Location determinants of creative industries: An application to Local Labour Systems in Spain

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Abstract: This paper examines the determinants of localization of creative industries by using plant-level microdata. The paper proposes a model tailored to differentiate the effect of general-economic and specific-creative forces on the localization of creative industries. The model is experimentally applied to Spain. The results show that traditional external economies (localization and urbanization) affect the location of creative industries in Spain, complemented by the effect of specific creative externalities. The results offer a novel insight into the determinants of location of creative industries. The work thus provides some empirical basis for the design of policies that may boost the capacity of territories for creativity and innovation, in line with the objectives set out by the European Commission.

1. Introduction

Creative industries are characterised by their tendency to concentrate in space (Scott 2005; Cooke et al. 2007; Florida 2008; Florida et al. 2008; Cooke and Lazzereti 2008; Lazzereti et al. 2008; Boix et al. 2012) giving place to more creative intensive locations (Maskell and Lorenzen 2004; Cooke et al. 2007) such as creative clusters. A creative cluster is defined in the literature as “a place that brings together (a) a community of ‘creative people’ (Florida 2002) who share the same interest in novelty but not necessarily in the same subject; (b) a catalyzing place where people, relationships, ideas and talents can spark each other; (c) an environment that offers diversity, stimuli and freedom of expression; and (d) a thick, open and ever-changing network of interpersonal exchanges that nurture individuals’ uniqueness and identity” (De Propris et al. 2009).

Recently there is a growing interest in the study of the factors that explain the clustering pattern of creative industries in Europe. The analysis of firm location has been attracting a growing interest from scholars in recent years. Those analyses have been carried out using a diversity of methodological techniques, data bases and theoretical approaches but they share a wide agreement about the importance of territorial aspects in firm location decisions.

This article explores the main reasons observed in the literature for the clustering of creative industries in Spain. General determinants have been used to explain firm location in the literature (localization and urbanization), however according to Asheim et al. (2005), determinants might be different depending on the characteristics of the firm.
Traditional approaches such as external economies (localisation and urbanisation economies) have been seen as partial explanatory elements that might explain why creative industries tend to be geographically concentrated (Tsang and Vang 2008, p.3; Cooke et al. 2007; Wenting et al. 2011, pp.1335-1336). A theoretical analysis shows the existence of other determinants that could help to explain the tendency of the creative industries to concentrate in the space. In this line, related variety of activities and people, urban assets and creative class have been observed as factors of attraction of creative industries (Florida 2005; Sivitanidou 1999; Van Oort et al. 2003; Lazzeretti et al. 2011; Lorenzen and Frederiksen 2008).

The aim of this study is to identify the general and the specific-creative forces that are relevant for the localization of creative firms in the Spanish Local Labour Systems (LLS). This will be done on the basis of firm level data and an experimental count data model to carry out an empirical test of the decisions of individual creative firms. In the model, creative firms compare their potential profitability to be located in a LLS as a function of traditional location aspects such as localization economies, urbanization economies, social and relational capital, as well as creative-specific factors such as creative heritage and creative amenities or related variety in creative industries.

Previous analyses on the location of creative industries have used relative variables (such as percentages or Location quotients) as units of analysis. On the contrary, this research considers it is important to test which forces might influence the individual firm’s location decisions. This decision is based on the idea that governments are interested in encouraging creative industrial growth in particular places. Thus a clear understanding of what factors drive individual creative industries location decisions will be much more relevant for policy making than forces.

This paper is organized as follows. The second section presents the review of the location determinants literature and the identification of traditional economic and specific-creative territorial factors associated to the location of creative firms. The third section presents the model. The fourth section provides evidence on the location of creative industries in the Spanish LLS by using AMADEUS database. The fifth section develops the Count Data Model used for the analysis, the econometric estimations and the variables used. The sixth section presents the main results and policy recommendations.

2. The determinants of creative industrial location

The researchers that have dealt with the reasons of clustering of creative industries have proposed an approach based on the relative concentration (Lazzeretti et al. 2009 and 2011) or firm birth per capita (Lee et al. 2004). The research carried out by Lazzeretti et al. was interested mainly in explaining why creative industries were more concentrated than the rest of industries so that they used a location quotient as an indicator of concentration. While in Lee et al., the entrance of creative industries was controlled for the population size. In both cases, usual models as OLS (multivariate ordinary least squares) were used for the estimations.
A different approach, proposed in this paper, is to tackle with the absolute location of creative firms. In this case, two different approaches have been identified in the literature on industrial location: on the one hand, the firm’s point of view, which analyses how the firm’s characteristics affect their location decision; on the other hand, the territorial point of view analyses which territorial characteristics can influence the location of firms in this territory. Based on these approaches, the main studies about industrial concentration have followed two different approximations: discreet choice models (such as the Conditional Logit Model) and Count Data Models.

This research follows the second type of approach. Early authors like Marshall (1890) and Hoover (1937), as well as contemporary scholars like Glaeser et al. (1992) established the relationship between economic concentration and externalities. In this line, Wenting et al. (2011, p.1335-1336) point out that the concept of agglomeration economies has been traditionally understood as forces that explain the concentration of traditional manufacture.

Recently a limited group of researchers have renewed the interest on the understanding of the factors that explain why creative industries, in particular, tend to be geographically concentrated (Hanson 2000; Tschang and Vang 2008; Vang 2005, 2007; Lazzeretti et al. 2008; Lazzeretti et al. 2012). Indeed, there is a need to understand if the multiple types of externalities that contribute to explain the spatial concentration of the economic activity in general can also help to explain the spatial organisation of creative industries in particular (Vang 2007). Authors such as Tschang and Vang (2008, p. 3) suggest that traditional approaches only provide a partial explanation of the determinants that might affect creative industries. Other authors have incorporated in the literature other elements that could help to explain the tendency of creative firms to concentrate in the space such as high amenity environments which determine the quality of live workers leaving in this territory.

2.1. Traditional economic forces: external economies

Cooke (2002, p.123) points out that agglomeration externalities are also relevant elements to understand current cluster configuration of new economic sectors. Audretsch and Feldman (1996) found that innovative firms, where the creation and exchange of knowledge are essential, tend to cluster spatially, in order to benefit from the external economies (Pascal and McCall 1980; Cooke et al. 2007). In this sense and since these innovation patterns demand clustering, creative industries could be clustered to take advantage of the existence of agglomeration economies (Henderson 1983, p.165; Lorenzen and Frederiksen 2008, p.175).

