

**WORKING PAPER: EDITED EXTRACT**

# Australia's cultural and creative economy

A 21st century guide

September 2020

**A NEW  
APPROACH**

## An important note

This working paper contains an edited extract from the forthcoming report from A New Approach titled *Australia's cultural and creative economy: A 21st century guide*. It provides the current drafts of the Executive Summary, Findings and Opportunities from the full report. It also includes some key concepts and figures which may be useful in preparing submissions to the current federal [parliamentary inquiry into Australia's creative and cultural industries and institutions](#).

This material focuses specifically on the cultural and creative economy, but of course economic value is only part of the story about the role of arts, culture and creativity in Australia. This is our fifth report in the Insight Research Series. For more information about impacts, public perceptions, policy drivers and trends in public expenditure please see previous reports:

1. [‘The big picture: Public expenditure on artistic, cultural and creative activity in Australia’](#) (September 2019)
2. [‘Transformative: Impacts of culture and creativity’](#) (November 2019)
3. [‘A view from middle Australia: Perceptions of arts, culture and creativity’](#) (May 2020)
4. [‘Behind the scenes: Drivers influencing arts and cultural policy settings in Australia and beyond’](#) (July 2020)

## Executive summary

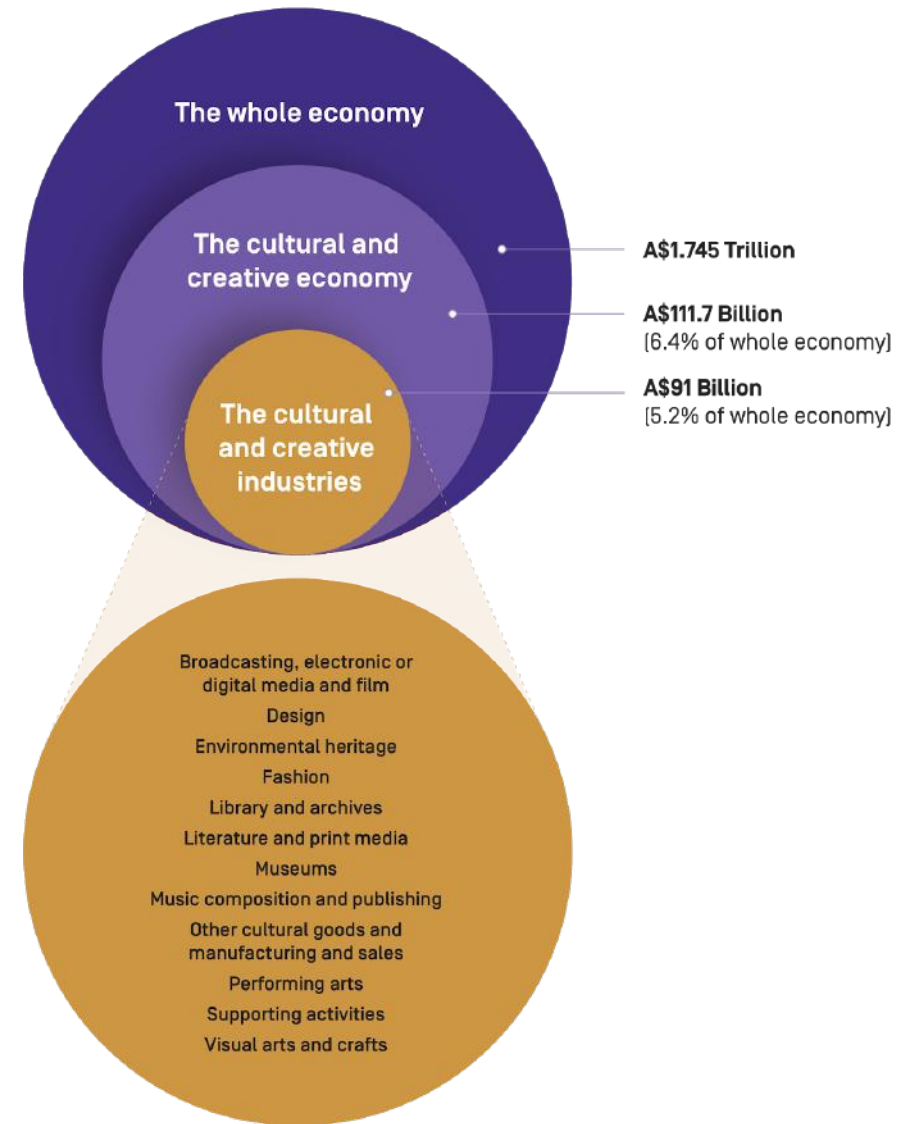
Everything we've learned from completing four in-depth reports exploring effective investment and return in arts, culture and creativity tells us that Australia is ready for a National Arts, Culture and Creativity Plan — a plan that would provide a framework to efficiently address the policy, legislative, regulatory and investment settings that span the cultural and creative industries. This fifth report on the cultural and creative economy explains why making this plan now will unleash opportunities for Australians to participate in and contribute to the economy and society in the 21st century.

