



## **The Development of Creative Industries in Indonesia: Applying the Soft Condition Theory to Measure Creative Cities**

AULIA, ABRAR<sup>a</sup> AND SUSANTI, HERA<sup>a\*</sup>

*<sup>a</sup>Faculty of Economics and Business, Universitas Indonesia, Indonesia*

### **ABSTRACT**

A creative economy, which uses the creativity of people as the source of its competitive advantage, is considered to be a new era economy. This bottom-up view proves the need for a creative region/creative city that is able to develop creative talents of the people within the region. There is an argument regarding the specific urban amenities, called the soft condition factors, which are necessary to attract people who have creative talents. This paper examines the relevance of these factors to the development of creative cities in the Indonesian context. Creative cities are measured by the concentration of workers and firms in the creative industries in the regions. The determinants of soft factors in this context are tolerance, heritage and the quality of life. Creative cities are divided into two categories: cultural and non-cultural. Using data from 2006, the research findings show that the soft factors for these two categories may have different relationships. Tolerance is important for developing a non-cultural creative city, but it does not work well for a cultural creative city. This result suggests that policy strategies need to be differentiated for each category.

**JEL Classification:** Z10, R11, O10

**Keywords:** Creative Industry, Regional Development, Developing Economies,

---

*Article history:*

Received: 22 June 2018

Accepted: 8 November 2018

---

---

\* Corresponding author: Email: [Hera.susanti@ui.ac.id](mailto:Hera.susanti@ui.ac.id)

## INTRODUCTION

The concept of a creative city is based on the condition in developed countries where the physical infrastructures are better than the infrastructures in developing countries. One of the concepts is that the creative city is a platform focusing on fostering the creative industries or economy (UNCTAD, 2010). It is interesting that the share of creative products across the world have been dominated by developing countries since the global financial crisis in 2008. Figure 1 shows that the developing countries exports' values were lower than the developed countries in 2002 to 2008, but after the 2008 crisis the export values were dominated by the developing countries. This suggests that hard infrastructures are not sufficient to maintain the value of creative products, particularly when a crisis occurs.

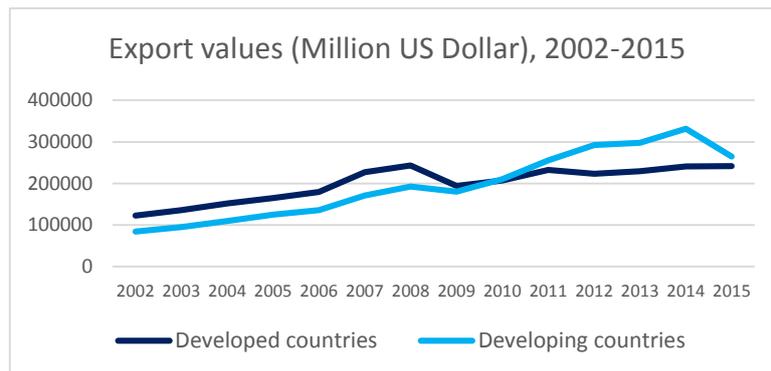


Figure 1 Creative Product's Export Values in US Dollars  
Source: UNCTADStat (2017)

In 2010, creative products in Indonesia accounted for 6.9% of total GDP, and this figure grew steadily to 7.4% in 2015 (Kemenparekraf, 2014; Bekraf, 2017). However, creative products, particularly cultural products which are a labour-intensive industry accounted for 13.9% of the total workforce in 2015. Based on United Nations Conference on Trade and Development (UNCTAD) report in 2015, Indonesia's trade balance on creative industries was positive, accounted for \$1,431.7 million US Dollars in 2012. Indonesia's main creative products in export were designs, performing arts and art crafts. Their most important export destinations were United States, Japan, Germany, France, and the United Kingdom. Furthermore, the high percentage of the creative economic value and the increase in potential markets made the government of Indonesia put the creative economy on the strategic agenda. The first attempt to increase the value was to add creative sectors to one of its ministries, the Ministry of Tourism and Creative Economy, in 2009. The President of Indonesia, Joko Widodo, formed the Creative Economy Agency (BEKRAF) in exchange to the responsibility of the Ministry of Tourism. In 2016, the Creative Economy Agency focused on developing creative cities in Indonesia.

