

# Creative Industry, Creative City and Creativity Spillover in Indonesia: Preliminary research

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**Abstract**—The aim of this study is to analyze the preliminary evidence of knowledge spillover occurrence in the creative industry in Indonesia. This paper begins with a literature review of knowledge spillover occurrence together with the empirical phenomena of which channels causing spillover. In line with the mapping of Indonesia Creative Economy Agency, there are 16 economic sub-sectors included in the creative industry and 10 cities are categorized as a creative city. This preliminary research concludes by establishing the hypothesis of the presence of creativity spillover through education and migration as the channels in the creative industries of creative cities in Indonesia.

**Keywords**—creativity spillover; creative industry; creative city; labor migration; labor education

## I. INTRODUCTION

In developing countries, creative industries have an increasingly important role in the economy. The creative industry is defined as an industry with creativity, talent and labor skills contribution through the creation of high-value works and often associated with intellectual property [1,2].

Despite the similarity of definition, there are differences in creative industry circumstances among various countries. These differences may be derived from the economic structure of the country of the creative industry. Creative industries in developed countries are based on highly advanced information technology. On the other hand, creative industries in developing countries are using relatively modest information technology [3].

Few studies have published the linkage study of the existence of the creative industry with its affecting factors as well as the explanation of factors influenced by creative industry. Moreover, the perspective of regional economy highlights the development of creative industries as a vital role

in view of its future existence as a new source of growth, considering the current industrial revolution 4.0 [4,5].

Indonesia will rely upon creative industries as a source of foreign exchange and economic growth in the future. Cultural wealth of Indonesia is profitable for the development of creative industries. However, the deficiency lays on the inequality of resource distribution across cities in Indonesia, an effortful urge to creative workers to migrate to potential regions is required in order to uplift the potential. Similarly, a conceptual understanding of how workers' creativity can be spillover to other industries is indispensable to support the development of creative cities.

There are four factors which likely to promote the emergence of a creative economy. Firstly, the creative people which arise from the presence of universities, creative-product research institutions, and cultural centers. Secondly, the technology which is a catalyst for creative products to obtain efficient production process through a large-scale production or low-cost production. Thirdly, the presence of entrepreneurs who are able to train and develop the potential of workers in the creative industry as well as integrate it with other resources. Role of the government is the fourth factor which through its policies can provide incentives to anyone involved in the occurrence of three other factors in supporting the existence of creative economy [1,6].

The workforce creativity in a creative industry is possible to spill over into other labor through three types of spillover. These are knowledge spillover, industry spillover, and network spillover. Knowledge spillover appears at the time of new and innovative ideas spill over creative industry's work without any direct financial transactions. Industry spillover occurs in two forms: vertical value relation and horizontal cross-sector relations. Vertical value creation is the knowledge spillover that occurs along the value chain of the product while

horizontal cross section relation is the knowledge spillover that ensues between sectors within a particular region.

Network spillover is a knowledge spillover of industrial clusters and agglomeration of the economy within a particular region [7-10].

This article will discuss the literature review of the existence of creative industry determination factors and the spread of creativity, as well as the development of creative industries in Indonesia. These theoretical and empirical studies will yield a research model in which will be used in further research.

II. METHOD

We used secondary data from Statistics Indonesia and Indonesia Creative Economy Agency.

*Creative Industry classification* is from comparing the production value of the creative industry sub-sectors in Indonesia, which is sorted from the largest to the smallest.

The creative industry sub-sector data was cross-tabulated with creative cities of the industry to map where the creative industries are centered.

The *use of information technology* in the creative industry is calculated based on the equipment or technology used by business sectors.

The *level of education* in the creative city is proxied by the number of universities and high schools in the cities.

Finally, data is arranged and described in the form of graphs and tables.

III. RESULTS AND DISCUSSION

A. Creative Industry and Creative City in Indonesia

The creative industry is not a capital intensive but a relatively talent intensive industry. Importantly, observation focus should be on human resources or workers [11-12].

The Creative Economy Agency has identified 16 industries classified as creative industries as shown in Figure 1.