Australians have told us that imagination, belonging and inspiration all grow out of engagement with arts, culture and creativity — and that these opportunities are fundamental to being Australian, and even to being human.<sup>1</sup> Many also believe these opportunities are essential to developing skills for, and jobs in, our 21st century workplaces.<sup>2</sup>

By taking a national cultural and creative industries approach, we can:

- take advantage of existing areas of strength to grow our economy and jobs market;
- make cultural and creative activities more accessible to all Australians;
- ensure that Australia's policy settings and public investment are relevant, targeted and effective in the 21st century and;
- support creative uses of cultural infrastructure, care for our shared cultural assets and encourage innovation.

A National Arts, Culture and Creativity Plan will encourage private investment. The absence of an up-to-date public policy approach is unsettling to both the sector — which relies on long-term development of skills and products for its delivery and to fulfil ambitions for excellence — and to other funders, especially philanthropists, who often provide reciprocal and compensatory funding.



*The Australian economy in 2016-17. The cultural and creative industries are a subsection of Australia's cultural and creative economy. 'Creative arts' includes several industry subdivisions within the cultural and creative industries. Source: Adapted from BCAR 2018 by ANA.*

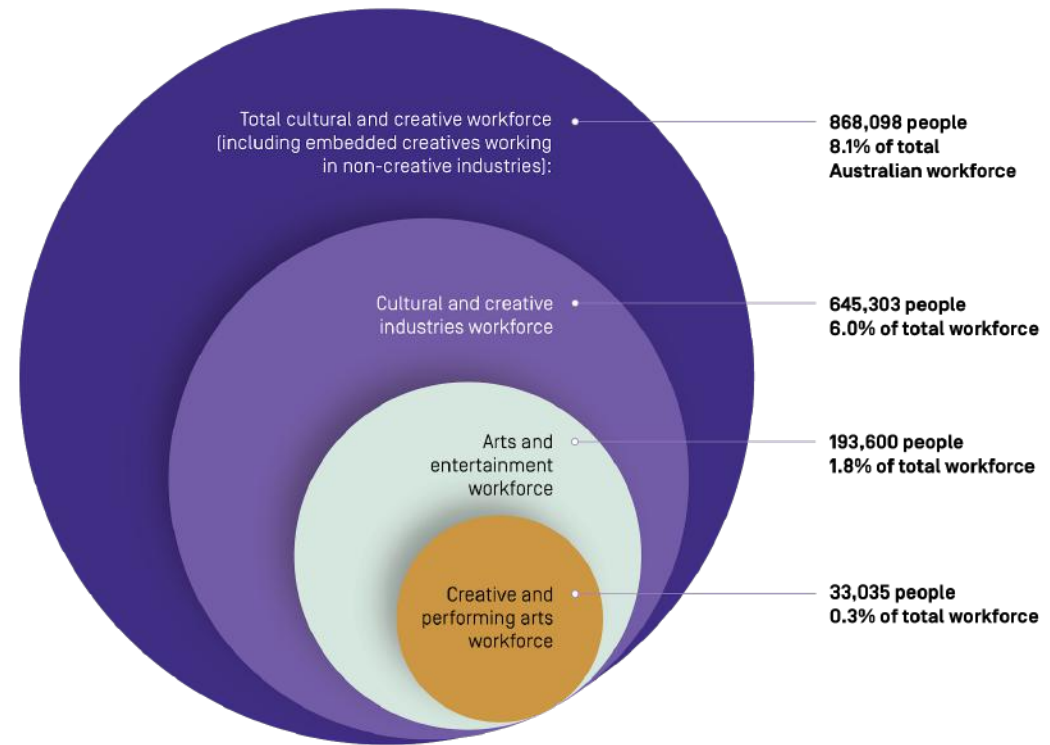
## Understanding the potential

The purpose of this report is to give an overview of our cultural and creative economy and highlight opportunities for Australia to adopt a 21st century approach in this industry sector. It outlines the scope, scale and trends within the cultural and creative economy pre-Covid-19, and highlights opportunities that respond to the Organisation for Economic Co-operation and Development (OECD) urging nations to strive to 'build back better'. To support this aspiration, this report undertakes three core tasks:

- It lays out the basics of the cultural and creative economy: What is it? What industries are included in it? How is it measured?
- It provides an overview of existing data and analysis about Australia's cultural and creative economy, providing both topline figures and in-depth case studies.
- It brings these together to understand the implications of existing data for the 21st century, outlining the opportunities these implications represent.