The existence of agglomeration economies, which appear from the interaction between productive agents, traditionally have been used to explain the tendency to spatial concentration of firms (Capello 2004, pp. 42 and 44; Raspe and Van Oort 2004, p.18 and 2007, p. 2). Indeed, the concept of “agglomeration economies” is the result of the combination of

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1 Arauzo-Card, J-M; Liviano-Solis, D. and Manjón-Antolín, M. (2010) provides a summary of the publications that have used these two models.
three conceptualisations. First, Marshall (1890/1963, pp. 222-225) uses two essential elements (natural resources and internal and external economies) to explain the production, which can be interpreted as location factors. Second, Weber (1929/1968, pp. 124-173) introduces the concept of “factors of agglomeration” understood as transport costs advantages, to refer to the elements that cause a dense industrial localization on the territory. And third, Hoover (1937/1971, pp. 90-91) clarifies and extends the concept of “concentration economies” building on Ohlin (1933, p. 203). External economies as a part of the concentration economies are advantages derived from a particular industry or particular place. The companies concentrated in that place are capable of retaining and incorporating these advantages into their production function without any compensation (Camagni 2005, p. 31).

These external economies are usually divided in two sub-categories (Hoover 1937): localization and urbanization economies.

**a) Localisation economies**

The localisation economies (Marshall 1890, p. 222) are the advantages derived from the concentration in a particular location of specialised companies, workers and suppliers (that belong to the same industry or sector of production). This generates an increase of the productive specialisation among other effects (Camagni 2005, pp. 24 and 32; Capello 2004, pp. 42-43).

Suarez-Villa and Walrod (1997) and Globerman (2001) stress that localisation economies derive from the concentration of companies, suppliers and workers with specialised abilities. Turok (2003) shows that also the locations of a creative firm close to other firms increase its opportunity to trade with other firms and recruit specialised workers, among other advantages.

In terms of localisation economies, given the existence of a regional specialisation of creative industries by the presence of specialised suppliers and skilled labour market in other parts of the creative filière (Lazzeretti et al. 2011) regional actors could create a critical mass of potential collaboration partners which could foster innovation (Lorenzen and Frederiksen 2008, p. 168). In preliminary stages of the development of a technology or a new product or service, fast and direct contact with other concerned actors, such as specialised suppliers, workers and firms, is needed (Prager and Thisse 2009, p. 43). Cooke et al. (2007, p. 31) confirm that spatial proximity matters in the process of information exchange. Audretsch (1998, p. 18) claims that since knowledge is created and shared more efficiently at local proximity, firms based on a combination of existing knowledge will have a high propensity to cluster in the space. In this line, Carlton (1983, p. 446) found that in industries where sophisticated technology is needed, the presence of concentrated technical expertise from the same industry or related industries is crucial.

Lucas (1988) and Mathur (1999) establish the relationship between theories of knowledge, and human capital. In fact, the location of educated people and the necessary infrastructures for their formation (such as universities and other educative institutions) play a fundamental role.
in the location and performance of companies, especially for those where individuals with high levels of human capital constitute a primary input to the production process (Arora et al, 2000). The OECD (2008, p. 18) pointed out that nowadays territories need highly skilled specialists who are able to access, understand and use knowledge. In fact, the externalities generated by the concentration of human capital in a place can be seen as a reason for the clustering of economic activities (Glaeser, 2000; Fritsch and Stützer, 2008) as well as the generators of new ideas, and the attractors of new creative firms (Lazzeretti et al, 2009). Feldman (2000, p.380-381) claims that the localisation of intellectual capital is important for the development of creative firms since knowledge externalities tend to be geographically bounded.

b) Urbanisation economies

Urbanisation economies are advantages derived from the urban environment factors or characteristics, which are directed in an indistinct way (without the necessity to be from the same productive sector) to all the economic activities that are located into it (Camagni 2005, pp. 24 and 34). Regional and urban economics have incorporated different sources of urbanisation economies. For instance, the economic dimension (Hoover 1937, p. 108; Camagni 2005, p. 36), diversity (or variety) (Chinitz 1961, pp. 281-282; Jacobs 1961 and 1969), density (Hoover and Vernon 1959; Ciccone and Hall 1996, p. 54), the infrastructure inversion, the access to the entrepreneurial management capability and communication and telecommunication companies (Camagni 2005, p. 35-36) are included inside the urbanisation economies.

Wenting et al. (2011, pp.1335-1336; 2008, p. 8-9) show that agglomeration forces can also be useful to understand concentration of creative and cultural industries. Indeed, Turok (2003, p. 551-552, 562) underlines that the population and the economic size as well as the density of the economic agents of a territory determine the importance of the benefits that creative firms could gain from their co-location.

Hanson (2000) points out that the concentration of an industry in one location ensures access to a wide variety of specialised services. More concretely, he states that the benefits of the agglomeration economies in the process of concentration of an industry will depend on their development stage. According to him, industries in new fields benefit from the exposure to the ideas from many different sources, while more mature firms benefit more from the proximity to firms with similar production process. In this line, Henderson et al (1995, p. 1069) and Audretsch (1999) point out that industries in more creative and innovative sectors will tend to be located in diversified places, while mature industries tend to be located in places with similar specialisations.
c) Relational capital

According to Camagni (2009), relational capital refers to the linkages developed among a set of individuals facilitated by an atmosphere composed of trust, shared behavioral models and values.

Capello (2001) and Camagni (2008, p. 41) point out that relational capital represents the rules, habits and relationships of individuals which might facilitate collective learning and knowledge creation (creativity). Indeed, better mutual understanding among individuals might reduce transaction cost of knowledge. Reciprocal trust might facilitate collective learning which is defined as a dynamic and cumulative process of knowledge production, transfer and retention.

d) Social capital

According to Bordieu (1980) social capital is defined as the set of actual or potential resources related to a long lasting network or relationships among a set of individuals.

2.2. Specified-creative forces

Some studies claim that the conditions that explain the spatial concentration of economic activity do not affect in the same way all industries. As it is underlined by Lorenzen and Frederiksen (2008, p.162), creative industries contain innovation patterns (such as variety, novelty and radical innovation) in their production process that could explain why cultural industries cluster in particular places. Asheim et al. (2005) claim that the location of creative industries will be determined by different factors on the basis of their innovation process.

Creative industries such as media, advertising, design and fashion with a symbolic knowledge base, are mainly based on tacit knowledge. These industries are characterised as project-based industries and this knowledge is normally linked to the habits and norms learned in specific communities and which are exchanged mainly through informal interpersonal interaction in the professional community (face-to-face).

a) Creative heritage and creative amenities

Several authors from the economic geographic literature showed that creative firms will prefer to be located in high amenity environments because it is in these places where creative people prefer to live (Sivitanidou 1999, p. 25; Van Oort et al. 2003, p. 521). According to Turok (2003, p. 562) these amenities are important elements to attract and retain highly skilled workers, which tend to be extremely mobile. Residential or worker amenities are exogenous goods or services that could increase the attractiveness, value or comfort of a specific place. Sovotanidou (1999, p.9) divides the amenities into two categories:
1) Productive amenities: Those local traits that directly contribute to the reduction of the costs or to the increase of the benefits of a firm. Sivitanidou (1999, p.9) includes in this category good access to clients, specialised labour, specialised firms, universities, transportation nodes and networks (airports, freeways, train stations).