The majority of Indonesia's creative exports is dominated by inherited cultural products, produced in several regions. One of Indonesia's famous creative products is batik, which was granted the status of a Masterpiece of Oral and Intangible Heritage of Humanity by UNESCO in 2009. One of the regions which devoted batik as the main source of income is Kota Pekalongan. Kota Pekalongan has been known as the world city of batik, as the majority of its population relies on batik as their main source of income. This suggests that creative products in Indonesia are uniquely embodied within its region and, according to Hosper (2003), soft conditions are more significant in developing these kinds of products.

The development of creative cities has become appealing for most declining urban areas, as it regenerates economic activities through creative sectors (Liu, 2015). The development itself requires both hard and soft conditions. Hard conditions include physical infrastructures and other factors affecting firms' locational decisions directly, such as the availability of capital and workers, as well as interconnected infrastructures that are necessary for the development of technology-intensive industries (Liu, 2015; Musterd & Gritsai, 2010). The soft conditions include any factors affecting locational decisions for 'creative' workers, such as the quality of the environment, cultural inheritance, level of tolerance, diversity, and other factors that are necessary for the development of cultural-creative industries (Hosper, 2003). The idea of soft conditions is in line with Florida (2002) stating that in the new economy, firms would follow workers and not vice versa. With regard to this argument, soft conditions are important; yet hard conditions are necessary.

In order to boost creative products from Indonesia, the development of creative cities is essential. There are various definitions of creative city, but this study prefers to define it as a region that has a concentration of creative industries. One of many definitions by UNCTAD (2010) called creative city as a region that fosters the creative economy of the city. The strategies are focused on fostering creative industries as the basis of the creative economy. Hosper (2003) defined a creative city as a city with creative industries; whether it is technological creative industries or cultural industries. Both definitions require a specific characteristic for a city to be called as a creative city which is the human capital. Human as a capital is the most deciding factor because creativity comes within the individuals who are able to innovate and solve the city's problems.

Why creative cities? Several researchers have stated the importance of creative cities for boosting economic activities and social cohesion, amongst other factors. Gertler (2004) stated that creative cities should be developed because they enhance dynamism, resilience and overall competitiveness through innovations by individual workers, firms and other organisations that reside in the urban regions. In addition, they have the potencies to enhance the quality of life and opportunities across sections of the population through the development of socially inclusive creative places. A creative city may also be seen as a place to boost economic activities through investments in innovative economic sectors and creative people (Sanetra-Szeliga, 2013). Charles Landry (1998) stated that one of the preconditions for developing a creative city is the need for multiculturalism, since external influences can be re-elaborated creatively in order to generate new ideas derived from cross cultural interactions.

In line with the development of creative cities in Indonesia, this paper aims to examine the relationship between the soft condition factors and the development of creative cities. A creative city is defined as a region that has a concentration of creative industries. The most recent available data are in 2006. Besides dividing creative industries into two categories, namely cultural and non-cultural (essentially technologically-intensive industries), creative cities are also divided into two categories (see Fahmi, Koster, and van Dijk, 2016). In this paper, soft conditions are measured by three elements: heritage, openness and the quality of life, as these three variables can be obtained from the Central Bureau of Statistics Indonesia (BPS).

As it is argued that a creative city cannot be defined equally for each industry, the impact of any soft condition factors cannot be the same. There are different characteristics of cultural and non-cultural industries as measurements of a creative city. Although the soft conditions are important for the development of a creative city, the impact of each variable may depend on the types of creative industries that are clustered in a particular region.

## **THE DEVELOPMENT OF CREATIVE CITIES IN INDONESIA**

The development of creative cities in Indonesia started in 2007 when the national creative industries were mapped by the Ministry of Trade of Indonesia. In 2008, the Ministry of Trade published creative economy long-term development plan 2009-2025. One of the agenda is to build creative cities by attracting creative individuals to interact, collaborate and form clusters (The Ministry of Trade of Indonesia, 2008). The government believe that these clusters will boost the creations of creative products and services. From then, creative cities have been developed in several regions.

In 2004, UNESCO created the UNESCO Creative City Network that promotes cooperation among the cities that list creativity as the strategic factor in their sustainable urban development (UNESCO, n.d.). To join the network, a city is required to include creativity and cultural industries in their development plans at the local level and to show active cooperation at the international level. Following the networks, in 2013, according to Maryunani (2015), Indonesia's Ministry of Tourism and Creative Economy decided to submit applications for four cities to be included in the selection process. Those cities are Kota Yogyakarta, Kota Solo, Kota Bandung, and Kota Pekalongan. The first city in Indonesia joining the UCCN is Kota Pekalongan. It made Kota Pekalongan as the first creative city globally recognised. Kota Pekalongan was chosen by UCCN because of its devotion to Batik. Most of the people in Kota Pekalongan rely on batik as the main source of income. People in Kota Pekalongan has been safeguarding and further developing Batik culture for centuries (UNESCO, 2014). In 2006, a building that was built in 1906 was altered as the Museum of Batik. In supporting the commitment, the city government holds routine cultural festivals in Pekalongan.