Contributing \$111.7 billion to the Australian economy (6.4% of GDP) in 2016–17, and employing more than 800,000 people (8.1% of the total workforce), this is an industry area that is internationally recognised as resistant to automation and as a jobs-rich area of the economy.<sup>3</sup> The cultural and creative economy has significant growth potential to 2030 and beyond.

This report identifies that Australia's cultural and creative economy has untapped potential to boost Australia's economic and social wellbeing. Governments, businesses, philanthropists, cultural organisations and creators can all play a part in firstly helping it recover, and then keeping it growing, so it can be a part of the social and economic recovery from Covid-19.



*Cultural and creative workforce broken down by industry subdivisions. Source: Created using data from the ABS 2016 Census TableBuilder, and Browne 2020, by ANA.*

### Understanding the public appetite

ANA's qualitative research in early 2020 with 'middle Australians' found that the social and personal benefits of arts, culture and creativity — including the development of skills relevant to employment and innovation — are well understood and strongly valued. Some people found the notion of the cultural and creative economy unintuitive, assuming it was limited to just the creative arts. But many were comfortable with a broader approach and used examples from their own lives to illustrate the connection between creative arts, such as visual arts and music composition, with other creative industries like architectural services and video game design. Most people found it self-evident that there was a spectrum of commercial and non-commercial activities in this space and were adamant that arts and cultural activities provided both private and public benefits.

Because of these public benefits — especially a) children's development, b) learning the skills that are important for contemporary workplaces and c) building our communities — middle Australians believe governments have a leadership role to play in encouraging, supporting and celebrating these activities.

Despite this public appetite, Australia is yet to strategically capitalise on the combined value of cultural and creative industries and occupations. As we face some of the most significant economic and social challenges since the Great Depression, there is an opportunity to reverse this. To reap the benefits of this potential, Australia needs to take a deliberate, big picture approach, building on the existing successes of our cultural and creative economy, and supporting those industries that are weathering the worst of the Covid-19 storm, so they can take their fundamental place in assisting Australia's recovery.

### The international context

Other nations have strategically combined these industries that rely on individual creativity and have the potential for wealth and job creation through the generation of intellectual property. Many of our neighbours and trading partners have seen this potential and responded with national strategies for cultural and creative industries - from India to New Zealand, South Africa to Singapore, Indonesia to China. Their efforts are building on a well-established evidence base for the benefits of this approach, such as the United Kingdom's initiatives since the

1990s which, by 2018, saw the creative industries sector growing more than five times faster than the national economy, up 7.4% on the previous year. Similarly, in the early 1990s, the South Korean government began committing a minimum 1% of the national budget to supporting the cultural and creative industries, with the intention of building their international reputation. In 2019, the 'Korean Wave' (Hallyu) effect provided an estimated US \$12.3 billion boost to the South Korean economy and has transformed its global influence.

Each of these nations are taking advantage of the enhanced economic activity that is stimulated when industries such as these work together and see themselves as a cohesive whole.

### The Australian context

The federal government has already completed the initial work to determine which of Australia's industries and occupations are cultural and creative. This groundwork puts us in a strong position to take the next steps, to prioritise the opportunities for innovation that occur at the interface between the various cultural and creative industries and occupations and to identify and leverage Australia's areas of comparative advantage. This is a previously underutilised opportunity that, with national leadership, we are now in a position to reclaim.

Several Australian states and territories, including Western Australia (WA), Tasmania, Victoria, Queensland and the Northern Territory, are currently employing cultural and creative industries approaches, with the goal to diversify their economic base and social and cultural opportunities. Tasmania has identified these industries as 'drivers of state growth, based on Tasmania's growing reputation as an innovative and creative community and as a cultural destination'.<sup>4</sup> WA has identified its cultural and creative industries as a 'priority sector' in the 2019 *Diversify WA* Economic Development Framework, using them to capitalise on the state's unique identity and contribute to the 'vibrancy and livability' of the region.<sup>5</sup>

### Time for a 21st century approach

While it has been an incredibly challenging year, 2020 has reinforced that Australia is capable of courage and change. What might success in our cultural and creative landscape look like in the years ahead? It is our view that it will come from government, private investors and industry working in partnership to ensure that our cultural and creative industries are fully utilised in Australia's growth and wellbeing agenda.

Now is the time to take a 21st century approach to our cultural and creative economy, unleashing the opportunities and advantages it can provide to all Australians.

This report is one in a series by ANA focused on:

- investment
- impacts
- changes in production, consumption and distribution
- attitudes
- ensuring Australia's creative and cultural future.

We hope this report provides nuanced insights that can help guide strategic decisions about effective and relevant investment in the cultural and creative economy in 21st century Australia.

At a time like this, it is more critical than ever that we have *evidence-based* discussions about how we can capitalise on our cultural and creative economy with policies that secure its future value. The choices we make will determine whether the cultural and creative industries are a key part of a vibrant economic and social future for Australia, or a missed opportunity.

