sup> August 2020. Bars, clubs, discotheques, and pubs will remain closed. The same applies to theatres, operas, concert halls and similar cultural institutions, as well as zoos.

## 1.1 The Situation in the Cultural and Creative Industries

The restrictions pose a threat to the cultural and creative industries, as some companies and self-employed persons suffer major losses. Many freelancers and micro-enterprises work in the creative industries. They depend more than others on events and markets for earning money. The 260,000 companies and 1.7 million employees that comprise the CCIs are therefore hit particularly hard by COVID-19. In 2018, the employees of the CCIs generated a turnover of 168 billion €. 260,000 employees in the CCIs live from freelance work or self-employment. Almost 340,000 are so-called mini self-employed and have an annual income that is less than 17,500 €. In 2019, almost 190,000 people were actively insured with the artists' social insurance fund.<sup>3</sup> Many artists, such as singers, professionals in event and stage technology, photographers, actors or writers, live on the edge of subsistence anyway. Due to the cancellation of events, these groups face severe existential problems.<sup>4</sup>

<sup>1</sup> <https://www.who.int/health-topics/coronavirus> (accessed 19.03.2020)

<sup>2</sup> [https://www.rki.de/DE/Content/InfAZ/N/Neuartiges\\_Coronavirus/Risikobewertung.html](https://www.rki.de/DE/Content/InfAZ/N/Neuartiges_Coronavirus/Risikobewertung.html) (accessed 19.03.2020)

<sup>3</sup> <https://www.kuenstlersozialkasse.de/service/ksk-in-zahlen.html> (accessed 19.03.2020)

<sup>4</sup> <https://www.bmwi.de/Redaktion/DE/Publikationen/Wirtschaft/monitoringbericht-kultur-und-kreativwirtschaft-2019-kurzfassung.html> (accessed 20.03.2020)

Everyone who is put in quarantine due to COVID-19 ("Tätigkeitsverbot") and therefore suffers a loss of earnings may claim compensation. The German Infection Protection Act specifies that self-employed persons and freelancers also receive compensation for income loss. The compensation payments consist of a certain percentage of the income from the previous year and also encompass business expenses such as rent. In many other cases, however, the statutory regulations for income loss do not apply.<sup>5</sup> In these cases, the entrepreneurial risk remains with the self-employed persons and companies and is not compensated for by the state. When already closed contracts are cancelled by contractual partners, it becomes complicated for the self-employed or companies. The event industry is particularly hard hit. Illnesses and pandemics are not covered by most insurance policies.<sup>6</sup> Nevertheless, people must pay their bills for rent, electricity and living expenses. To support those employed in the CCIs, far-reaching measures and support services are needed. The Federal Government has promised financial resources in this regard.

In a first step, this short paper provides an analysis of how the cultural and creative industries are affected by the COVID-19 pandemic. For this purpose, the effects of the ordered closures and the associated effects in the individual sub-sectors and occupational fields are estimated. To what extent these effects will occur cannot of course be answered precisely. Only an initial idea of the persons affected, and the loss of turnover will be given. For this reason, economic effects are calculated and recorded based on a scenario analysis. In a second step, the international perspective on the COVID-19 pandemic will be considered. For this purpose, information on approaches from other countries will be researched in order to analyse different approaches and measures that could be helpful especially for the cultural and creative industries. Overall, the analysis of the consequences of the pandemic for the cultural and creative industries is intended to provide an overview of the possible consequences in the cultural and creative industries and, together with the knowledge about the procedures in other countries, to make political action needs more clearly recognisable.

## 1.2 Comparable Crises

In terms of its societal and economic impact, the COVID-19 pandemic is unique in the history of Germany and can only be compared to a limited extent to previous crisis situations. This also means that conventional measures and support programmes of former crisis situations, such as the global economic crisis of 2007/2008, cannot be simply adapted. In particular, the freedom of movement has not been as limited as in the current COVID-19 pandemic. Additionally, no other crisis had such a strong global impact, affecting both supply and demand. Even in previous pandemics, such as the SARS pandemic in 2002 and 2003, the impact and spread of the disease in Germany was much less noticeable and renders a direct comparison of the economic consequences inadequate.

The global economic crisis of 2007/2008 was characterized by a breakdown in demand for goods and services. However, there was no supply shock, which meant that government support programmes were able to rely on economic stimulus programs to increase demand. In response to the global economic crisis, the German government adopted two economic stimulus programmes in 2008/09. A retrospective evaluation of the stimulus programmes showed the actual use of the funds made available.<sup>7</sup> As a result, it were primarily consumption- or income-boosting

<sup>5</sup> <https://www.coronavirus.sachsen.de/unternehmen-arbeitgeber-und-arbeitnehmer-4136.html> (accessed 19.03.2020)

<sup>6</sup> <https://www.e-recht24.de/artikel/arbeitsrecht/11971-corona-alles-zu-krankschreibung-kurzarbeit-home-office.html> (accessed 19.03.2020)

<sup>7</sup> <https://www.wirtschaftsdienst.eu/inhalt/jahr/2011/heft/7/beitrag/was-brachte-das-konjunkturpaket-ii.html> (accessed 19.03.2020)

measures, such as the scrappage program, that had an immediate effect. More than 80 percent of these measures were already withdrawn in 2009. Investment measures did not take effect until one or two years later, but in end only 60 percent of the funds were used and thus had no effect. The economic stimulus thus resulted primarily from the scrappage scheme, the reduction in income tax, the reduction of health insurance rates and the child bonus. By contrast, the investment programme hardly stabilized the economy at all.