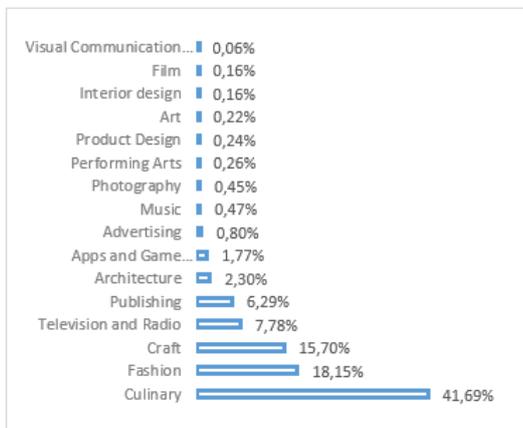


Fig. 1. Production contribution value of 16 creative industry sub-sectors in Indonesia.

From the 16 sectors, only 3 sub-sectors accounted for 6.6% of export revenues from non-oil and gas exports in the period 2014-2015. The three sub-sectors are fashion, craft and culinary with the contribution of 56%, 37% and 6% for the export earnings, respectively.

The export destination countries of Indonesian creative industries are the United States (31.72%), Japan (6.74%), Taiwan (4.99%), Switzerland (4.96%), Germany (4.56%), Singapore ( 3.82%), China (3.49%), Hongkong (3.02%), Belgium (2.93%) and the UK (2.86%).

The production of the 16 creative industry sub-sectors was obtained from various cities in Indonesia, by which the Creative Economy Agency has identified 10 cities of creative industry clusters as shown in table 1.

TABLE I. 16 CREATIVE INDUSTRY SUB-SECTORS IN 10 CREATIVE CITIES IN INDONESIA

Part of Indonesia	Island	Province	City	Industry
West	Sumatera	Sumatera Barat	Padang	Culinary
West	Java	Jakarta	Cities in Jakarta	Advertising
		Jawa Barat	Bandung	Visual Communication Design, Fashion, Product Design
		Jawa Tengah	Pekalongan	Product Design
			Surakarta	Product Design
		Yogyakarta	Yogyakarta	Fashion, Craft, Film, Performing Arts
		Jawa Timur	Surabaya	Interior design
			Banyuwangi	Architecture, Interior design
			Malang	Architecture, Interior design
Center	Bali	Bali	Cities in Bali	Performing Arts

Source: Research data processing

The five largest provinces producing and exporting creative industries are West Java (33.56%), East Java (20.85%), Banten (15.66%), Central Java (14.02%) and Jakarta ( 10.50%). The five provinces are in Java Island which is still the main attraction for the meeting point among creative workers from all over Indonesia.

The amount of labor as shown in Figure 2 revealed the small businesses as the majority of creative economy firms.

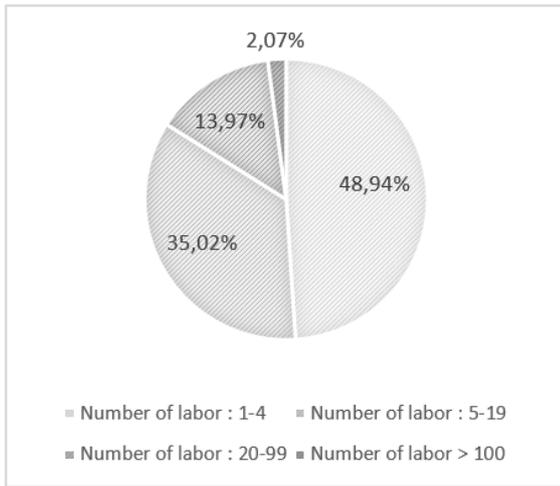


Fig. 2. Creative economy companies by number of workers (Source: Research data processing).

Another significant aspect of the creative industry is the optimism on the development of the creative industry. The most remarkable result to emerge from the data is that only 5.7% of the raw material is imported, the remains are domestic. Interestingly, 82.69% of the raw material comes from the same cities/districts. This particular data indicates the high probability of creative industry to emerge. In addition, more than 60% of the creative industry use computer and internet and only 30.39% have a website.