Following Kota Pekalongan, Kota Bandung, was also recognised as a creative city in 2015. Kota Bandung was established as a creative city in 2007. It was chosen to be the pilot project of East Asia Creative Cities

programme (Maryunani & Mirzanti, 2015). The programme was developed by British Council to support the development of creative and open cities. Kota Bandung was selected as a creative city because of local government's strong commitment to stimulate the creative economy through the implementation of new creative centres, industry area, RandD support and cultural festivals. The development of Kota Bandung as a creative city is supported by local communities which then formed Bandung Creative City Forum (BCCF). BCCF functions as a hub for local, national, and international stakeholders for fostering the exchanges of creative experiences and ideas (UNESCO, 2015).

Following the successes in Kota Pekalongan and Bandung, in 2017, BEKRAF implemented a program called the Self-Assessment of Indonesia's Creative City Program (PMK3I) to encourage other cities' creative economy by promoting the development of creative cities. The aim of this program was to raise the competitiveness of each region in order to attain the title of a "creative city." A participating city is deemed successful if four creative criteria are fulfilled. These criteria are having a local creative industry with creative actors, a creative chain, and links to other sectors (Sungkari, 2017).

- Local Champions

There are 16 creative subsectors in Indonesia; however BEKRAF underlined that each participating city needs to have a local champion. A local champion means that one of the 16 creative subsectors should be the focus of the main development plan. The local champion must not be created from scratch, but must be based on the pre-existing local potential. This local champion will be identified while participating in PMK3I.

- Creative actors

- Having a local champion cannot guarantee the sustainability; thus, it is important to have creative actors. The five actors that are important for sustainability are academicians, businesses, communities, the government and the media. Academicians will keep pace with recent issues in the creative industries, while businesses are the main actors in the creative industries. Communities and the government will ensure that the interests of both parties run in parallel, while the media is important in marketing the cities' creative industries. Creative chains

Five creative chains are listed by the Ministry of the Economic Coordinator of the Republic of Indonesia. The chains are creation-production-distribution-consumption-conservation (Tayyiba, 2016). Creation is the process of how creativity is developed, while production is how the creativity can be converted into a product. After creating a product, distribution will do the penetration into society. Consumption forms the pattern of the product consumed, while conservation is the overall evaluation that will be the basis for the next step in the creative chain's progress; so that the creative chain will occur repeatedly (Sungkari, 2016). Each creative city is likely to have one part of the chains. As a result, each creative city needs to be linked to the others to ensure their sustainability, particularly if they have the same local champion.

- Linkage

Besides linking one city to another, a creative city must link their local champion to other sectors. This linkage is defined as either a backward or a forward linkage. A backward linkage is a relationship between a local champion and the industry that supports its growth, while a forward linkage is the relationship between a local champion and the other sectors that benefit from it.

Although there are four criteria to be fulfilled, the main element used to determine a creative city is the local creative industries, while the other three elements may act as catalysts.

The development of creative cities in Indonesia has acknowledged the importance of soft conditions factor. To further examine the soft conditions factor in the development of creative cities, the characteristics of creative cities in Indonesia are identified. Fahmi, Koster and van Dijk (2016), divided creative industries into traditional-culture industries and creative industries. Creative industry refers to an industry that does not include the traditional-culture sector, such as advertising and marketing, architecture and design, the visual and the recorded arts, radio and television, the performing arts, publishing, IT, software and computer services, and research and development. Some examples of traditional-culture industries are antique markets, batik and craft production, or fashion.

The creative cities in this research are represented by their potential creative industries (creative workers). Many studies stated that a creative industry may develop under the soft and hard conditions (Liu, 2015; Musterd & Gritsai, 2010; You & Bie, 2017). The hard conditions are seen as a classic theory determining the choice of the

location for a certain industry, while the soft conditions are the specific amenities that exist in a region, and which attract specific industries. Soft conditions are termed soft because it is difficult to measure the associated factors, which include the cultural facilities, openness, diversity, quality of life in the city and urban atmosphere.

