

HERITAGE IN SOCIO-ECONOMIC DEVELOPMENT: DIRECT AND INDIRECT IMPACTS

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Until recent years, the role of heritage had been understood and confined as the passive guardian of the past, and had often been seen as a burden hindering development. Although this view has still found some reflections in traditional conservation approaches, recent developments and changes in economic and social arenas and their spatial implications show that the role of heritage has changed as well in this process. What are these changes? First, knowledge and creativity have been increasingly recognized as a key strategic asset and powerful engines driving economic growth and cities have become the strategic sites as they represent the ideal scale for the intensive, face-to-face interactions that generate the new ideas that power knowledge-based innovation. Second, a shift from a more traditional concept of culture and cultural industries as linked to the classical fine arts towards an understanding of creative industries that centres on the productive and innovative capacity of knowledge and information has been observed. Third, the role of cultural production in the new economy has radically changed the patterns of cultural consumption, and cities have transformed from functioning as ‘landscape of production’ to ‘landscape of consumption’. The new patterns of cultural consumptions offer big opportunities for local and regional development.

These new developments require to revisit the role of culture and cultural heritage in this changing context. This paper aims to investigate the role of cultural heritage in the new economy. While addressing especially tourism and construction sectors, cultural and creative industries and real estate development and urban regeneration, the paper aims to evaluate the direct and indirect impacts of heritage in socio-economic development. Therefore, the paper aims to highlight how heritage has increasingly become the driver of economic development.

Cultural heritage constitutes an essential engine for economic development. The possibility to generate income from cultural assets creates employment, reduces poverty, stimulates enterprise development, fosters private investment and generates resources for environmental and cultural conservation. The major measurable economic impacts of

heritage include: heritage tourism; cultural industries; jobs and household income; small business incubation; center city revitalization and property values. However, due to the lack of data the economic impact of the heritage sector has been underestimated.

The link between culture and tourism is the most visible aspect of the contribution of culture to economic development: 37% of global tourism has a cultural motivation. Heritage visitors stay longer, visit twice as many places, and spend 2 ½ times more than other visitors. Therefore, they have a significantly greater per trip economic impact. In some places cultural heritage tourism is one of the main economic contributors. The tourism sector uses cultural heritage to the greatest extent as support for its backbone activities like hotel accommodation, transport and catering. In Europe revenues generated by tourism are most significant: 79% of the turnover in Europe’s Cultural Heritage sector is derived from tourism while 16% derived from investments in maintenance by private owners, charities, and foundations and the remaining 5% is received from public and governmental bodies. Due to the exploitation of heritage, many new jobs were generated in tourism sector. According to recent estimates, more than 8 million jobs are directly sustained by the cultural heritage sector in Europe.

A recent research report in the UK offers also very impressive figures about economic impacts of heritage-based tourism. The report states that the heritage-based tourism economy is bigger than previous studies have suggested. The research shows that the size of the heritage-tourism sector in the UK is in excess of £12.4 billion a year and supports an estimated 195,000 full-time jobs – this makes the sector bigger than the advertising, car or film industries. The report states that four in 10 leisure visitors cite heritage as the primary motivation for their trip to the UK. While £7.3 billion of heritage expenditure is based on built heritage and the museums sector; the bigger, £12.4 billion figure includes natural heritage, and incorporates visits to parks and the wider countryside. The heritage tourism makes a contribution to the total output of the UK economy – as measured by gross domestic product (GDP) – of £7.4 billion per year. Once economic ‘multiplier’ effects are included, the

numbers increase to a GDP contribution of £20.6 billion a year, supporting a total of 466,000 jobs.

The benefits from tourism are not limited with the direct benefits including the potential for profitable domestic industries—hotels, restaurants, transport systems, souvenirs and handicrafts and guide services. In addition, there is not a quantified gain, or in other words indirect benefits, of tourist expenditure for the informal economy. Money earned through informal employment such as street vendors, informal guides, rickshaw drivers, etc. is returned to the local economy, has a greater multiplier effect as it is spent over and over again. The World Travel and Tourism Council (WTTC) estimates that the indirect contribution of tourism equals 100% of that of direct tourism expenditures.