2) Non productive amenities: These involve the attributes that affect residents and workers utilities, and that indirectly contribute to the firm objectives of maximising profits or minimising costs. This kind of amenities include good access to urban amenities such as restaurants, cafes, shops; good access to residential environments such as low-crime neighbourhoods, high quality houses, cultural and entertainment amenities (theatres, museums, cinemas, music and sport clubs), arts and heritage (historic places, buildings, monuments, paintings and artefacts) and good environmental quality (number of green spaces such as parks or natural areas or levels of pollution) (Sivitanidou 1999, p.9; Van Oort et al. 2003, p. 516; Viladecans 2002, p. 9).

Lazzeretti et al. (2012, p. 1244) exposes how cultural heritage might influence the creation of creative industries. Indeed, artistic, cultural and historic environments can influence creativity of people living in these places. Additionally, the presence of these amenities might promote cultural activities such as conservation. These authors also underline that the presence of cultural heritage in a territory might be influenced by the historic political role of these places (such as capital region).

In this line, Markusen, Hall and Glasmeier (1986) and DeVol (1999) highlight the impact of quality of life on the spatial distribution of innovative firms. Indeed, places with a accessible natural environments can facilitate the attractiveness of certain places to creative firms and employees. Additionally, the presence of people working in creative occupations can attract other kinds of talent and creative firms (Clifton and Cooke 2007, p.23).

d) Related variety in creative industries

According to Boschma and Iammarino (2009), related variety is understood as industrial sectors that are characterized by complementary competences. The concentration of these elements in the same place could facilitate the generation of a dense and varied network of agents that foster economic and social collaboration, enhancing knowledge transfer through cross-fertilisation mechanisms and promoting innovation (Lazzeretti et al. 2011; Lorenzen and Frederiksen 2008, p.171). It is important to note that, some authors have shown that the access to a diversified pool of firms will not have the same effect as a pool of diversified related firms and industries (Porter 2000, p. 259). According to Lazzeretti et al. (2012, p. 1246) related variety promotes creativity due to transversely and spillover processes of innovation in other sectors.
Assmo (2010, p. 314) shows that creative actors are determinant for the development of new creative and cultural firms and products. In this line, Florida (2002), uses the concept of creative class as a source of entrepreneurship and economic growth. The difference between human capital and the creative class theory is that in the former case people need to have high education levels in order to provide added value to their activity, while in the latter people do not necessary need to have high education level but just certain abilities acquired over their professional working life. According to Florida, the geography of creativity depends on the ability of places to attract, retain and generate creative individuals. This ability will be determined by the theory of the 3Ts (Florida, 2002; 2005): (1) the number of innovations developed and the number of high tech activities concentrated (technology); (2) the concentration of talented workers (talent); (3) the level of openness, diversity and opportunity to work (tolerance), also highlighted by Saxenian (1994), Bounken (2009, p. 189) and EIS (2008, p. 11). By extension, creativity will be the source of new innovations as well as a factor of attraction of creative industries (Florida, 2005; Lazzeretti et al, 2009).

3. Model

Ellison and Glaeser (1997, p.892) suggest a location model based in the existence of natural advantages and externalities or inter-firm spillovers inside the same industry. This model assumes an industry divided in $N$ business units, which choose in a consecutive way their location among the $M$ areas in which the territory is divided. In this case, and to make the model tractable, the authors take only one company to expose the model. Thus, the $k$th business will maximize its profits through their decision to locate $v_k$ inside the area $i$, by the following function:

$$
\log \pi_{ki} = \log \pi_i + g_i(v_{1},...,v_{k-1}) + \epsilon_{ki} \quad (1)
$$

where $\pi_i$ is a random variable reflecting the probability of locating in area $i$ (as influenced by observed and unobserved area characteristics), $v_j$ is the location of the business $j$, while $\epsilon_{ki}$ is the random component.

Equation (1) shows that the profits derived from the location of a business are related with two elements. First of all, they are related to an average measure of the territory profitability (general-economic factors), while secondly, to a random variable that collects idiosyncratic elements of the industry (specific-creative forces). The authors suggest a simple parametric specification of this model.
\[
\log \pi_{ki} = \log(\pi_i) + \sum_{\ell \neq i} e_{\ell i} (1 - u_{\ell i}) (-\infty) + \epsilon_{ki} \quad (2)
\]

Where $e_{ki}$ is the Bernoulli random variable equal to one with probability $\gamma_0$ that indicate whether a potential valuable spillover exists between each pair of plants, and $u_{\ell i}$ is an indicator for whether plant $\ell$ is located in area $i$ ($\ell = i$), and $\epsilon_{ki}$ again, is a random component independent from $e_{ki}$.

Discrete choice models are used to analyse the location from the perspective of the firm. Researches done following these models are particularly focused on the individual elements of firms as determinants of the location of each firm, such as dimension of the firm or the sector to which the firm belongs (Manjón and Arauzo-Carod 2006). However, one of the main drawbacks of this empirical approximation is the difficulty to calculate the likelihood function when there are so many location alternatives, which is so common at a local level (Arauzo-Carod 2007, pp.4-5).

According to Guimaraes et al. (2003), a possible solution could be to apply Count Data Models which allow to use large data sets (the number of alternatives in a Conditional Logit Model equals the number of observations in a Count Data Model). Thus the increment of alternative locations when analysing the phenomenon at a local level is not a major problem using a Count Data Model. Moreover, null observations (territorial units that do not locate any industry over the period analysed) do not imply modelisation problems in Count Data Models (unlike Conditional Logit Models).

The count models allow to analyse then the localization of creative industries from the geographical space chosen (municipality, region or non administrative territory). The characteristics of the territory analysed (differentiating among general-economic and specific creative forces) will affect the probability to be chosen as the location of a company. Since this paper aims at providing evidence of the determinants of location of creative firms in the LLSs in Spain from a territorial perspective a count model will be used.

a) Poisson model

Figure 4 displays the histogram of the frequency of the dependent variable (location of creative firms in the Spanish LLSs). As it is also observed in the industrial location literature (Arauzo-Carod et al. 2010, pp.692-696), the distribution of creative industries in Spain appears to be highly skewed. Indeed, there are many LLS which have few or no creative industries. Such industry distribution has to be properly taken into account in the model’s specification and estimation. Given this fact an OLS regression would be inappropriate. Count data often follow a poisson distribution, thus some type of poisson analysis might be appropriate.
The most popular specification of Count Data Models is probably the Poisson model. Poisson models are used when the dependent variable is a count variable (such as the number of creative industries localized in a LLS)\(^2\). This model assumes that the probability of observing a count location \(y_{ij}\) (an industry \(i\) (such as creative industry) in territorial unit \(j\) (such as municipality or LLS in Spain)) can be written as a function of specific location characteristics of the territory that affect firms’ spatial profit function.

\[
\text{Prob}(y_{ij}) = f_i(x_j) \quad (3)
\]

where \(x_j\) denotes the vector of location characteristics that affect the profit functions of firms and act as a location determinant.