In the current COVID-19 pandemic there is both a supply and demand shock. An economic stimulus package and consumption measures can therefore only be recommended to a limited extent. In the current situation, income-boosting measures should be used above all.



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## 2 Methodology

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### 2.1 Methodological Approach

Our calculations on the extent to which the cultural and creative industries (CCIs) and its sub-markets are affected by the COVID-19 pandemic are based on data from the Federal Statistical Office (sales tax statistics) and the Federal Employment Agency for the year 2018<sup>8</sup>. We continuously monitored and categorized the reporting on the impact of the COVID-19 pandemic on the CCIs and its sub-markets. We paid particular attention to the developments at the federal level as well as to those countries in which the economic consequences of the COVID-19 pandemic were more advanced and thus provided us with more clear effects on the CCIs. We analysed these data and assigned the findings to the individual CCIs sectors according to the 2016 classification<sup>9</sup> as well as to three different categories of low, medium, and heavy affectedness. In a first version of this report, we calculated three scenarios (mild, medium and severe) based on the available data on turnover losses and affectedness.<sup>10</sup> In the current version, we abandoned the mild scenario, as the assumptions of this scenario do not correspond to the current circumstances anymore. The two remaining scenarios (medium and severe) point out the potential scope of economic affectedness for the CCIs sectors in Germany as follows:

- In the **medium scenario**, we assume that in the case of heavy affectedness some sub-sectors will lose 30 to 40 percent of their annual turnover. A medium level of affectedness stands for turnover losses of 20 to 30 percent and a low level of affectedness for 10 to 20 percent. This scenario assumes that severe economic restrictions of the crisis are to be expected until August, after which the economy gradually recovers.
- The **severe scenario** leads to a loss of 70 to 80 percent of annual turnover in the case heavy affectedness, 50 percent in the case of medium affectedness and 20 to 30 percent in the case of low affectedness. In this scenario, we assume that severe restrictions on economic life will continue until the end of the year. A further wave of infection and an associated lockdown could lead to this scenario.

In the upcoming months, it is assumed that some of the turnover will, in part, be lost completely before resuming at a certain point later this year - which cannot be foreseen now. Since the beginning of the crisis in mid-March, Germany has been in a lockdown, with a considerable impact on the CCIs. Now, it is not possible to anticipate when the individual CCIs sectors will recover. A synchronized reopening of all sectors is not going to take place. Retailers of up to 800 square metres in size will be allowed to reopen under strict hygiene regulation from 20<sup>th</sup> April 2020. Major events are cancelled until the end of August.<sup>11</sup> It is also possible that another shop closure in response to a renewed rise in the number of infections may take place.

<sup>8</sup> Values based partly on estimates.

<sup>9</sup> [https://www.wirtschaftsministerkonferenz.de/WMK/DE/termine/Sitzungen/16-06-08-09-WMK/16-06-08-09-bericht-leitfaden-ak-kultur-kreativwirtschaft-10.pdf?\\_\\_blob=publicationFile&v=2](https://www.wirtschaftsministerkonferenz.de/WMK/DE/termine/Sitzungen/16-06-08-09-WMK/16-06-08-09-bericht-leitfaden-ak-kultur-kreativwirtschaft-10.pdf?__blob=publicationFile&v=2)

<sup>10</sup> [https://kreativ-bund.de/wp-content/uploads/2020/03/200326\\_Kurzpapier\\_Betroffenheit\\_KKW\\_Corona.pdf](https://kreativ-bund.de/wp-content/uploads/2020/03/200326_Kurzpapier_Betroffenheit_KKW_Corona.pdf) (accessed 16.04.2020)

<sup>11</sup> <https://www.tagesschau.de/inland/inland-coronavirus-beschaerungen-101.html> (accessed 16.04.2020)



## 2.2 Notes on the Interpretation of the Figures

The figures on the effects of the COVID-19 pandemic on the CCIs represent an annual average of the respective turnover declines. Turnovers can also be lost completely in the short term, as is currently the case for example for cinemas, concerts, and theatres.

Additionally, the effects are different in the respective sectors and occupational groups. The impact scenarios thus form a mean value of self-employed persons, employees subject to the payment of social insurance contributions, marginally employed people, SMEs, and large companies. The extent to which individual sub-markets and groups are or will be affected by the crisis and how the effects on the entire CCIs are or could be, will be determined in the following chapters.