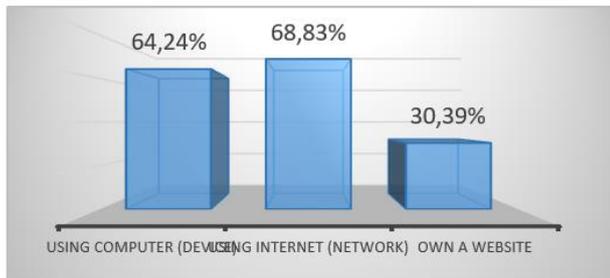


Fig. 3. Use of information technology by the creative industry (Source: Research data processing).

**B. Education Level of People, Migration, and Creative Industry**

The first hypothesis derived from the study of literature and empirical conditions above is a relationship between the education level of the population and the existence of creative industries in the creative city. This is acquired by the existence of creative people in an area which is a driving force for the development of creative industries. Statistically, it is necessary to distinguish between the number of educated population and the number of universities in a region [13-14].

Statistics Indonesia records the number of urban residents by education level. The data is not an appropriate proxy for measuring the existence of creative people considering the college where the lecturers could be outside their home area. It is more appropriate to use statistics of the number of universities in a region as a measurement of the level of

creative people. Although the statistics recorded the number of students who come from outside the region nonetheless, its existence may affect the development of creative industries in the area where the college is located.

The following chart illustrates the relationship between the education level of people indicated by the number of universities, with the development of creative industries in creative cities in Indonesia.

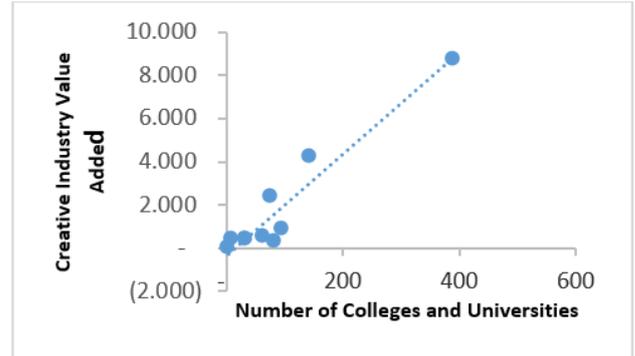


Fig. 4. Education of people and creative industry in creative city (Source: Research data processing).

It can be seen in Figure 4 that there is a strong relationship between the number of colleges and universities with creative industry value added. This indicates the importance of the existence of creative people in supporting the development of creative industry and the creative city itself.

The second hypothesis is a relation between creative spillover and the development of creative industries. The existence of a creative spillover is represented by the number of inward migration to an area. The assumption is that the creative city, as a migration destination, is a relatively more developed area than the migrants' home areas. It is apparent that the migration activity is held by people who possess creativity which is needed for the development of the creative industry. Their existence indicates the presence of knowledge spillover and industry spillover as predicted by previous researchers. The following graph illustrates the relationship between the number of in-migration with the development of the creative industry in creative cities in Indonesia.

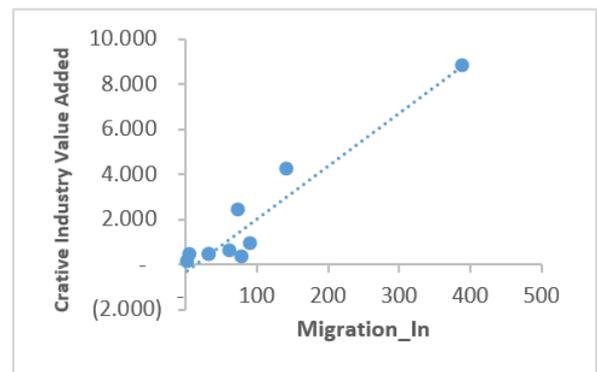


Fig. 5. In-migration and creative industry in creative city (Source: Research data processing).

Figure 5 proves that there is a strong relation between incoming migration from creative people and creative industry value added. This indicates the importance of migrating to cities that have the potential of developing creative industries in gathering creative people to gain knowledge spillover and spillover industry.

#### IV. CONCLUSION

There are two conclusions derived from literature studies and empirical conditions of creative industries in creative cities in Indonesia. First, the level of public education affect the development of the creative industry. Secondly, the migration of educated people into the city also influenced the development of the creative industry. A more quantified research model may use this findings as hypotheses to be tested.

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