\(^2\) Given that count models show how many times a location (LLS) has been chosen by a creative firm, the LLSs with no creative firms are relevant for the analysis. Indeed independent variables in these locations will explain why these territories have not been chosen by any creative industry.
Mathematically, if \( y_{ij} \) is the realisation of the aleatory variable based in a Poisson with a parameter \( \mu_{ij} \) (ratio of occurrence of event of interest). Given a vector of explanatory variables \( x_j \), the density function of \( y_{ij} \), will have the form:

\[
\text{Prob}(y_{ij} = 0,1,2,\ldots|x_j) = \frac{e^{-\mu_{ij}} \mu_{ij}^{y_{ij}}}{y_{ij}!} \quad (4)
\]

In which the most common representation of the conditional mean \( \mu_{ij} \) is:

\[
E[y_{ij}|x_j] = \mu_{ij} = \exp(\beta'x_j) \quad (5)
\]

Where \( \beta \) is the parameter vector to be estimated and \( x_j \) is a vector of municipality attributes that affect profit functions of firms.

**b) Negative Binomial Model**

The Poisson regression models are the common starting point for count data analysis. However, count data might exhibit some futures that might violate some of the Poisson assumptions. The use of Poisson regression in the presence of any of these futures (ex. overdispersion or excess of zeros) may lead to a poor fit, loss of efficiency and incorrect reported standard errors.

The first assumption is generally called “equidispersion”, which implies that the mean and the variance should be equal. However, unobserved heterogeneity might lead to overdispersion due to the failure of the assumption of independence of events which is implicit in the Poisson Model. In this line, Arauzo-Carod (2007, p. 199) points out that industrial location generally violates this assumption, due to the large concentration of certain firms in few locations. Indeed, as it can be observed in Table 2, the distribution of creative industries location in Spanish LLSs is displaying a greater variance than the mean (variance nearly 6,000 times larger than the mean). This problem can be addressed by the Negative Binomial Models (NBM) given the fact that it includes a dispersion parameter to accommodate the heterogeneity of the count data.
Table 2: Descriptive statistics: Dependent variable

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Min.</th>
<th>Max.</th>
<th>% of zeros</th>
</tr>
</thead>
<tbody>
<tr>
<td># creative industries</td>
<td>80.18</td>
<td>686.79</td>
<td>0</td>
<td>16,935</td>
<td>11.41%</td>
</tr>
</tbody>
</table>

*Source: autor*

The second assumption refers to the “excess of zeros” problem. Poisson Models can deal with situations where the dependent variable is characterized by a large number of observations whose value is zero. However, some adjustments need to be done in the model when this number is excessive. Table 2 also shows the % of LLSs where a zero number of creative firms has been identified. Indeed, 92 out of 806 LLSs in Spain do not concentrate any creative industry (11% of the Spanish LLSs). Thus, these results suggest that there is no need to use other Count data model such as Zero-Inflated Poisson Model (ZIPM) given the fact that both, Poisson Model and Negative Binomial Models can deal with situations where the dependent variable present high number of zero observations.

The presence of overdispersion motivates the use of different distribution than the Poisson. Indeed, the Negative Binomial model is a generalized extension of the Poisson model which does not impose equivalence between the mean and the variance. Thus it accommodates overdispersion problems resulting from unobserved heterogeneity distribution of the dependent variable.

4. Location of creative industries in the Spanish Local Labour Systems: territorial units and data

4.1. Territorial level of analysis: Local Labour Systems

The Spanish territory is mainly organised in four administrative levels (NUTS 1 or major socio-economic regions, NUTS 2 or basic regions, NUTS 3 as small regions or provinces and local administrative units (LAU) defined as municipalities. These administrative levels do not capture neither the economic nor the social interaction area.

NUTS 2 were used by Power and Nielsen (2010) to provide a first evidence of the clusters of creative industries in Europe. However, as it becomes evident from the mapping, these units are excessively large to capture the real processes of clustering and give only a preliminary idea of the concentration. In fact, as pointed out by Lazzeroni (2010), the regional and provincial scale would seem too broad and diversified to represent the real economic area while, the munipulicity level does not capture all the spillovers that occur in a creative cluster since its spillovers usually extend to neighboring municipalities.
Local functional units such as the local labour systems (LLS) have the advantage over the administrative boundaries to better portray current social and economic conditions, because their boundaries are made according to commuting data (such as commuting flows from home to work). For that reason, several researchers have used these territorial units in their location analysis. Indeed, Overman and Puga (2010) use TTWA (Travel to work areas) to analyse the manufacture establishment location in the UK. Similarly, Lazzaretti et al. (2008) and Boix et al. (2012) use labour markets (or systems) (LLS)\(^3\) as the territorial unit for the study of the processes of creative clustering in Europe.

4.2. Location of creative industries in LLSs in Spain

4.2.1. Data source

A growing number of researchers have used Bureau van Dijk’s firm-level dataset in recent years to analyse spatial location of economic activities, including international studies such as Abramovsky et al. (2008) or Driffield and Menghinello (2010).

The territorial distribution of creative economic activities in Spain is obtained from the information provided by the AMADEUS database, provided by Bureau van Dijk\(^4\). Among all information provided (financial and other operational information), the AMADEUS database provides the spatial coordinates of around 852,330 economic activities of all productive sectors in Spain in 2009. Among these, 64,628 creative industries were identified in Spain. Figure 1 presents the creative industries identified in Madrid and Barcelona.

Figure 1. An example: the location of creative industries in Madrid and Barcelona

A) Madrid (city)


\(^4\) For further information about this database, please see http://www.bvdep.com/pdf/brochure/AMADEUS%20BROCHURE%20FINAL.pdf
4.2.2. Data quality

As it is underlined by Driffield and Menghinello (2010, p. 17) there is a source of bias concerning the use of Bureau van Dijk’s database that needs to be mentioned. In relation to the use of firm level data as a proxy of local units (establishments) data, the magnitude of the bias between the real number of establishments and the establishments provided by the database is related to the presence of multi-plants firms and the geographical scale of the territorial unit of analysis. However, given that AMADEUS relies on country level national sources, this bias is assumed to be limited. Indeed, comparing AMADEUS data with establishment data from DIRCE (Directorio Central de Empresas) at regional level it has been observed that AMADEUS accounts for 21% of the creative industries registered in Spain.