### 3 Impact on Germany

At this point, we estimate the extent to which the cultural and creative industries (CCIs) are affected by the COVID-19 pandemic. This estimation does not represent the actual affectedness, but rather serves as an orientation for the number of companies and persons affected. The temporary closure of all cultural facilities to contain or slow down the COVID-19 pandemic will have major economic consequences for parts of the CCIs. The extent to which they will be affected differs in the sub-markets of the CCIs, but also in the different parts of the value chain, such as artists and creative people, producers and distribution companies responsible for the commercialisation of products (e.g. retail trade or performance venues). At the same time, we estimate the amount of turnover losses that may result from the crisis and elaborate on the fields of employment that are existentially affected. Figure 1 provides an overview of severely affected industries and occupational groups.

Figure 1: Industries/occupations within the CCIs severely affected



Source: Prognos AG

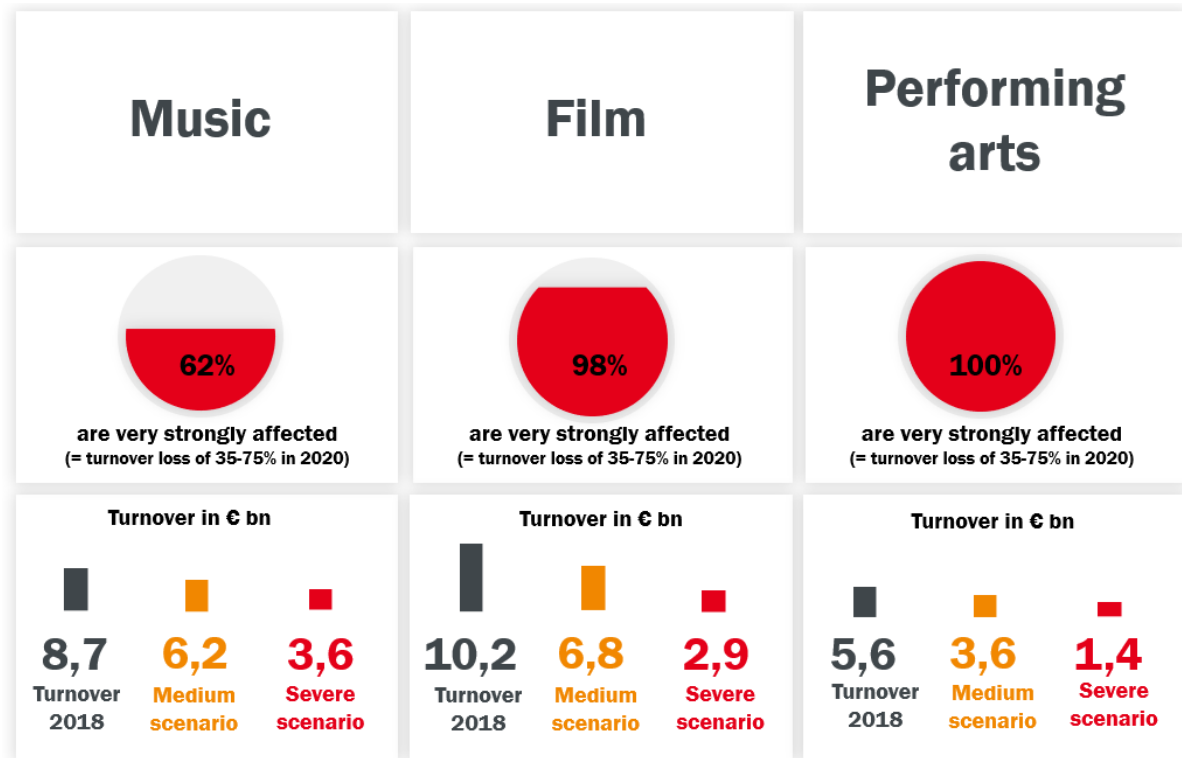
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#### 3.1 Impact on the Sectors of the Cultural and Creative Industries

In this paragraph, we examine and evaluate the extent to which the CCIs are affected in the individual sub-sectors. We differentiate between strong, medium and low degrees of affectedness. On the basis of the degree to which they are affected, we calculate the extent to which the COVID-19 pandemic could affect the CCIs in two scenarios. It needs to be considered that the figures are annual losses of turnover and thus annual averages. The turnover losses are not evenly distributed over the year but occur in most cases between March and August (see Chapter 2).

**Figure 2: Overview of the film, book and performing arts sub-markets**

Interpretation guide: In the music industry, 62 % of the solo self-employed, freelancers or companies are very strongly affected by turnover losses. The remaining share is affected moderately or mildly



Source: Prognos AG

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In the **music industry**, it is expected that a large part of the annual turnover of self-employed persons or companies will be lost. This estimation is based on the nationwide cancellation of events and the resulting post-lockdown effects. Currently, it can be assumed that sales from music events will be lost for at least four to seven months. On 15<sup>th</sup> April 2020, major events were decided to be cancelled until the end of August.<sup>12</sup> The extensive cancellation of the festival season will affect many actors in the music industry. Furthermore, we assume that the situation will not improve quickly after the relaxation of lockdown measures, as events need to be planned weeks to months in advance and audiences will most likely avoid attending events with large crowds. Furthermore, it has become apparent that some actors will be affected until the year 2021. Music publishers, labels and authors will face significant revenue losses from collecting societies in the following year. It can be expected that most online reservations for concerts will be cancelled. An indicator for this situation is Italy, where 70 percent of online reservations have been cancelled at short notice.<sup>13</sup> The draft law on the compensation of consumers in case of cancelled events by means of vouchers could mean a significant relief for cultural operators. However, it is not yet clear whether and when a voucher solution can be expected.