Another visible aspect of the contribution of culture to economic development is cultural industries. Cultural industries refer to industries that create, produce and commercialize materials of cultural nature. Such industries are also called as 'creative industries', 'sunrise' or 'future oriented industries' or 'content industries'. Cultural industries are knowledge and labour-intensive, create employment and wealth, nurture creativity and foster both innovation in the production and commercialization processes. Today, cultural and creative industries are among the most dynamic sectors in world trade. Globally, creative industries are estimated to represent 7% of employment, more than 7% of the world's GDP and forecast to grow on average by 10% annually. The international trade volume of creativity products accounted for 7.16% of total globe trade volume. Trade in cultural goods has increased from \$39.3 billion in 1994 to \$59.2 billion in 2002. The market value of cultural and creative industries is estimated as \$1.7 trillion. Over the period 2000–2005, international trade in creative goods and services experienced an unprecedented average annual growth rate of 8.7% and the value of world exports of creative goods and services reached \$424.4 billion in 2005, with a growth rate of 6.4% over the decade, representing 3.4% of total world trade. This positive trend occurred in all regions and countries and is expected to continue into the next decade, assuming that the global demand for creative goods and services continues to rise. The creative economy in general and the cultural and creative industries in particular are opening up new opportunities for developing countries to increase their participation in global trade. Export of creative goods from developing economies accounted for 29% of world exports of creative goods in 1996 and reached 41% in 2005.

Obviously, the development of cultural industries can help streamline poverty. Cultural industries also promote entrepreneurial values and, due to their modest capital and infrastructure requirements, grow quickly, which contributes to structural and geographic balance. In addition, because of their dependence on local materials is high, cultural industries

are particularly suited to rural development. Briefly, cultural goods and services convey and construct cultural values, produce and reproduce cultural identity and contribute to social cohesion.

Cultural industries that are based on tangible cultural heritage can be classified into three main categories: (i) *downstream cultural industries* including crafts, design and publishing; (ii) *upstream cultural industries* that provide support services to museums and sites including museum design and construction, exhibition design, lighting, fundraising and travelling exhibitions organization; (iii) *commercial trading tools used by museums and archaeological sites* that increase revenues and disseminate information including licensing of images, franchising and rental of spaces.

In the context of cultural industries, another important sector that offers great opportunities to preservation and dissemination of cultural heritage is information and communication technologies (ICT). ICT does not only support creative industries, but also contributes to improving the quality of life and the enhancement of human dignity, self-esteem and pride. Multimedia, distant learning, websites, the Internet, and other information and communication technologies do not only alleviate poverty and contribute to economic welfare, but also provides opportunities for education, political participation, empowerment, and encouragement for small and medium-sized enterprises (SMEs).

However, the importance of cultural and creative industries is more remarkable when examined at the city level. The available statistics and the results of many studies show that creative employment is identified as most significant at the city level, and for some cities, the stated level of creative employment is higher than national levels of creative employment. For example, the level of creative industry employment in Austria was 4% but 14% in Vienna; 3% in Germany but 8% in Berlin; 4% in Finland but 8.5% in Helsinki; 3.9% in the Netherlands but 6.9% in Amsterdam; 5% in the UK but 8% in London and 2.2% in the US but 8.1% in New York.

Today over 60 cities worldwide call themselves 'creative city' from London to Toronto and from Brisbane to Yokohama. Creative cities have some common characteristics: these cities are 'authentic' and 'unique' and have a local identity; they have human diversity as well as a diversity of cultural heritage; they have a 'history' and a long tradition of creativity, innovation and cluster development; they provide a creative milieu including highly developed 'hard' and 'soft' infrastructure; and they are 'open' and 'cool' to new ideas and different life styles. 'Uniqueness' and 'authenticity' are the key features of creative cities and refer to the city's own story, constitute the unique identity of the city and the community, and build the city's own niches of excellence on national and global stages. Here,

'authenticity' can be seen as a kind of fixed thing from the past. With this feature 'authenticity' overlaps with the 'cultural heritage' of the city. Authenticity comes from several aspects of a community—historic buildings, established neighborhood or specific cultural attributes and an authentic place offers unique and original experiences. The built environment is crucial for establishing this authentic atmosphere or milieu, and this milieu creates the mood of the city and its culture. At this point the historically developed identity, authenticity and uniqueness of cities, in other words its cultural heritage, and urban image enter the picture. Cultural heritage not only determines the image of the city, but reflects the 'soul of the city', and it is an essential ingredient in establishing the context that stimulates creativity. In recent years, old industrial heritage including abandoned workshops, warehouses, and other old commercial or residential buildings have become the hottest real estate, that are the ideal spaces for artists or other creative people. Therefore, cultural heritage has played a crucial role in recent urban transformation towards a creative city development.