Creative cities are unique depending on how the local government wants the world to see them. However, some factors are required in the development of creative cities according to industries on which they choose to focus. One factor is human capital that determines the quality of the people. Regions that have better human capital, achieve higher growth than other regions (Glaeser & Saiz, 2003). In developing the concepts of creative economy, besides the importance of the education role, creativity and ability to adapt to information and technology are very significant due to positive correlation with the human capital (Florida, 2012). Florida pointed out that young population tends to highly adapt to technological changes; therefore, they have big tendency of being creative by utilizing such technologies.

City size is the next factor concerning the creative industries as well as the creative workers. There are four reasons why city size affects creative workers' decisions (Lorenzen & Andersen, 2007). The first three reasons explain that creative workers do not benefit from small cities due to the lack of a consumer base, viable labour markets and political representation by the creative workers. The last reason describes the adverse effect that arises due to the congestion effect as the city becomes too crowded.

## METHODOLOGY

To identify the relations between the concentration of creative industries, the potency of creative cities to develop and the theory of soft conditions in Indonesia, the 2006 economic census data and other related data sets published by the Central Bureau of Statistics Indonesia (BPS) are used. The datasets are combined to obtain the regional characteristics by excluding some regions from the analysis (all the municipalities in Aceh province, Nias, several regions in Kalimantan Timur and several regions in Papua).

Due to the limitations of the data and the developing concept of what constitutes a creative city, it is hard to state which regions are categorised as creative cities and which are not. The only possible thing is to identify the potencies of becoming a creative city. The study defines creative cities based on their potencies to develop related to the concentration of creative industries located in them, as measured by their location quotient (LQ). The LQ was chosen because it represents industry concentrations relative to the national concentration, and affords a comparison between municipalities and districts. As creative industries had not yet emerged in Indonesia in 2006, the study classified the creative industries based on the categorisations by BEKRAF in 2016, including the categorisations by the Ministry of Tourism and the Creative Economy in 2014. This method was also used in previous studies relating to creative industries (Fahmi, et al., 2016; Escalona-Orcao, et al., 2016). The formula for the LQ is as follows:

$$LQ = \frac{l_i/l}{L_i/L}$$

where  $l_i$  represents the number of creative firms in location  $I$ ,  $l$  represents the total number of firms,  $L_i$  represents the number of creative firms on the national scale and  $L$  represents the total firms on the national scale. An industry can possess two elements, which are the firms and employees. This research uses both firms and the workers who are active in the creative sectors.

Following Indonesia's Standard Industrial Classification (KBLI) referred by Fahmi, Koster and van Dijk (2016), the potency of a creative city is divided in two categories, which are called cultural and non-cultural. The terms of cultural and non-cultural were chosen because most of the creative industries in Indonesia are dominated by cultural industries. The cultural industry consists of any industry with strong cultural inheritance such as music, arts, fashion, and craft. Cultural industries usually have unique characteristics derived from geographic situation and their history. While non-cultural industry consists of any industry that are associated with modern technology which often changes, such as design, photography, film, and also research and development.

### Soft Condition

Variables that are measurable were chosen to represent the soft factors, such as openness, the quality of life and cultural facility. Openness was measured based on the percentage of *immigrants* in an area. The higher the number of immigrants, the greater the degree of openness. This variable was calculated using the percentage of inhabitants who were born outside of the provincial state in which the area is situated. Quality of life in this research was measured by the human development index. According to the soft condition theory, quality of life not only attracts creative actors (workers and firms) to locate in a certain area, but also develops their creativity. Cultural facility (*heritage*) was measured by the *mean* of the availability of historical sites in rural/urban areas aggregated into municipality/district levels. Cultural facility acts as a catalyst for creative industries, particularly for cultural industries. Several cities in Indonesia, such as Bandung and Pekalongan, have been preserving their historical sites as hubs for creative industries. Liu (2015) stated that urban development based on this cultural facility is called culture-led urban regeneration. Such development is based on recovering historical sites/architecture as places in which creative industries can develop.

### Human Capital

Human capital in this research is determined by *tertiary education*, which is the proportion of adults with tertiary degree relative to entire population that exist in the area, while *% young* is the percentage of young people in the population (aged 15-40). Young populations are taken into account because young people are considered to be the most creative and adapt easily to new knowledge and technology, particularly people in the category of age at 30-40 (Cavanaugh & Blanchard-Fields, 2015); while the proportion of adults with tertiary degree indicates the availability of highly educated people who contribute to the development of creativity.