When these effects are transferred to the individual groups in the music industry, we expect turnover losses of between € 2.5 billion (medium scenario) and € 5.1 billion (severe scenario). This

<sup>12</sup> <https://www.tagesschau.de/inland/inland-coronavirus-beschaerungen-101.html> (accessed 16.04.2020)

<sup>13</sup> [https://www.boersenblatt.net/2020-03-06-artikel-hohe\\_umsatzverluste\\_bei\\_kinos\\_und\\_buchhandlungen-corona-folgen\\_in\\_italien.1823727.html](https://www.boersenblatt.net/2020-03-06-artikel-hohe_umsatzverluste_bei_kinos_und_buchhandlungen-corona-folgen_in_italien.1823727.html) (accessed 17.03.2020)

would mean that 29 to 59 percent of the annual turnover would be lost. The expected losses are particularly dramatic due to the fact that the music industry employs 23,100 mini self-employed and 15,400 people in marginal employment.<sup>14</sup> Similar estimations were made by the associations of the German music industry that refer to a period of six months. Accordingly, the total amount of expected turnover losses is around 5.5 billion euros. For 2021, too, revenue shortfalls from GEMA losses are already expected to encompass to just under € 400 million.<sup>15</sup>

Heavy losses are also expected in the **film industry**. The main reason is the cancellation of cinema events and film productions, which are expected to continue until the end of July and the end of August. In addition, cinema events are expected to need some time for restarting the programme planning and it can be assumed that cinema visitors will initially show a certain scepticism towards indoor premises and crowds. According to the German umbrella organization of the film industry (Spitzenorganisation der Filmwirtschaft e.V.), the closure of cinemas causes extreme damage, especially to small and medium-sized cinemas. Although the demand for entertainment and films should remain high, especially for "stay in house" supply, there is a risk that the demand cannot be met easily. A restart of film production is likely to be made difficult by capacity shortages and an intensified shortage of skilled workers. In addition, film projects are particularly at risk of production stops and postponements. Due to high investment costs, delays are potentially threatening their economic existence. This suggests that an immediate "back to normal" can not to be expected after the end of the crisis. Furthermore, losses due to lacking revenue pay-outs from the exploitations of rights must be considered - these losses will be experienced in 2021. Across Germany, we expect that the film industry loses 33 to 72 percent of its annual turnover (a total of about € 3.4 to 7.3 billion). Almost 61,000 core workers and 46,000 mini self-employed persons work in the film industry.

We expect turnover losses of € 2.5 to 4.5 billion in the **book market**. This corresponds to 19 to 34 percent of annual sales. The book market comprises almost 70,000 persons working as core workforce, and almost 30,000 mini self-employed persons. Most of the losses are assumed to be incurred by book publishers and retail companies (such as bookstores). The German Publishers & Booksellers Association (Börsenverein des Deutschen Buchhandels) expects turnover losses of around half a billion euros per month when stores remain closed.<sup>16</sup> As a result of the closures, bookstores cancel their orders from publishers. Some publishers hold back planned publications until the following year. It is assumed that the loss of income can only be partially compensated for by online sales. Amazon announced not to order any books from publishers until May and instead focus on goods that are high in demand (e.g. household goods, sanitary articles, etc.).<sup>17</sup> Especially small shops with a limited online supply will therefore be hit hard by the crisis. These assumptions are also supported by the experiences in Italy. There, bookstores recorded a 25 percent drop in turnover. In the areas most affected by the COVID-19 virus, declines of up to 70 percent were reported.<sup>18</sup> The announced opening of shops up to 800 square metres in size under strict hygiene conditions from 20 April 2020, gives reason for hope to resume to business.<sup>19</sup>

The crisis is furthermore assumed to be of burden for self-employed people and companies from the **art market** and the **performing arts**. Nearly all employees in these sub-markets will likely lose

<sup>14</sup> [https://www.kultur-kreativ-wirtschaft.de/KUK/Redaktion/DE/Publikationen/2019/monitoring-wirtschaftliche-eckdaten-kuk.pdf?\\_\\_blob=publicationFile&v=10](https://www.kultur-kreativ-wirtschaft.de/KUK/Redaktion/DE/Publikationen/2019/monitoring-wirtschaftliche-eckdaten-kuk.pdf?__blob=publicationFile&v=10) (accessed 19.03.2020)

<sup>15</sup> Bericht der Verbände der deutschen Musikwirtschaft zu den wirtschaftlichen Auswirkungen der Corona-Pandemie (25.03.2020)