In creative cities, most of the strategies are concerned with strengthening the arts and cultural fabric; the arts and cultural heritage, the media and entertainment industries and the creative business-to-business services are the drivers of innovation in the creative economy; there is a competition to attract, keep or grow their own creative class and the factors that contribute to this such as "quality of place" are of high importance and there is an integrated system of multiple organizations and an amalgam of cultures in the public, private and community sectors.

Quality of place refers to a unique set of local characteristics—many employment opportunities, attractive natural and built environments, diverse range of people and lifestyles, social interaction, open to diversity, identity and vibrant street life. Quality of place is concerned with the interconnection between creativity and urban space. In this interconnection, three factors, namely "spacemaking" (creating affordable space for artists, designer-makers and creative entrepreneurs), "placemaking" (an integrated and transformative process that connects creative and cultural resources in a neighbourhood, district or city to build authentic, dynamic and resilient places) and "building knowledge" (building and sharing knowledge in culture-led regeneration) are of importance from the planning perspective. Quality of place is often at the forefront of culture-led urban regeneration as a multi-dimensional approach to the re-use, renewal or revitalization of a place where arts, culture and creativity play a leading or crucial role. Culture is a driver, a catalyst or a key player in the process of regeneration or renewal. Culture's contributions to regeneration can be summarized mainly in three groups: (i) culture's contribution to sustainable development (physical regeneration), (ii) culture's contribution to competitiveness and growth (economic regeneration), and (iii) culture's contribution to

social inclusion (social regeneration). The specific form of regeneration 'culture-led regeneration' can be defined as a multi-dimensional approach to the re-use, renewal, or revitalization of a place where art, culture, and creativity plays a leading or transformative role. 'Culture-led regeneration' is directly linked to 'placemaking' and leads to regenerating of 'cultural quarters' or 'creative districts'. Cultural quarters have been widely developed over the last fifteen to twenty years as mechanisms for synthesising the cultivation of creative industries with urban regeneration objectives. 'Culture-led regeneration' is also directly linked to 'city marketing'. Cultural and creative industries are often at the forefront of urban restructuring, place-based regeneration and marketing strategies. Through the creation of cultural quarters based on the idea of clustering or city rebranding campaigns, cultural and creative industries contribute to the regeneration and renewal of redundant buildings and depressed urban areas.

In other words, enhancing heritage is a way to contribute to the revitalization of city centers. City revitalization is not only limited to a monument, but to a larger scope of old buildings (abandoned shipyards, industrial plants, old libraries, etc.) that can be renovated and re-used for other purposes previously unforeseen. This in turn has many indirect socio-economic impacts and improves the area's image and reputation, which act as a magnet to businesses.

Another important segment of cultural heritage is composed of buildings and other products of the construction industry. The upgrading of such built spaces already constitutes an important economic activity, with consequent impact on employment creation. In addition, it leads to the development of cultural industries and support sectors. The restoration of buildings, roads and other elements of the built environment with heritage value is a labour-intensive type of activity. While ordinary infrastructure projects are based on 70% materials and 30% labour, cultural heritage and sustainable tourism projects are based on 30% materials and 70% labour. Therefore, it has a high employment content. According to the ILO (International Labour Organization), experience has shown that for the same level of investment in local construction, the use of labour-based technologies can create between two and four times more employment (mostly unskilled and semi-skilled). Creation of employment by itself has a positive spin-off in the economy. It should also be noted that construction is an industry which often employs a large number of entrants to the labour market. In addition, the use of labour-intensive methods promotes small and medium enterprises, causes the drop of foreign exchange requirements by 50% to 60%, decreases overall cost by 10% to 30%, and reduces environmental impacts. It also implies the increased use of associated local resources. These may include locally available materials, tools and equipment, skills and knowledge, as well as finance. This reinforces the percentage of investment that remains in the country and

often in the locality of the works, reduces the dependence on costly imports, and stimulates the local economy. In sum, the restoration of historical elements of the built environment, with its labour-intensive content, has important economic benefits. However, the employment potential of construction in this specific context is not fully realized yet. The restoration of heritage in the built environment is labour-intensive, a fact which brings a set of benefits related to job creation, promotion of small- and medium-scale enterprises, reduction in foreign exchange requirements, development of local resources, etc. All these factors have positive effects in the economy.

Is heritage a factor of economic development? On the basis of the above-mentioned examples from different sectors we can say that heritage is not only a factor of economic development but also the driver of the new economy. Our evaluation of different sectors including heritage tourism, cultural and creative industries, construction sector, real estate development and urban regeneration shows that heritage plays a crucial role in these sectors and these sectors have important direct and indirect impacts in socio-economic development.