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WIPO – SMEs, IP and Covid-19 Resilience

Start-ups and SMEs – Covid-19 Consequences

Prof. Martin Senftleben, 22 April 2021

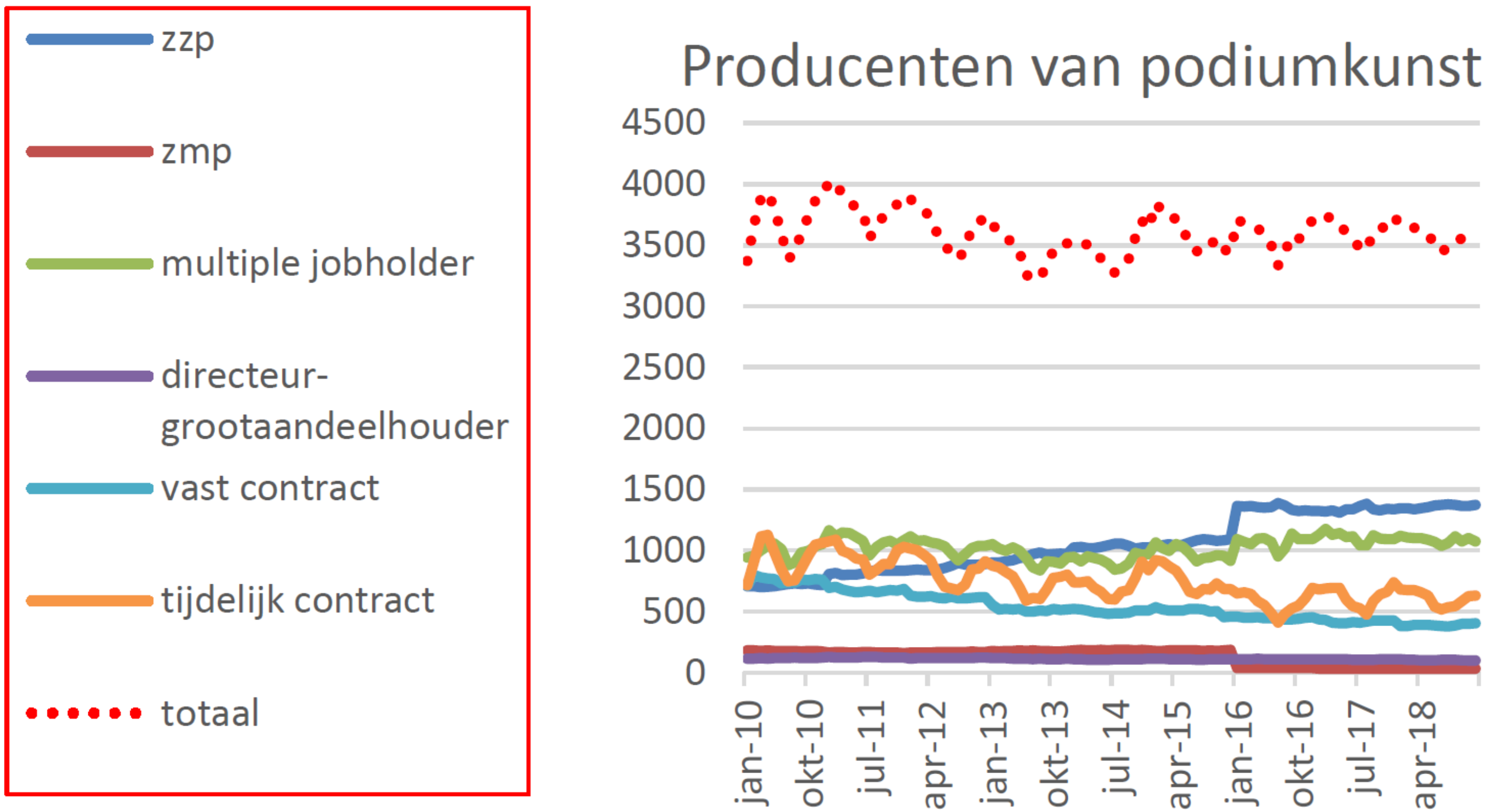
Relevance of the question

- employment trends in the creative industries
- from permanent contracts to self-employment and freelance arrangements
  - Betzler et al. 2020: 'Consisting of many small and micro-businesses […], artists and other creatives working as independent contractors and/or freelancers in a gig-economy, the arts and cultural sectors […] are vulnerable.'
  - Been & Keune 2021: 25% decrease of permanent contracts from 2010-2018 in the Netherlands, doubling of freelancers (strong trend in performing arts)

Been & Keune 2021, p. 12

Figuur 2. Ontwikkeling in arbeidsmarktposities naar sub-sector, 2010-2018

A.