<sup>16</sup> <https://www.boersenverein.de/boersenverein/aktuelles/detailseite/lockerung-der-corona-auflagen-boersenverein-begruessst-vor-rangige-oeffnung-der-buchhandlungen/> (accessed 15.04.2020)

<sup>17</sup> [https://www.handelsblatt.com/arts\\_und\\_style/literatur/ueberlebenskampf-der-verlage-die-ausbreitung-des-coronavirus-stuerzt-den-buchmarkt-in-eine-tiefe-krise-/25676016.html](https://www.handelsblatt.com/arts_und_style/literatur/ueberlebenskampf-der-verlage-die-ausbreitung-des-coronavirus-stuerzt-den-buchmarkt-in-eine-tiefe-krise-/25676016.html) (accessed 28.03.2020)

<sup>18</sup> [https://www.boersenblatt.net/2020-03-06-artikel-hohe-umsatzverluste-bei-kinos-und-buchhandlungen-corona-folgen\\_in\\_italien.1823727.html](https://www.boersenblatt.net/2020-03-06-artikel-hohe-umsatzverluste-bei-kinos-und-buchhandlungen-corona-folgen_in_italien.1823727.html) (accessed 17.03.2020)

<sup>19</sup> <https://www.tagesschau.de/inland/inland-coronavirus-beschaerungen-101.html> (accessed 16.04.2020)

35 to 75 percent of their annual turnover. This affects independent artists, variety and cabaret theatres and cultural education companies such as dance schools. In many cases, these professional groups depend on performances and events. Due to the cancellation of events, the turnovers almost completely vanish. In the art market it is expected that 31 to 64 percent of turnovers will be lost this year. The decisive factor will be how long restrictions on events and other cultural venues will last. Another decisive factor is whether further closures will be necessary after the first relaxation of restrictions. The art market comprises almost 17,700 core employees and 27,300 mini self-employed persons. The performing arts market has 46,200 core employees and 49,800 mini self-employed persons.

In the **broadcasting industry**, it is assumed that radio and television broadcasters will suffer more from the COVID-19 pandemic than originally assumed. The broadcasting industry will most likely continue to face declining advertising revenues until at least September 2020. This development depends to a large extent on the development of the advertising market and thus on the economic situation of the overall economy. The turnover losses in this sub-market are estimated at almost € 1.1 billion (equivalent to 10 percent of annual turnover) in the medium scenario and € 1.9 billion (=17 percent) in the severe scenario. Local stations, such as regional private radio stations, suffer declines in advertising revenues to an extent that partly threatens their existence.<sup>20</sup>

In the remaining other sub-markets of the CCIs, we generally expect a lower level of turnover losses. These losses range from e.g. 22 to 38 percent in the design market to rather minor effects in the software/games industry. Nevertheless, all other sub-markets also include individual branches that will suffer severely from the crisis.

### 3.2 Overall Impact on the Cultural and Creative Industries

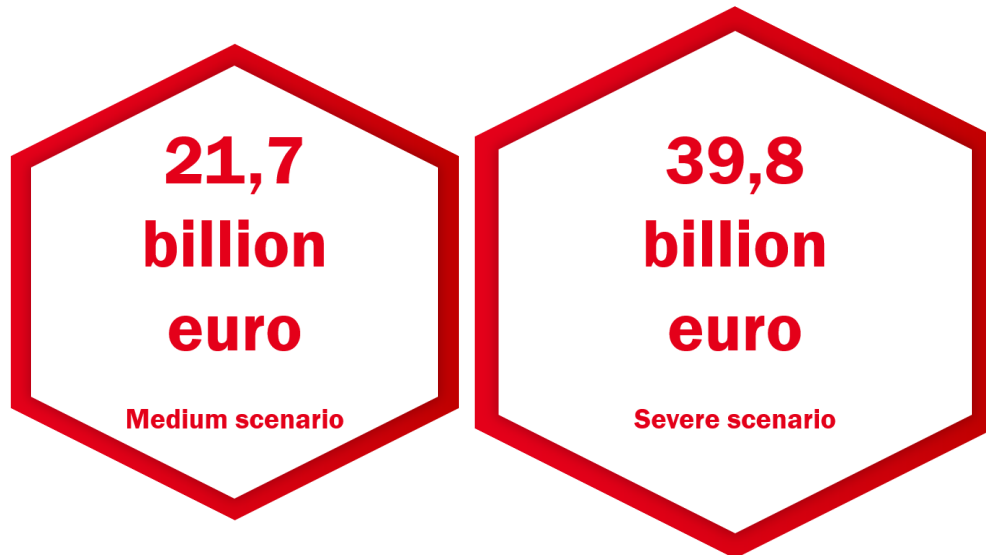
Taken together, we estimate that in a **medium scenario** the CCIs in Germany will experience turnover losses of approximately € 21.7 billion or 12.7 percent of its annual turnover (cf. Figure 3). Because these losses are not evenly distributed over the year, but instead concentrated between March and August, poses a particular problem to the CCIs. In a **severe scenario**, the estimated turnover losses account for € 39.8 billion or almost 23 percent of the annual turnover.