In this research, the use of AMADEUS is justified by two main reasons:

a) This paper is an exploratory analysis applied to the case of Spain. The final analysis will include data for other European countries considered in the thesis. Obtaining territorial administrative data disaggregated by creative industrial sectors and homogeneous across countries is a difficult task. As has been also observed in Driffield and Menghinello (2010, p. 4) data provided by official statistics normally present significant confidentiality and data quality constraints. The coverage of firm-level data in EU countries in AMADEUS database allows to overcome these limitations.

b) Additionally, individual-firm data (size,..) will also be used in latter stages of the analysis. Despite its limitations, AMADEUS can be considered one of the few sources that contain this kind of data.
4.2.3. Concentration of creative industries in Spain

In this study, creative industries plants have been computed for each of the 806 LLSs in Spain. Figure 3 shows that most of these plants are concentrated around the LLSs of Madrid, Barcelona and Valencia highlighting a strong spatial concentration of creative industries in the space. In fact, in 2009, Madrid LLS concentrates more than 26% of the Spanish creative industries; Barcelona concentrates 13% of the national creative industries, and Valencia, concentrates 4% of the national creative industries which employ 9.5% of the national creative jobs. This is in the line of the results obtained by Lazzeretti et al. (2008) and Boix et al. (2012) using jobs from Census data.

Figure 3. Number of creative industries by LLS in Spain (2009)

Table 1 provides the top-10 LLS in terms of concentration of creative industries in Spain. In general terms it can be observed how creative industries are mainly concentrated in capital cities. Indeed, the top-10 LLS account for more than 55% of the national creative industries while they only concentrate 35% of the jobs and population.
Table 1: Top-10 LLS in number of creative industries, creative jobs, total jobs and total population

<table>
<thead>
<tr>
<th>LLS</th>
<th>Creative industries (AMADEUS), year 2009</th>
<th>Jobs in creative industries, year 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madrid</td>
<td>16,935</td>
<td>405,741</td>
</tr>
<tr>
<td>Barcelona</td>
<td>8,470</td>
<td>283,363</td>
</tr>
<tr>
<td>Valencia</td>
<td>2,747</td>
<td>110,377</td>
</tr>
<tr>
<td>Sevilla</td>
<td>1,669</td>
<td>74,324</td>
</tr>
<tr>
<td>Bilbao</td>
<td>1,555</td>
<td>76,557</td>
</tr>
<tr>
<td>Sabadell</td>
<td>1,203</td>
<td>44,846</td>
</tr>
<tr>
<td>Zaragoza</td>
<td>1,196</td>
<td>54,364</td>
</tr>
<tr>
<td>Coruña (A)</td>
<td>1,003</td>
<td>36,214</td>
</tr>
<tr>
<td>Elche/Elx</td>
<td>978</td>
<td>14,790</td>
</tr>
<tr>
<td>Vigo</td>
<td>838</td>
<td>32,779</td>
</tr>
</tbody>
</table>

% over National

| Spain     | 64,628                                  | 2,998,863                            |

Source: AMADEUS and Population Census (2001)
(http://www.ine.es/jaxi/menu.do?type=pcaxis&path=%2Ft20%2F2Fe242&file=inebase&L=1)

4.3. Variables

The data used in this paper refer to Spain. The data include one dataset account the location of creative industries (dependent variable) and another dataset about the territorial characteristics of LLS in Spain (independent variable).

Econometric studies normally analyse the effect of the explanatory variables on the dependent variable. However there is the possibility that the dependent variable has simultaneously an effect on the explanatory variables (Kennedy 2003, p.401). In order to avoid the simultaneous causation bias the dependent variable has been computed at time $t$, whilst all explanatory variables in the model are defined at time $t-1$. The use of explicative variables established in the initial year of the period reduces in a logic way the problem.

4.3.1. Dependent variable

According to the previous section, the dependent variable is the location of creative industries in each of the 806 LLSs in Spain, which was drawn up using data from the AMADEUS database (2009).
4.3.2. Independent variables

Independent variables have been divided into two groups according to the theoretical section of this paper.

a) General-economic factors

First of all, traditional agglomeration economies have been measured. Following the literature, external economies are usually divided in two categories (Hoover 1937), localisation economies and urbanization economies.

The localisation economies have been addressed by several indicators which approximate the advantages derived from the concentration in a particular location of (Marshall 1890, p. 222) structure and organization of the industry, qualified workers and specialised suppliers (that belong to the same industry or sector of production).

- The organization of the creative industry is computed by the percentage of small firms.
  \[
  \text{Small}_{ij} = \frac{\text{Firms with up to 50 workers}_{ij}}{\text{Total firms}_{j}}
  \]
  , where \( L \) is the employment (Jobs) and \( F \) is the number of firms, \( i \) is the creative industry and \( j \) is the LLS. Employment and number of firms refer to the census year (2001)

- The qualification of the creative jobs has been computed by using the number of qualified jobs in creative industries.
  \[
  \text{Q}_{ij} = \frac{\text{QL}_{ij}}{\text{L}_{ij}}
  \]
  , where \( \text{QL} \) is the qualified employment (university graduates). Employment refers to the census year (2001)

- The proxy for specialized suppliers have been approximated by the inverse of a Herfindhal index inside the productive chain. This index indicated the relative degree of homogeneity in the distribution of the employment among sectors in creative industries.
  \[
  \text{Filiere}_{ij} = \frac{1}{\sum_{i,j} \left( \frac{\text{L}_{ij}}{\text{L}_{ij}} \right)^2}
  \]
  , where Employment refers to the census year (2001)

- The knowledge and information spillovers generated inside the creative industries cluster can be approximated by the Location Quotient (LQ) of employment in creative industries by LLS.
Urbanisation economies are advantages derived from the urban environment factors or characteristics to all the economic activities that are located into it. Regional and urban economics have incorporated different sources of urbanisation economies.

- Ohlin-Hoover’s potential size of the local market has been approached using the total population in the LLS.

\[ Size_j = \text{Total population}_j \]

- Economic density (Hoover and Vernon 1959; Ciccone and Hall 1996, p. 54) has been approximated by the employment density, where the denominator is the urbanized land in km2.

\[ EMPD_j = \frac{L_j}{U_j} \]

, where \( U \) is the urbanized land (MODIS DATABASE, 2008) and Employment refers to the census year (2001)

- Economic diversity of the productive structure of the LLSs (Chinitz 1961, pp. 281-282; Jacobs 1961 and 1969) have been computed by using the inverse of a Hirschman-Herfindhhal index of employment diversity at two diversity. Higher values indicate less diversity.

\[ DIV_{ij} = \frac{1}{\sum_j \left[ \left( \frac{L_{ij}}{L_j} \right)^2 \right]} \]

, where Employment refers to the census year (2001)

The relational capital is adjusted by the differential share of population who participate at the national elections in 2000– share of population who participate to the municipal elections in 1999. A negative value means a higher participation of the voters to municipal elections, which reflect a higher involvement of people in local society.

\[ \text{Elections share}_{ij} = \frac{\text{voters National elections}_j}{\text{registered population}_j} - \frac{\text{voters Municipal elections}_j}{\text{registered population}_j} \]

The effect of social capital has been measured by the density of jobs by population.

\[ SK_j = \frac{L_j}{\text{Total population}_j} \]

, where Employment and Population refer to the census year (2001)
b) Specific-creative forces have been approximated by a set of indicators aimed at measuring the four components previously developed.