Problem cascade

- freelancers cannot readily be qualified as start-up or SME entrepreneurs (overlaps conceivable)
- nonetheless highly relevant trend because of amplification of the problem
  - creative industries comprise many start-ups and SMEs
  - freelancers working in this industry depend on 'well-being' of start-ups and SMEs
  - exposure to Covid-19 restrictions thus devastating for start-ups/SMEs and individual creators/performers alike

Kretschmer et al. 2019, 19 (focus: writers)

Primary occupation authors	2006	2014	2018
Median earnings (as reported in re-spective surveys)	£12,330	£11,000	£10,497
Median earnings - real terms (i.e. equivalent to 2017 money)	£18,013	£12,309	£10,497

Table 2.2 ▪ Median earnings of primary occupation authors across surveys

The median self-employed earnings of primary occupation authors have almost stayed the same in nominal terms since 2006, which is a drop in real terms (accounting for inflation) by 42%: from £18,013 to £10,497. This trend is even more pronounced for all authors. There is both an absolute and real terms decline in the median earnings since 2006. In real terms, this amounts to a 49% drop.

This is very significant and a strong indicator of a seismic shift in the underlying market structure. Technological change and a shift towards a gig economy are potential explanations that need to be explored further by future research.

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Insights into the impact of Covid-19

OECD 2020

- analysis of impact on SMEs
- surveys of 41 SMEs worldwide
  - 50% face severe losses in revenues
  - 33% fear being out of business within one month, 50% within three months
- start-ups particularly vulnerable
  - issue of limited resources (funding/human capital)
  - drastic decline in start-up applications observed in Canada, China, Ireland, the Netherlands and US

Risk of negative long-term effects

- impulses for renewal and above-average future growth are lost
- again serious repercussions on job creation and income perspectives
  - Calvino et al. 2020: 'A missing generation of new firms has significant implications for economic outcomes – notably employment, given start-ups' disproportionate contribution to job creation – which can be mitigated by supporting existing start-ups and the creation of new firms.'

A closer look at creative industries

- GESAC and various partner organizations 2021
- ‘Rebuilding Europe – The cultural and creative economy before and after the COVID-19 crisis’
  - lack of income and inability to recover expenses
  - nearly impossible for companies and individuals to create or invest in new projects
  - decrease from €643 billion in 2019 to €444 billion in 2020 = net decrease of €199 billion or 31% of total revenues in 2019 in Europe