We also observe that the **cultural industries** are more affected than the **creative industries**, the latter only consisting of the advertising market and the software/games industry. We expect that more than 70 percent of the overall turnover losses of the CCIs will be attributable to the Cultural Industries. In a medium scenario this accounts for € 15.9 billion and in a severe scenario for € 30.7 billion.

<sup>20</sup> <https://www.medienpolitik.net/2020/03/einnahmen-sind-teilweise-existenzbedrohend-ingebrochen/> (accessed 16.04.2020)

**Figure 3: Estimated turnover losses of CCIs in 2020**

In 2018, the industry generated a total turnover of almost € 170 billion.



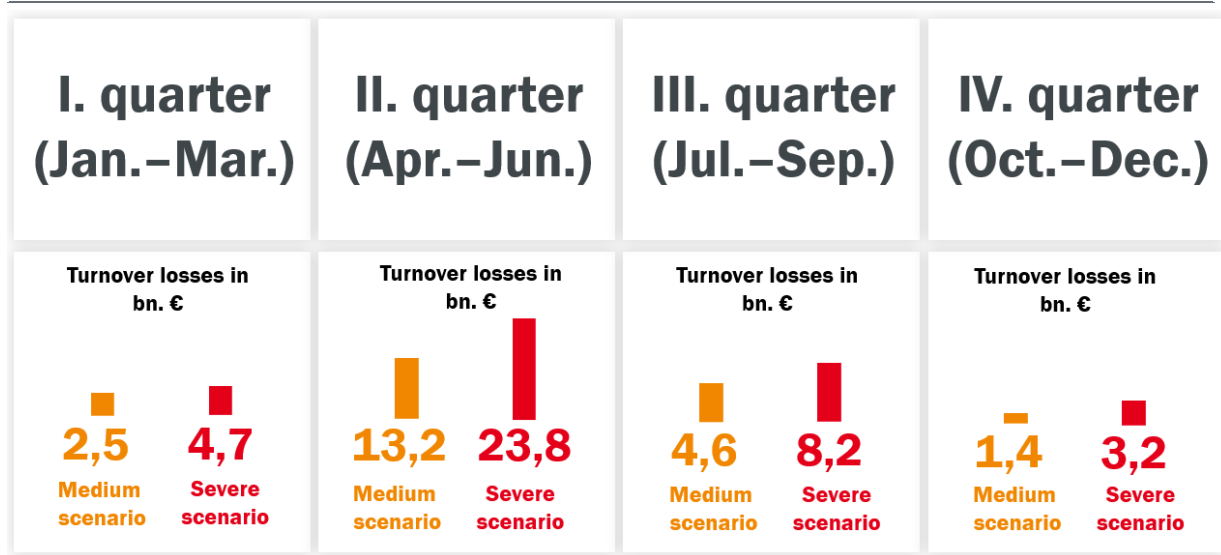
Source: Prognos AG

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Figure 4 provides an overview of the points in time when turnover losses are expected. More than half of the losses occur in the second quarter of the year due to cancelled events, retail restrictions and declining advertising revenues. Due to the cooling of the overall economy and declining demands for creative goods and services, we expect further turnover losses, some of which extend into 2021. Moreover, additional losses will occur in 2021 in those submarkets of the CCIs where collecting societies have a role in distributing revenues from the exploitation of rights.

**Figure 4: Estimated turnover losses of CCIs in the course of 2020 (rounded)**

Overall, the turnover losses in 2020 are estimated at € 21.7 to 39.8 billion.



Source: Prognos AG

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Due to the dynamic development of the crisis, forecasts on the course and duration of turnover losses must be constantly updated and reassessed. In our first report, we previously estimated turnover losses of € 14.7 billion in the medium scenario (9 percent) and € 27.8 billion in the severe scenario (16 percent).<sup>21</sup> The increase in turnover losses results from a stronger impact on the advertising market and hence on the broadcasting industry and press market, as these submarkets rely heavily on advertising spending. Likewise, greater impact can be observed in the architecture market and the software/games industry.

Our scenario analysis does not account for losses regarding the economic interconnectedness of the CCIs with other sectors, where the CCIs act as a stimulus for innovations. Also, overall economic interdependences in forms of intermediate consumption remain unconsidered.<sup>22</sup>