### Other Regional Characteristics

Several other regional characteristics were also used in this research, including population density, the percentage of male workers in an area and a dummy variable to identify whether the region can be categorized as a municipality (*kota*) or a district (*kabupaten*). Population density was used to measure the city size in a region, defined as the number of people per kilometre. It was expected that a larger city size would reflect more economic activities, including in the creative economy. The percentage of male workers was used to measure the effects of gender characteristics in an area. The percentage of male workers was measured by comparing to the total number of workers in an area, without considering in which sectors they worked. Gender is expected not to be significant since creative cities are based on the idea of inclusivity in which greater diversity results in the increased creativity. Dummy municipalities equalled 1 if the region was categorised as a municipality, and 0 if it was a district. General descriptive statistics for each variable are shown in Table 1.

### Estimation methods

The OLS regression econometrics was applied to identify the relationship between the concentration of creative industries and the other variables used in this research. The model used in this research has LQ as the dependent variable and each of the variables mentioned previously.

Table 1 Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
LQ (Creative Workers)	404	0.768	0.439	0.013	2.853
LQ (Creative Firms)	404	0.804	0.457	0.021	2.695
LQ (Cultural Workers)	404	0.772	0.469	0.009	3.041
LQ (Cultural Firms)	404	0.801	0.478	0.011	2.808
LQ (Non-cultural Workers)	401	0.6954	0.7199	0.0580	5.553
LQ (Non-cultural Firms)	401	0.892	0.645	0.088	3.8502
Heritage	404	0.113	0.106	0.000	0.786
HDI	404	69.29	4.54	47.24	78.26
Immigrants (%)	404	1.77	2.14	0	20.26
Tertiary Education	395	0.042	0.038	0	0.245
Young (%)	404	37.34	3.65	27.19	51.48
Population Density	404	1112.54	2549.19	0.57	20216.71
Male Workers (%)	404	65.75	9.48	42.86	100
Municipality Dummy	404	0.21	0.41	0	1

The model used is as follows:

$$LQ Y_i^k = \beta_0 + \beta_1 heritage_i + \beta_2 hdi_i + \beta_3 \% immigrant_i + \beta_4 \% young_i + \beta_5 Tertiary Education_i + \beta_6 Population Density_i + \beta_7 \% Male Workers_i + \beta_8 municipalities dummy_i + \mu_i$$

$Y_i$  is the representation of a creative city’s potencies as the dependent variable.  $Y$  is divided into six categories, which are the LQ of the creative workers, cultural workers, non-cultural workers, creative firms, cultural firms and non-cultural firms, all of which are represented by the term of  $k$ . LQ can be interpreted as the concentration of creative industries/workers in a region. Regions with an LQ greater than 1 have a larger concentration of creative industries/workers relative to the national concentration. For example,  $LQ = 1.35$  means that a region has 1.35 times more creative industries/workers concentrated in it than the national average.

The soft condition theory in this research was measured by *heritage* (the mean of the availability of historical sites in rural/urban areas aggregated into municipality/district levels), *% immigrant* (percentage of immigrant in an area) and *hdi* (human development index). The control variables used to measure the development of potential creative cities are human capital and other specific characteristics. Human capital was measured by *% young* (percentage of people age 15-40) and *tertiary education* (proportion of adults with tertiary education), while other characteristics used in this research are *% male workers* (percentage of male workers), *population density* (population divided by the size of an area times by 1000) and a *municipality’s dummy* (1 = municipality, 0 = district).

## RESULTS

To understand the relationship between a creative city’s potencies and the soft condition theory, the profile of each type of creative city was differentiated. A creative city’s potencies are determined by the LQ value, which exceeded 1 in each case. To further identify the characteristics of creative cities’ potencies in Indonesia, each type of potencies of a creative city was respectively compared to the aggregate creative city.

Table 2 Comparison of each type of creative city’s potencies

Variables	Mean (LQ Creative>1)		Mean (LQ Cultural>1)		Mean (LQ Noncultural>1)	
	Firms	Workers	Firms	Workers	Firms	Workers
	<b>Heritage</b>	0.1390	0.1426	0.1344	0.1368	0.1226
<b>HDI</b>	68.8655	70.3713	68.6369	69.7358	71.9553	73.1859
<b>Immigrants (%)</b>	1.21	1.71	1.05	1.33	2.86	3.54
<b>Tertiary Education</b>	0.0374	0.0493	0.0333	0.0406	0.0746	0.0892
<b>Young (%)</b>	35.51	36.11	35.27	35.67	39.35	40.31
<b>Population Density</b>	1286.01	2335.71	1072.54	1690.59	2858.28	3371.36
<b>Male Workers (%)</b>	61.28	61.90	61.52	62.13	66.72	66.57
<b>Municipality Dummy</b>	0.1308	0.2079	0.1048	0.1456	0.5508	0.6829