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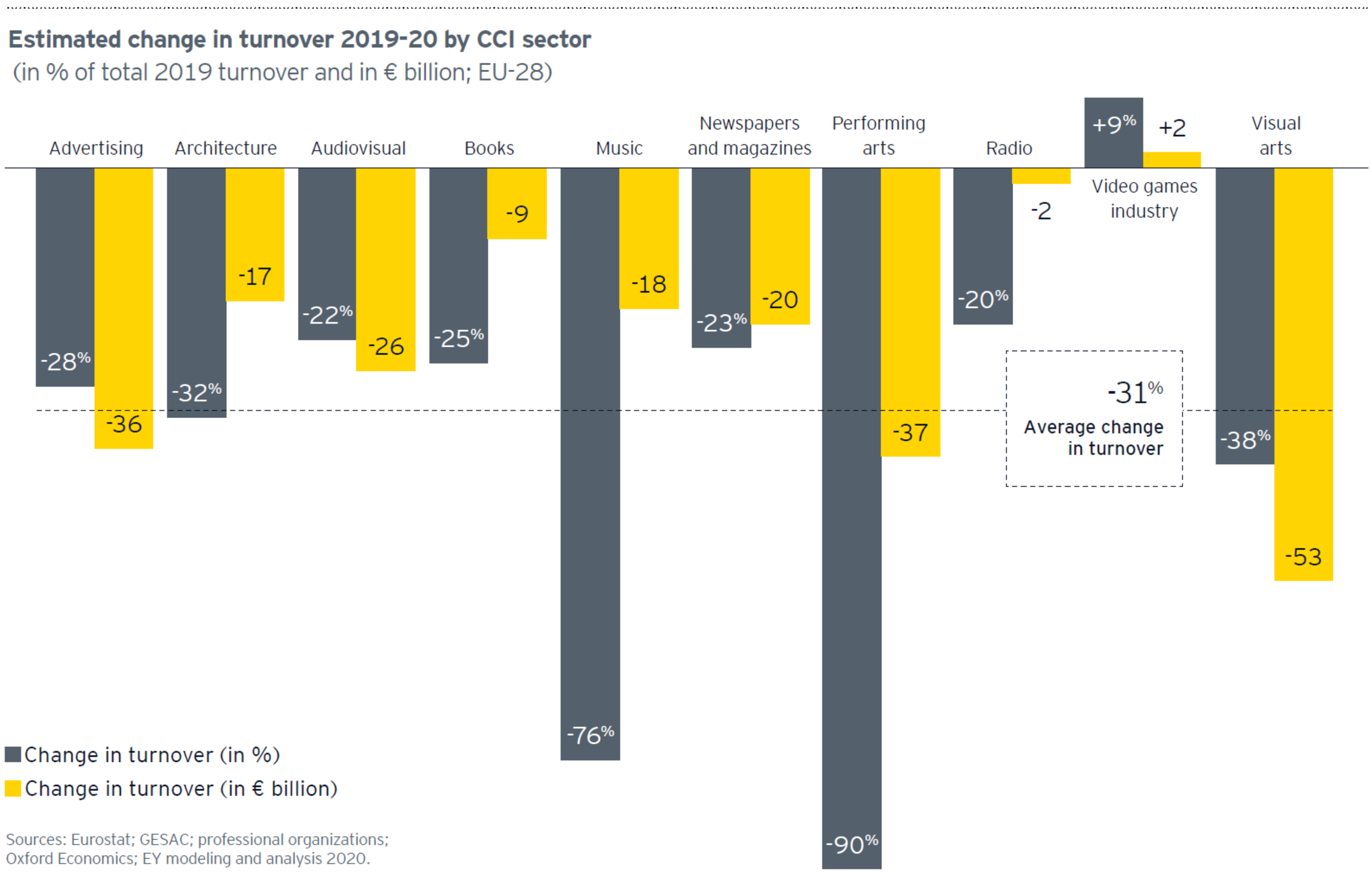
GESAC 2021, 30



Country experiences

- Germany: structural threat to survival of SMEs and start-ups (Dümcke 2021, 25)
- UK: insights into effects of government support measures (Comunian & England 2020, 121):
  - short-term responses are not sufficient to overcome more structural challenges of Covid-19
  - more sustainable support arrangements necessary to allow long-term sector recovery (risk of breakdown in freelance workforce, risk of continued audience reduction because of feelings of unsafety)

Country experiences

- Slovakia: more positive findings in the case of globalized segments with focus on digital content (Majdúchová 2021)
- US: Florida & Seman 2020
  - observation period: April 1 through July 31, 2020
  - estimated loss of 2.7 million jobs and more than $150 billion in sales of goods and services nationwide = loss of almost 33% of all jobs, 9% of annual sales
  - fine and performing arts industries hit hardest: estimated loss of almost 50% of all jobs, $42.5 billion in sales

Florida & Seman 2020, 7

Table 2. Estimated cumulative losses for the creative industries by cluster, April to July 2020

Cluster	Jobs	% of Total Jobs Lost	Sales (billions)	% of Total Sales Lost
Fine and Performing Arts	1,383,224	50.00%	$42.50	27.00%
Design and Advertising	365,334	13.20%	$18.70	11.90%
Publishing	252,820	9.10%	$16.30	10.40%
Crafts	232,429	8.40%	$12.00	7.60%
Motion Picture, Television, and Radio	193,550	7.00%	$33.10	21.10%
Creative Technology	164,108	5.90%	$22.00	13.90%
Architecture	77,069	2.80%	$3.40	2.20%
Fashion	69,271	2.50%	$4.50	2.90%
Culture and Heritage	29,978	1.10%	$4.60	3.00%

Source: Estimates by authors based on data from Emsi (see appendix for further detail)

Recommendations US (Florida & Seman 2020)

- not only financial but also technical support for SMEs and start-ups
  - introduction of health and safety measures
  - adaptation of business models to restrictions (in particular concerning live performances)
- opportunity to shift to locally sourced culture
  - communities creating online platforms to allow residents and businesses to hire local authors/performers

Country experiences and outlook

- Australia: loss of tourism activities and shift from international to domestic tourism = further disruptive effect impacting arts and culture sector (Flew & Kirkwood 2020)
- How to achieve more resilience?
  - Nobre 2020: '…players on the creative sectors ought start seeking a way to change – immediately. That may imply dematerialize their businesses/services, following the steps of those who have survived the crisis.'

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The End. Thank you!

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