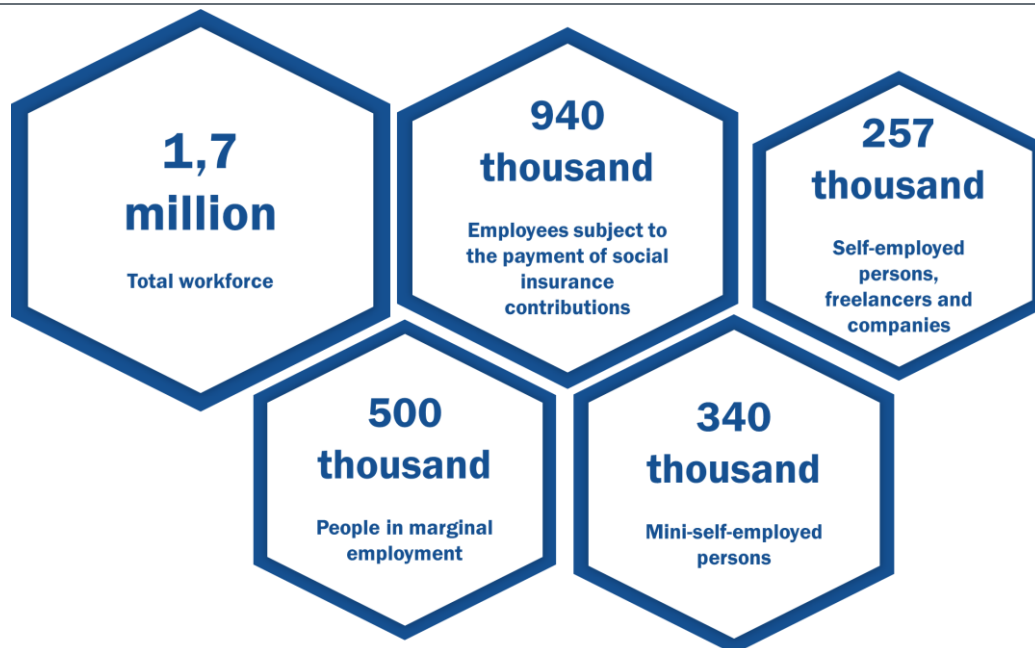
<sup>21</sup> [https://kreativ-bund.de/wp-content/uploads/2020/03/200326\\_Kurzpaper\\_Betroffenheit\\_KKW\\_Corona.pdf](https://kreativ-bund.de/wp-content/uploads/2020/03/200326_Kurzpaper_Betroffenheit_KKW_Corona.pdf) (accessed 16.04.2020)

<sup>22</sup> [https://www.kultur-kreativ-wirtschaft.de/KUK/Redaktion/DE/PDF/die-kultur-und-kreativwirtschaft-in-der-gesamtwirtschaftlichen-wertschoepfungskette-wirkungsketten-innovationskraft-potentiale-kurzfassung.pdf?\\_\\_blob=publicationFile&v=2](https://www.kultur-kreativ-wirtschaft.de/KUK/Redaktion/DE/PDF/die-kultur-und-kreativwirtschaft-in-der-gesamtwirtschaftlichen-wertschoepfungskette-wirkungsketten-innovationskraft-potentiale-kurzfassung.pdf?__blob=publicationFile&v=2) (accessed 19.03.2020)



**Figure 5: Employment structure of CCI**

Figures for 2018



Source: 2019 Cultural and Creative Industries Monitoring Report, BMWi

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Greatest damage is caused among the self-employed persons and freelancers of the CCI. Likewise, marginal employees and mini-jobbers are among those, that are affected the most by the crisis. For a large part of these employment groups, losses in turnover have far-reaching consequences for protecting personal livelihoods. In most cases, affected persons have limited to no financial reserves for covering living costs, putting many at existential risk. In 2018, almost 300,000 employees were in marginal employment. Nearly 260,000 people are employed as freelancers and self-employed persons. In addition, just under 340,000 people were so-called mini self-employed persons with an annual turnover of less than 17,500 € (cf. Figure 5).<sup>23</sup> The concentration of self-employed persons working in the CCI is in Germany particularly high, accounting for just under 22 percent of the CCI's core workforce. With more than 50 percent, the self-employment rate is significantly higher among the professional group of artists, creatives and journalists. In comparison, only one in ten persons in the German overall economy is self-employed.<sup>24</sup> Due to the employment structure, the COVID-19 pandemic can cause severe damage to the cultural infrastructure and landscape in Germany, as many facilities, companies and single creatives are at risk of breaking away for a significantly long period of time.

### 3.3 Potential “Opportunities” Resulting From the COVID-19 Pandemic

Despite the threatening aspects of the pandemic described above, the crisis also offers opportunities in some areas. Italy shows how the crisis can be utilized for testing of new services and technologies. The Italian publishers' association, for example, offered the use of virtual teaching

<sup>23</sup> [https://www.kultur-kreativ-wirtschaft.de/KUK/Redaktion/DE/Publikationen/2019/monitoring-wirtschaftliche-eckdaten-kuk.pdf?\\_\\_blob=publicationFile&v=10](https://www.kultur-kreativ-wirtschaft.de/KUK/Redaktion/DE/Publikationen/2019/monitoring-wirtschaftliche-eckdaten-kuk.pdf?__blob=publicationFile&v=10) (accessed 19.02.2020)

<sup>24</sup> <https://ec.europa.eu/eurostat/documents/3217494/10177894/KS-01-19-712-EN-N.pdf/915f828b-daae-1cca-ba54-a87e90d6b68b> (accessed 19.03.2020)

platforms and digital content to the Italian school system and educators. Students are enabled to use virtual classes and, as a side effect, test and prove the functionality of the systems.<sup>25</sup> Furthermore, there is a growing demand for "stay in house" services, such as online streaming services. This new demand can be beneficial for testing new formats in submarkets where they are absent so far. For example, the Bavarian State Opera and the Tonhalle Orchestra in Zurich have tested video-on-demand and live streams on the Internet to broadcast their performances.<sup>26</sup> The example of South Korea shows that more far-reaching possibilities, such as drive-through libraries or virtual reality museums are feasible solutions in adapting to the pandemic situation. Thus, the crisis can also be an opportunity for new developments in the field of digital innovation. Financial support and project funding could be used for testing such developments and visions, enabling new sources of revenue for the sector in the long run.