The mean (LQ Creative) in Table 2 indicates a creative city’s potencies before they were divided in two types. By comparing each type of creative industry, it is concluded that the creative industries in Indonesia are dominated by the cultural industries. This is based on the similarity of the figures for cultural industries and the total number of creative industries. By comparing each of the variables for the cultural and non-cultural industries, also it can be concluded that the non-cultural industries are relatively concentrated in the more developed regions. This is supported by the fact that the regions with an LQ non-cultural score > 1 have a relatively higher proportion of adults with tertiary education, a better hdi, a higher proportion of immigrants, and a higher percentage of young people in their populations than the cultural ones. Dummy municipalities also showed that non-cultural industries are more concentrated in municipalities, while cultural industries are concentrated in districts. This finding is in line with the work of Fahmi, Koster and van Dijk (2016).

To determine the relationship between the creative cities’ potencies and each of the variables, particularly the soft factor measurement, the OLS estimation method was used with 95% of confidence interval. In addition, population density from person/km was converted to 1000 persons/km.

The results in Table 3 show that there is a weak relationship, indicated by a positive sign, between creative and cultural concentrations (firms and workers) and heritage. This result indicates that the presence of historical

sites supports the development of creative cities even though it is insignificant. This relationship differs from the studies by Kourtit et al. (2013), which found that monuments, as a heritage icon, had a significant relationship with creative industries. This weak insignificant result might have been caused by the development of the creative economy, which did not emerge until 2008. Another explanation is due to measurement error. The study used all kinds of historical sites, including bridges, buildings, temples, harbours, train stations, and worshipping building. While it turns out that neither all of them used as regional icon nor used as a creative hub. Also, not all of them are seen as a cultural heritage by its own people, only several sites are being credited as historical icons. Yet, it is still reasonable to conclude that a cultural industry should benefit more from a historical site, as the creative industries in Indonesia are dominated by cultural industries. For example, the Museum Batik in Pekalongan is a historical site that is now used to preserve the history and culture of batik.

With regard to the quality of life, it was found that there was no significant difference in the types of creative cities. Both types benefitted from the quality of life, and the impact was stronger for cultural cities. The last variable representing the soft conditions is the percentage of provincial immigrants as a measure of the openness of the society. The result is unique due to the difference between cultural and non-cultural industries. Non-cultural industries benefit from the existence of immigrants, but not in the case of cultural industries. A cultural industry is an industry based on the local culture that exists in a particular region. The degree of openness that occurs in the region can make the local culture encounter an external culture that might be stronger than the local culture; causing it to lose its identity and become eroded due to the higher degree of openness (Tomlinson, 2003). Thus, this situation will weaken any cultural industry. On the other hand, creativity needs diversity and openness in order to develop (Florida, 2012).

The other important characteristic that needs attention is human capital; the non-cultural creative cities benefit most from this. Cultural creative cities, on the other hand, do not benefit from the proportion of adults with tertiary education or from having young population. Specifically, based on the percentage of young people, a non-cultural creative city will flourish as the numbers increase. However, a cultural creative city deteriorates if the young population increases. This is due to the fact that young population is more likely to enter non-cultural industries. Overall, a cultural creative city could not be emphasised by the increase in the human capital, or determined by education and young population because cultural knowledge is passed on to the next generation through heritage and not through general, formal education.

Table 3 Regression Results

	LQ (Creative Workers)	LQ (Cultural Workers)	LQ (Non-cultural Workers)	LQ (Creative Firms)	LQ (Cultural Firms)	LQ (Non-cultural Firms)
Heritage	0.222 -0.9	0.255 -0.95	-0.278 (-1.28)	0.227 -0.96	0.247 -0.99	-0.116 (-0.54)
HDI	0.0226*** -3.77	0.0232*** -3.61	0.0124** -1.99	0.0209*** -2.74	0.0209*** -2.62	0.0130** -2.2
Immigrant (%)	-0.547 (-0.55)	-0.757 (-0.73)	3.346* -1.87	-1.275 (-1.34)	-1.302 (-1.32)	1.477 -1.09
Tertiary Education	0.039 -0.05	-0.394 (-0.48)	6.703*** -5.19	0.0205 -0.03	-0.19 (-0.26)	5.705*** -4.59
Young (%)	-1.993*** (-2.94)	-2.316*** (-3.17)	2.550*** -3.49	-2.651*** (-3.61)	-2.865*** (-3.74)	2.136*** -3.24
Population Density	0.0485*** -4.8	0.0452*** -3.83	0.0923*** -3.24	0.0320*** -4.01	0.0294*** -3.5	0.0699*** -4.17
Male Workers (%)	-0.748*** (-3.71)	-0.818*** (-3.74)	0.126 -0.36	-0.906*** (-3.96)	-0.965*** (-4.02)	0.27 -1.01
Municipality Dummy	-0.127* (-1.65)	-0.148* (-1.77)	0.0237 -0.24	-0.124* (-1.72)	-0.146* (-1.94)	0.15 -1.62
_cons	0.402 -0.77	0.557 -0.99	-1.616*** (-2.60)	0.934 -1.49	1.068 -1.63	-1.348** (-2.57)
N	395	395	392	395	395	392
R-sq	0.1749	0.1518	0.5809	0.1544	0.1522	0.5667