- **Creative heritage and creative amenities** of the LLSs have been approximated by three variables.
  - Local street art, representative buildings and cultural heritage divided by the total population in each LLS. Local street art is provided by a worldwide graffiti website (www.fatcap.com). Representative buildings are provided by a worldwide buildings database (www.skyscraperpage.com). Protected cultural heritage goods (monuments, gardens, historic and arqueological places) are obtained from the UNESCO World heritage website and Ministry of Culture of Spain.
    
    \[
    Heritage_j = \frac{Art_j + Buildings_j + Cultural\ heritage_j}{Population_j}
    \]
    
    , where population refers to the census year (2001)
  - Political power variable is constructed with a dummy variable that identifies the capital regions (Comunidades Autónomas).
  - Access to Green spaces has been computed by dividing the total green area (forest + vegetation + ice and snow) from MODIS DATABASE (2008) by the total population (2001).

- The **related variety** has been measured using the three-digit level entropy index proposed by Boschma and Iammarino (2009). This indicator consists of an entropy index defined at different levels of sectorial aggregations. As it is observed in Lazzeretti et al. (2012), the value of the entropy index increases when a higher diversity exist in the LLS.

    \[
    RELEVAR = \sum_{g=1}^{G} P_g H_g
    \]

    , where \( P_g = \sum_{i \in S_g} p_i \) is the aggregation from three digits to two digits sector of the share of each industry employment (year 2001) on the total employment (year 2001)
    and \( H_g = \sum_{i \in S_g} p_i \log_2 \left( \frac{1}{p_i/p_g} \right) \). Employment refers to the census year (2001)

- The effects of talent have been measured using **Florida’s 3Ts approach** (technology, talent and tolerance).
  - Technology is computed as the density of the average local patent applications (Florida, 2005).
    \[
    TP_j = \frac{PAT_j}{L_j}
    \]
    
    , where \( PAT \) stands for average total patents (1991-2004) and total employment refers to the census year (2001)
Talent is measured using the ratio of creative occupations or creative classes (ISCO 88: scientists, engineers, artists, cultural creative, managers, professionals and technicians) to the total local jobs (Florida, 2005)

\[ CC_j = \frac{C_j}{L_j} \]

, where C is creative occupations or the creative class. Employment refers to the census year (2001)

Tolerance has been interpreted as the percentage of foreign workers to the total number of local jobs (Florida, 2005)

\[ TO_j = \frac{FB_j}{L_j} \]

, where FB is foreign born workers and Employment refers to the census year (2001)

5. Econometric analysis

The results of the econometric estimations are presented in table 3 and 4. Negative binomial regressions have been used in this paper for the analysis of the determinants of concentration of creative firms in Spanish LLSs. As it has been observed in the previous section, negative binomial regressions are considered as a generalization of Poisson regressions (since both have the same structure) but it contains an extra parameter to model the overdispersion of the data (situation where the conditional variance exceeds the conditional mean).

The analysis started by estimating two separate regressions (Table 3 and 4) in order to test separately the contribution of different levels of independent variables to the location of creative industries. Indeed, Table 3 presents the results of the general externalities (those that might affect the whole economic sectors) which also might have an impact on the location of the creative industries. While Table 4 present the results of the variables that are more specific to explain the location of these creative industries. For each model, two statistical tests are indicating the good fit of the negative binomial model to the data vs. the Poisson Model. Indeed, both the Wald test (represented by Alpha) and the likelihood ratio test allow the rejection of the null hypothesis that alpha equals zero (which is the case of Poisson regressions).

Both tables are presenting results for the independent variables in partial and full models. In general terms it is worthy to say that these results are significantly consistent showing a strong capacity of explanation of the findings. Combination of both tables into one single full model was not provided due to multiple collinearity problems between explanatory variables (see correlations between dependent and independent variables in Table 2).
<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Industrial mix</th>
<th>Creative filiere</th>
<th>LQ creative industry</th>
<th>Population</th>
<th>Employment density</th>
<th>Diversity</th>
<th>Related Variety</th>
<th>Heritage</th>
<th>Elections differential share</th>
<th>Social capital</th>
<th>Creative industries</th>
<th>Patents per capita</th>
<th>Foreign born</th>
<th>Access to green</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial mix</td>
<td>-0.05</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creative filiere</td>
<td>0.12</td>
<td>-0.12</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LQ creative industry</td>
<td>0.00</td>
<td>-0.05</td>
<td>0.08</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>0.97</td>
<td>-0.09</td>
<td>0.18</td>
<td>0.00</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment density</td>
<td>0.04</td>
<td>-0.11</td>
<td>0.02</td>
<td>-0.08</td>
<td>0.05</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversity</td>
<td>0.19</td>
<td>-0.19</td>
<td>0.32</td>
<td>0.18</td>
<td>0.26</td>
<td>-0.07</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related Variety</td>
<td>0.98</td>
<td>-0.08</td>
<td>0.15</td>
<td>0.00</td>
<td>0.99</td>
<td>0.05</td>
<td>0.25</td>
<td>1</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Heritage</td>
<td>-0.04</td>
<td>-0.07</td>
<td>0.00</td>
<td>0.23</td>
<td>-0.06</td>
<td>-0.03</td>
<td>0.02</td>
<td>-0.05</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elections differential share</td>
<td>-0.19</td>
<td>-0.04</td>
<td>-0.12</td>
<td>0.08</td>
<td>-0.25</td>
<td>-0.03</td>
<td>-0.18</td>
<td>-0.22</td>
<td>0.21</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social capital</td>
<td>0.10</td>
<td>-0.27</td>
<td>0.16</td>
<td>0.04</td>
<td>0.11</td>
<td>-0.01</td>
<td>0.22</td>
<td>0.12</td>
<td>0.14</td>
<td>0.11</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education creative industries</td>
<td>0.45</td>
<td>-0.20</td>
<td>0.30</td>
<td>-0.06</td>
<td>0.52</td>
<td>0.02</td>
<td>0.61</td>
<td>0.52</td>
<td>0.00</td>
<td>-0.20</td>
<td>0.29</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creative class</td>
<td>0.22</td>
<td>-0.19</td>
<td>0.37</td>
<td>0.37</td>
<td>0.30</td>
<td>-0.05</td>
<td>0.67</td>
<td>0.28</td>
<td>0.11</td>
<td>-0.24</td>
<td>0.11</td>
<td>0.63</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Patents per capita</td>
<td>0.06</td>
<td>-0.08</td>
<td>-0.04</td>
<td>0.04</td>
<td>0.06</td>
<td>-0.03</td>
<td>0.18</td>
<td>0.07</td>
<td>-0.03</td>
<td>0.00</td>
<td>0.26</td>
<td>0.15</td>
<td>0.14</td>
<td>1</td>
</tr>
<tr>
<td>Foreign born</td>
<td>0.03</td>
<td>-0.09</td>
<td>0.17</td>
<td>0.33</td>
<td>0.03</td>
<td>-0.12</td>
<td>-0.04</td>
<td>0.02</td>
<td>0.10</td>
<td>0.09</td>
<td>0.20</td>
<td>-0.06</td>
<td>0.09</td>
<td>0.00</td>
</tr>
<tr>
<td>Access to green</td>
<td>-0.07</td>
<td>0.11</td>
<td>-0.24</td>
<td>0.10</td>
<td>-0.11</td>
<td>0.07</td>
<td>-0.10</td>
<td>0.21</td>
<td>0.20</td>
<td>-0.20</td>
<td>-0.12</td>
<td>-0.04</td>
<td>-0.10</td>
<td>-0.14</td>
</tr>
</tbody>
</table>
Results: Localisation economies (General variables):