<sup>25</sup> <https://publishingperspectives.com/2020/03/coronavirus-entire-italian-cultural-industry-under-pressure-book-publishers-association-covid19/> (accessed 19.03.2020)

<sup>26</sup> <https://www.nzz.ch/feuilleton/coronavirus-sorgt-fuer-leere-theater-und-fuer-opernauffuehrungen-vor-leeren-raengen-ld.1545597> (accessed 19.03.2020)

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## 4 International Perspective on the COVID-19 Pandemic in the Cultural and Creative Industries

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As described in Chapter 2, the COVID-19 pandemic has a huge impact on turnover of the CCIs. The losses in Germany are exemplary for effects in other countries of the European Union as well as on the international level. The economic consequences need to be mitigated by political support measures. To this end, countries choose different approaches and instruments. The fact that the spread of the virus differs from country to country makes it possible to draw conclusions from the approaches taken so far and to optimize further policies.

In this report, we provide for a general overview of support measures that are categorized according to funding objectives and approaches. In most cases, countries provide for general support measures that apply across industries, including the CCIs. In part, countries also adopt additional support measures, that target specific problems and structures of the CCIs. The measures in most countries have been concretised and developed since the first version of this report (26.03.2020).

### 4.1 Objectives and Approaches of Support Measures

Depending on the administrative form and the spread of COVID-19, the types and extent of measures vary across the different countries. Many actors in the CCIs benefit from various superordinate programmes, that support companies and freelancers in general. These programs typically comprise:

- Income support measures for self-employed and freelancers
- State loans/guarantees for companies
- Income subsidies for employees
- Tax deferrals / tax credits / tax relief
- Subsidies for self-employed persons
- Grants for affected companies

In addition to these general programmes, many specific measures for the CCIs were developed and became more specified in recent weeks. We focused on those measures, that (1) are used more frequently in one form or another or (2) stand out in particular:

- **Specific additional grants for artists/organisations that are already receiving public funding or have benefited from funding in the past** and are therefore already 'registered' in some way. This is the case in the United Kingdom (Arts Council) and Hong Kong, among others.
- **Earlier funding** (e.g. Canada) where advances are granted to enable the funded organisations to fulfil their immediate obligations, secure cash flow and settle pending payments to the artists and cultural workers they employ.
- **Training for artists / support for new production processes / distribution opportunities** (e.g. Singapore, Norway, Scotland, New Zealand): Art and cultural institutions / organizations and practitioners are supported by some countries to present their (art)work digitally, e.g. by providing platforms or training for artists.

- **Special income regulations for artists:** In some countries (e.g. Denmark, Italy and Switzerland) special income support measures were implemented to specifically support artists that for various reasons were not covered by other governmental programmes. In Italy, for example, the programme also includes employees who were not previously covered by social security.
- **Compensation fund for organizers of major events** (Denmark)

In general, in many of the countries considered, specific measures for creative actors were developed and implemented in recent weeks. Despite these measures, some of which are important and helpful, the future for this sector remains highly uncertain. Major events have already been cancelled in some European countries until the end of August, and apart from that, the next few months will not be much easier for the cultural and creative sector – despite the possible relaxation of restrictions. This means that many of the measures currently in place for creative professionals need to be extended and expanded in the coming weeks in order to prevent them from being ‘a drop in the ocean’.

In this context, income-supporting measures, subsidies for further training of creative workers and the expansion of digital structures appear to be particularly useful to support creative workers. In addition, liquidity support, tax deferrals or exemptions, as well as sector-specific support measures (e.g. stability and aid funds, sector-specific rescue packages) can offer further support for creative businesses and need to be adjusted to the temporal necessities and the economic situation. In this context, it is important to identify and close funding gaps, especially for (cultural) associations, non-profit organizations and other branches that are part of the CCIs.

The design of support measures in the post-COVID-19 period remains of great relevance in order to ensure a sustainable and effective restart of the CCIs. This requires meaningful approaches that use the inherent potentials of the CCIs in contributing to the development and resilience of the industry. Possible levers of a relaunch programme for the CCIs include the promotion of non-technical innovations and the matching of the CCIs with traditional industries.

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# Imprint

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## ‘COVID-19 Impact on the Cultural and Creative Industries in Germany. Economic Effects in a Scenario Analysis’

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