Notes: t statistics in parentheses \* p<0.10, \*\* p<0.05, \*\*\* p<0.01. Heritage is the measurement of the number of historical sites in a district divided by the number of sites in provincial state. HDI stands for human development index. Immigrant (%) stands for the percentage of immigrants in the region. Tertiary education is the percentage of adults with tertiary degree of education in the region. Young (%) is the percentage of people age 15-40. Population density is the number of population per km<sup>2</sup> divided by 1000. Male workers (%) is the percentage of male workers. Municipality dummy stands for the region that is categorized as a district or a municipality (equal to one).

Another interesting finding is that the percentage of male workers in an area had a significant negative result in cultural industries. Many cultural products, particularly crafts, are produced by female workers in Indonesia. This is not due to discrimination, but because of their local wisdom. In the batik industry, for example,

distinct tasks and products are allocated to female and male workers. Female workers' tasks are making "Batik Tulis", which uses *canthing* to draw the pattern patiently prior to dyeing the textile, while male workers make "Batik Cap" because stamping the textiles use heavy tools.

## CONCLUSION

This study aims to identify the development of creative cities in developing countries particularly Indonesia by using soft conditions factor. Having divided the creative cities into two types, namely cultural and non-cultural, it is concluded that developing soft conditions factor in a city cannot be seen as a 'one size fits all' policy. Even though they are categorized as creative cities, cultural and non-cultural creative cities have distinct characteristics. Those cities differ from which they get the inspiration to be creative. The study argued that creativity should occur to make a city become more diverse, while the results showed otherwise on cultural creative cities.

There is no doubt that soft conditions are not enough to develop creative cities, as it needs to be combined with hard conditions. Most creative cities were developed from existing cities which had descent physical infrastructure than less-developed regions. The development of a creative city relies on the historical path and culture. For instance, a region that is being developed to support the national manufacture products may not be able to become a creative city, at least in the near future. It is because their regional development pathways may hamper the development of creative industry. With that in mind, policy makers should not force the emergence of creative cities in every region without considering their historical development paths and cultures.

The study narrowed the definition of a creative city into a city with relatively strong creative industries that are similar to what the government is trying to do on the first stage of the development. Whereas, the term of creative city should be more concerning about the people rather than the industries. There is a potential loss to include people's creativity in other sectors when using creative industries in the measurement of creative cities. People, who solve any kind of problems whether by generating new ideas or developing existing ideas, should be considered as creative. In that case, a creative city should be defined as a city with a high proportion of creative people, not solely based on people who work on creative industry. A cross-sectional analysis was also used that may fail to capture the progress of being a creative city.

## REFERENCES

- Bekraf, (2017), *Data Statistik dan Hasil Survei Ekonomi Kreatif*, Jakarta: BEKRAF.
- Cavanaugh, J. C. and Blanchard-Fields, F. (2015), *Adult Development and Aging*. Stamford: Cengage Learning.
- Escalona-Orcao, A., Escolano-Utrilla, S., Saez-Perez, L. and Garcia, B. S.-V. (2016), "The Location of Creative Clusters in non-Metropolitan Areas: A Methodological Proposition", *Journal of Rural Studies*, pp. 112-122.
- Fahmi, F. Z., Koster, S. and Dijk, J. V. (2016), "The Location of Creative Industries in a Developing Country: The Case of Indonesia", *Cities*, pp. 66-79.
- Florida, R. (2012), *The Rise of Creative Class: revisited*, New York: Basic Books.
- Gertler, M. S. (2004), *Creative Cities: What Are They For, How Do They Work, and How Do We Build Them?*, Ottawa: Canadian Policy Research Networks.
- Glaeser, E. L. and Saiz, A. (2003), The Rise of Skilled City. *NBER Working Paper 10191*.
- Hosper, G.-J. (2003), "Creative Cities: Breeding Places in the Knowledge Economy", *Knowledge, Technology and Policy*, pp. 143-162.
- Kememparekraf (2014), *Ekonomi Kreatif: Kekuatan Baru Indonesia Menuju 2025*, s.l.: Kementerian Pariwisata dan Ekonomi Kreatif RI.
- Landry, C. and Bianchini, F. (1998), *The Creative City*. London: Demos.