As we expected, localisation economies have a positive and significant effect to the number of creative industries located in Spanish LLSs (with the exception of creative industrial mix). Indeed, the share of qualified jobs in creative industries in LLS has a statistically significant coefficient 0.40 in the partial regression. This means that for each one-unit increase of the share of qualified jobs in creative industries, the expected log count of the number of creative industries located in the LLS increases by 0.40 (see Model 1). When other general variables are included to the model (urbanization and social variables) this variable maintains its positive sign but it reduces its statistical significance. The result of the creative filière shows a positive and statistically significant coefficient of 0.35 (see Model 1). This result goes in line with the theoretical part of this article since a higher homogeneous composition of the creative industry means a higher share of local suppliers. Contrary to the previous localization economy indicator (share of qualified jobs) when other variables are introduced the sign and statistical significant of this indicator remain remarkably consistent. Similarly, the creative industry location quotient also presents a positive and statistically significant coefficient of 0.65 (Model 1) which also remains stable when other relevant variables are included in the model (Full model 1 or 2). These results suggest the importance of information spillovers generated inside the creative industry cluster to explain the location of those firms in LLS.

Results: Social and relational capital (General variables):

As expected, the presence in the LLS of people involved in the local society (computed by the differential of population who participate at the national elections with respect to the local elections) is negative (-0.16, see Model 3) and strongly significant. This coefficient shows how in a territory where there is more involvement of people on local society (higher than the involvement on national society) there is a positive impact on the presence of creative industries in the LLS. In the same line, the social capital indicator computed as the density of jobs by population also provides a positive and statistical significant coefficient of 0.19 (see Model 3).

Results: Urbanisation economies (General variables):

The results show the low impact on the presence of local creative industries in LLS by the population size and the labour density variables. Contrary to these results, the diversity of sectors of different industries shows a positive and statistical significant indicator (0.09, see Model 2). This means that for each one-unit increase on the diversity of the LLS, the expected log count of the number of creative industries in the LLS increases by 0.10 (in line with Chinitz and Jacobs theory). Results on the urbanization economies remain stable when other external economies (such as social capital or localization economies) are included (see Full model of general economic forces).
Results: Creative heritage, creative amenities and related variety in creative industries (Specific creative variables):

From the theoretical section of this paper it could be expected that the presence of local street art, representative buildings and cultural heritage in the LLS might have an impact on the number of creative industries located in LLSs. However, as it has been also observed by Lazzaretti et al. (2012), this indicator is negative, which is mainly explained by the high dispersion of cultural and artistically goods over the territory. However, the presence of a capital region in the LLS has a positive and statistically significant impact on the presence of creative industries located in the territory (see Model 4). These results are also stable when other specific creative variables are introduced in the model (see Full partial model of specific-creative forces).

The related variety in creative industries indicator is provides also a positive and statistical significant coefficient (similarly to what it has been observed in Lazzeretti et al. 2012).

Results: Florida’s 3 T’s (Specific creative variables):

Regarding variables that approach the Florida’s 3T’s (Technology, Talent and Tolerance) we observe the positive and statistical significance of the three coefficients related to these variables. Indeed, the presence of creative class jobs in the LLS is the main element among the three to explain the location of creative firms in the territory (see Model 5). This is followed by the presence of foreign born people and thus the level of openness of the society to new ideas and cultures. Finally, the technology intensity, or knowledge spillovers, is also positive and statistically significant. These results are particularly robust since these variables provide similar coefficients when other specific creative variables where included in the model.
Table 3. Negative Binomial Regression: General agglomeration results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1 (General variables)</th>
<th>Model 2 (General variables)</th>
<th>Model 3 (General variables)</th>
<th>Full partial model (General-economic forces)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient (t-statistic)</td>
<td>Coefficient (t-statistic)</td>
<td>Coefficient (t-statistic)</td>
<td>Coefficient (t-statistic)</td>
</tr>
<tr>
<td>LOCALIZATION</td>
<td>URBANIZATION</td>
<td>SOCIAL/RELATIONAL CAPITAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>72.6563 *** (10.8221)</td>
<td>1.2845 *** (0.1490)</td>
<td>-3.9424 *** (0.3778)</td>
<td>15.6250 ** (7.1553)</td>
</tr>
<tr>
<td>Creative industrial mix</td>
<td>-0.7381 *** (0.1078)</td>
<td></td>
<td>-0.1952 *** (0.0708)</td>
<td></td>
</tr>
<tr>
<td>University graduates in creative industries</td>
<td>0.3952 *** (0.0278)</td>
<td></td>
<td>0.0282 (0.0312)</td>
<td></td>
</tr>
<tr>
<td>Creative filiere</td>
<td>0.3456 *** (0.0442)</td>
<td></td>
<td>0.2161 *** (0.0370)</td>
<td></td>
</tr>
<tr>
<td>Creative LQ</td>
<td>0.6455 ** (0.2719)</td>
<td></td>
<td>0.4185 ** (0.2115)</td>
<td></td>
</tr>
<tr>
<td>Elections share differential</td>
<td></td>
<td>-0.1600 *** (0.0068)</td>
<td></td>
<td>-0.0890 *** (0.0073)</td>
</tr>
<tr>
<td>Social capital</td>
<td></td>
<td>0.1919 *** (0.0101)</td>
<td></td>
<td>0.0992 *** (0.0082)</td>
</tr>
<tr>
<td>Population size</td>
<td></td>
<td>0.0000 *** (0.0000)</td>
<td></td>
<td>0.0000 *** (0.0000)</td>
</tr>
<tr>
<td>Employment density</td>
<td></td>
<td>0.0000 (0.0000)</td>
<td></td>
<td>0.0000 (0.0000)</td>
</tr>
<tr>
<td>Economic diversity</td>
<td></td>
<td>0.0961 *** (0.0118)</td>
<td></td>
<td>0.0847 *** (0.0139)</td>
</tr>
<tr>
<td>Alpha</td>
<td>1.86 *** (0.0889)</td>
<td>1.66 *** (0.0813)</td>
<td>2.16 *** (0.1017)</td>
<td>1.19 *** (0.0625)</td>
</tr>
<tr>
<td>Pseudo R2</td>
<td>0.11</td>
<td>0.12</td>
<td>0.09</td>
<td>0.16</td>
</tr>
<tr>
<td>Log Likelihood</td>
<td>-3141.74</td>
<td>-3092.38</td>
<td>-3218.01</td>
<td>-2953.92</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>790.18 (4)</td>
<td>888.90 (3)</td>
<td>637.63 (2)</td>
<td>1165.82 (9)</td>
</tr>
<tr>
<td>Significance Level</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Sample size</td>
<td>806</td>
<td>806</td>
<td>806</td>
<td>806</td>
</tr>
</tbody>
</table>