- Liu, H. (2015), The Development of Creative Industries and Urban Land Use: Revisit the Interactions from Complexity Perspective, In: *Creative Industries and Urban Spatial Structure: Agent-based Modelling of the Dynamics in Nanjing*, London: Springer International, pp. 15-41.
- Lorenzen, M. and Andersen, K. V. (2007), The Geography of the European Creative Class: A Rank-Size Analysis, *DRUID Working Paper No. 07-17*.
- Musterd, S. and Gritsai, O. (2010), *Conditions for "Creative Knowledge Cities": Finding from a Comparison Between European Metropolises: "Going Creative" - An Option for All European Cities?*, Amsterdam: AMIDSs, University of Amsterdam.
- Sanetra-Szeliga, J. (2013), *Creativity As Part of The European Capital of Culture Strategies - The Case of Poland*, Cracow, European Scientific Institute, pp. 94-105.
- Sungkari, H. S. (2016), *Strategi Pengembangan Kota Kreatif Sebagai Motor Dalam Penciptaan Ekosistem Ekonomi Kreatif*. Jakarta, Deputi Bidang Koordinasi Ekonomi Kreatif, Kewirausahaan, dan Daya Saing KUKM Kementerian Koordinator Bidang Perekonomian Republik Indonesia, pp. 18-21.
- Sungkari, H. S. (2017), *Sosialisasi dan Workshop Pengisian Borang Penilaian Mandiri Kabupaten/Kota Kreatif Indonesia*, Jakarta : s.n.
- Tayyiba, M. (2016), *Rancangan Konsep Umum dan Dukungan Pemerintah Bagi Pembangunan Kota Kreatif Indonesia yang Berkelanjutan*. Jakarta, Kemenko Perekonomian, pp. 10-15.
- Tomlinson, J. (2003), *Globalization and Cultural Identity*. s.l.:s.n.
- UNCTAD (2010), *Creative Economy Report 2010*, s.l.: The United Nation.
- UNCTAD (2015), *Creative Economy Outlook and Country Profiles: Trends in International Trade in Creative industries*, Geneva: The United Nations.
- UNESCO, n.d. *What is the Creative Cities Network?*. [Online] Available at: <http://en.unesco.org/creative-cities/content/about-us> [Accessed 12 July 2017].
- United Nations (2014), *World Urbanization Prospects The 2014 Revision*, New York: United Nations.
- United Nations (2015), *Transforming Our World: The 2030 Agenda for Sustainable Development*, New York: United Nations.
- You, H. and Bie, C. (2017), "Creative Class Agglomeration Across Time and Space In Knowledge City: Determinants and Their Relative Importance", *Habitat International*, pp. 91-100.

## Appendix

Creative Industry	Subsector	KBLI 2005 codes
Non-cultural	Technology	72200; 72300; 72100; 72400; 64323; 36941; 64329;
	Design	74210; 45404; 21020; 21020; 74950; 26124; 26324;
	Photography and videos	22301; 22302; 92111; 92112; 92120; 74940
	Publishing	22110; 22120; 22130; 22140; 22190; 22210; 92201; 92202; 92203; 74300; 92131; 92132; 92311; 92312
	Research and Development	73210; 73220; 73110; 73120; 74220; 74140; 74130
Cultural	Fashion and crafts	17124; 17211; 17220; 17293; 17301; 17302; 17303; 17304; 18101; 18102; 18202; 19121; 19201; 19202; 19203; 36912; 36913; 19209; 20292; 20293; 20294; 20299; 26121; 26129; 26201; 26321; 26421; 26501; 26503; 36101; 36102; 36193; 36104; 36109; 20291; 36915; 36921; 36922; 36942; 36993; 28994; 36911
	Culinary	55211; 55212; 55213; 55214; 55220; 55230; 55240; 55250; 55260
	Arts	92141; 92142; 92143; 92190; 63450; 19129; 52406; 52594; 92321; 92322; 92323; 92324