Note 1: Dependent variable is the absolute number of creative industries by LLS (source AMADEUS)

Note 2: Parameters should be interpreted as log of the ration of expected counts. In this case, the count refers to the “rate” of creative firms per LLS.

Note 3: Negative binomial regression does not have an equivalent to the R-squared measure found in OLS regression (the proportion of variance for the response variable explained by the predictors). Due to that, it is recommended to interpret this statistic with caution. For a discussion of various pseudo-R-squares, see Long and Freese (2006)

(***): Significance at 1%, (**) significance at 5% and (*) significance at 10%. Standard errors between brackets.
Table 4. Negative Binomial Regression: Specific creative forces results

| Variable |
|------------------|------------------|------------------|
|                  | Model 4 (specific-creative forces) | Model 5 (specific-creative forces) | Full partial model (specific-creative forces) |
| TERRITORIAL RESOURCES/ RELATED VARIETY | 3Ts FLORIDA |
| Constant | 2.8363 *** (0.0758) | -2.0473 *** (0.1837) | 0.1479 (0.2063) |
| Heritage | 0.0000 (0.0000) | -0.0001 ** (0.0000) | -0.0000*** (0.0000) |
| Capital of the Autonomous Community (dummy) | 0.1293 *** (0.3251) | 0.0462 (0.3097) |
| Access to green spaces | -0.0000 *** (0.0000) | -0.0000 *** (0.0000) |
| Related variety in creative industries | 7.5570 *** (0.6069) | 3.6391 *** (0.5442) |
| Patents per capita (technology) | 0.0224 *** (0.0035) | 0.0091 *** (0.0024) |
| Creative class share (talent) | 0.2152 *** (0.0086) | 0.1241 *** (0.0101) |
| Foreign born share (tolerance) | 0.0287 *** (0.0057) | 0.0137 *** (0.0043) |
| Alpha | 1.69 *** (0.0828) | 1.97 *** (0.0929) | 1.38 *** (0.0705) |
| Pseudo R2 | 0.12 | 0.10 | 0.14 |
| Log Likelihood | -3101.92 | -3166.33 | -3016.04 |
| Likelihood Ratio | 869.81 ($\chi^2$ (4)) | 741.00 ($\chi^2$ (3)) | 1041.58 ($\chi^2$ (7)) |
| Significance Level | 0.0000 | 0.0000 | 0.0000 |
| Sample size | 806 | 806 | 806 |

Note 1: Dependent variable is the absolute number of creative industries by LLS (source AMADEUS)

Note 2: Parameters should be interpreted as log of the ration of expected counts. In this case, the count refers to the “rate” of creative firms per LLS.

Note 3: Negative binomial regression does not have an equivalent to the R-squared measure found in OLS regression (the proportion of variance for the response variable explained by the predictors). Due to that, it is recommended to interpret this statistic with caution. For a discussion of various pseudo-R-squares, see Long and Freese (2006)

(***): Significance at 1%, (**): significance at 5% and (*): significance at 10%. Standard errors between brackets.

6. Conclusions

The main purpose of this paper was to contribute to the broad topic of geographical concentration of creative industries. Departing from theoretical and empirical literature on
localization of creative industries, this paper provides and explanatory approach of the location determinants of creative industries in Spanish LLSs.

One of the main contributions of this paper is the use of micro-level data on creative industries to identify the location of creative firms in Spanish LLSs. Findings show a high concentration of creative industries around capital cities such as the LLSs of Madrid, Barcelona, Valencia, Sevilla, Bilbao or Zaragoza highlighting a strong spatial concentration of creative industries in the space. Indeed, the top-10 LLS account for more than 55% of the national creative industries while they only concentrate 35% of the jobs and population.

Another contribution of this paper is the construction of an explanatory economic model (count regression model) to investigate the distinct characteristics that bring a particular LLS to have more creative industries located in its territory. Additionally to the traditional approaches of externalities (Urbanisation, Localisation, Social and relational capital) this research also observes that more tailored creative externalities (heritage, Related Variety and Florida’s 3Ts) also affect the location of firms as well as creative firms. Econometric models suggest that the location of creative industries in Spanish LLSs is derived from different general and creative specific determinants (similarly suggested by Lazzaretto et al. 2012). On the one hand, regarding the general determinants, it has been observed how localization and social and related variety variables provide a better explanation of the location of creative industries than the presence of urbanization economies. On the other hand, Florida’s 3T’s variables seem to offer a more powerful explanation of creative industries among the creative specific externalities (specially the creative class variable).

Policy implications of this research based on the findings are of significant importance for regional and local policy makers in Spain. It is important to understand that, the new EU initiative called Europe 2020 strategy (smart, green and inclusive growth) aims at boosting the growth of national economies and jobs by supporting a diversified, strong and competitive industrial base in Europe. At the same time, several studies have recently provided sound evidence on the contribution of creative industries to local and regional development in EU (De Miguel et al. (2012); Rausell et al. 2012; the European Competitive Report 2010). Indeed, the European Competitive Report (2010) underlines that those creative industries can be considered important innovators as well as important drivers of innovation to other sectors of the economy. It is for this reason that regional policy makers need sound evidence on the factors that might attract creative industries. Indicators of such factors can indeed be integrated into concrete policy frameworks.

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