## Summary of key findings

1	In 2016, the total cultural and creative workforce (including embedded creatives working in non-creative industries) was 868,098 people, or 8.1% of the total Australian workforce. Within that, the cultural and creative industries employed 645,303 people, or 6% of the total workforce. Within these industries, the arts and entertainment workforce was 193,600 people (1.8% of total workforce). Within that, the creative and performing arts workforce comprised 33,035 people (0.3% of total workforce).
2	The cultural and creative economy, including activity in the wide range of cultural and creative industries as well as cultural and creative activity performed in other industries, was worth \$111.7B to the Australian economy in 2016–17 (6.4% of GDP). Of this, the 12 domains in the cultural and creative industries contributed \$91 billion.
3	There is a strong relationship between the success of subsidised and non-subsidised cultural and creative industries. International evidence suggests public and private subsidy of arts, culture and creativity has a positive impact on the success of commercial creative businesses and other businesses. Compared with other industries, the cultural and creative industries also have higher spillover effects into other industries in terms of total output, value-added and employment multipliers.
4	All 12 domains of cultural and creative activity contribute to Australia's GDP, even when that contribution is numerically small. The largest contributors were: Design (49.8%); Fashion (16.6%); and Broadcasting, electronic or digital media, and film (11.3%).
5	Cultural and creative employment fuels 21st century economic growth now, and will continue to do so into the future. Demand from international students for formal training in Australia's cultural and creative industries has steadily increased, indicating that these courses will be pivotal in rebuilding the international education industry post-pandemic.
6	'Literature and print media' is the only cultural and creative domain to have experienced negative GVA growth since the initial ABS analysis of Australian cultural and creative activity in 2008–09. Despite its decline, this domain is still a significant contributor to GDP.
7	Digital disruptions are causing significant changes in some cultural and creative industry business models, with consequences for activities that have both private and public value.
8	Australia's data collection methods are not keeping pace with the significant changes to the nation's cultural and creative industries and employment classifications. As a consequence, Australia is missing emerging areas of strength and losing opportunities to strengthen the economy further. For example, there are no detailed analyses of Australia's cultural and creative trade performance more recent than 2008–09.

## Summary of opportunities

1	A National Arts, Culture and Creativity Plan would inform more coherent policy settings and investment at all three levels of government. This could be achieved in the same vein as the existing National Sport Plan, 'Sport 2030', that identifies the enduring and non-partisan principles and clarifies responsibilities. This should include measures to ensure all areas of Australia have reasonable access to, and can take advantage of, a wide range of different types of cultural infrastructure.
2	The current federal parliamentary inquiry into Australia's creative and cultural industries and institutions is an important first step in considering effective and relevant policy settings and associated investments for 21st century Australia, particularly in light of the Covid-19 pandemic. This provides an opportunity to meet the challenge set by the OECD to not just re-establish the status quo, but to 'build back better' in our recovery.
3	More effective and relevant investments could be achieved by taking a whole-of-cultural-and-creative-industries policy approach across all three levels of government.
4	We should position Australia as an international leader in both formal and on-the-job training for future work skills, by proactively leveraging: the higher-than-average jobs growth in cultural and creative occupations and the transferable skills gained by working in these occupations; the growing demand for cultural and creative courses from both domestic and international students; and Australia's capacity to be a Covid-safe environment.
5	Covid-19 has accelerated Australians' familiarity with and access to digital modes of consumption, presenting an opportunity to diversify and expand income streams for goods and services underpinned by intellectual property generation and/or copyright protection. However, this also presents serious risk as existing value chains are disrupted. Ensuring we have a fit-for-purpose legislative, regulatory and investment environment is essential to a viable and relevant cultural and creative economy.
6	Investment in innovative approaches and new types of programming within existing areas of strength such as festivals and cultural infrastructure could make arts, cultural and creative activities more accessible to all Australians.
7	Given the scale of the cultural and creative industries and their importance to future employment, the ABS could produce a cultural and creative industries satellite account every year as it does for tourism.
8	With the 'Cultural Funding by Government' series now being collected every second year, the Meeting of Cultural Ministers could consider directing resources to pilot experimental or emerging methods of capturing and expressing economic and social value. This could include establishing a contemporary survey for wellbeing measurement, including data capture about the role and impact of arts, culture and creativity in respondents' lives.



# Understanding the cultural and creative economy

## The cultural and creative economy at a glance

In this report we use the following hierarchy (as shown in Figure 1):

1. The cultural and creative economy is a *subsection* of the whole economy.
2. Cultural and creative industries are a *subsection* of the cultural and creative economy.
3. Creative arts are a *subsection* of the cultural and creative industries.

The cultural and creative economy is fuelled by cultural and creative activity (that is, economic activity) undertaken by people working in cultural and creative industries and/or occupations. We describe each of these elements in the following pages.

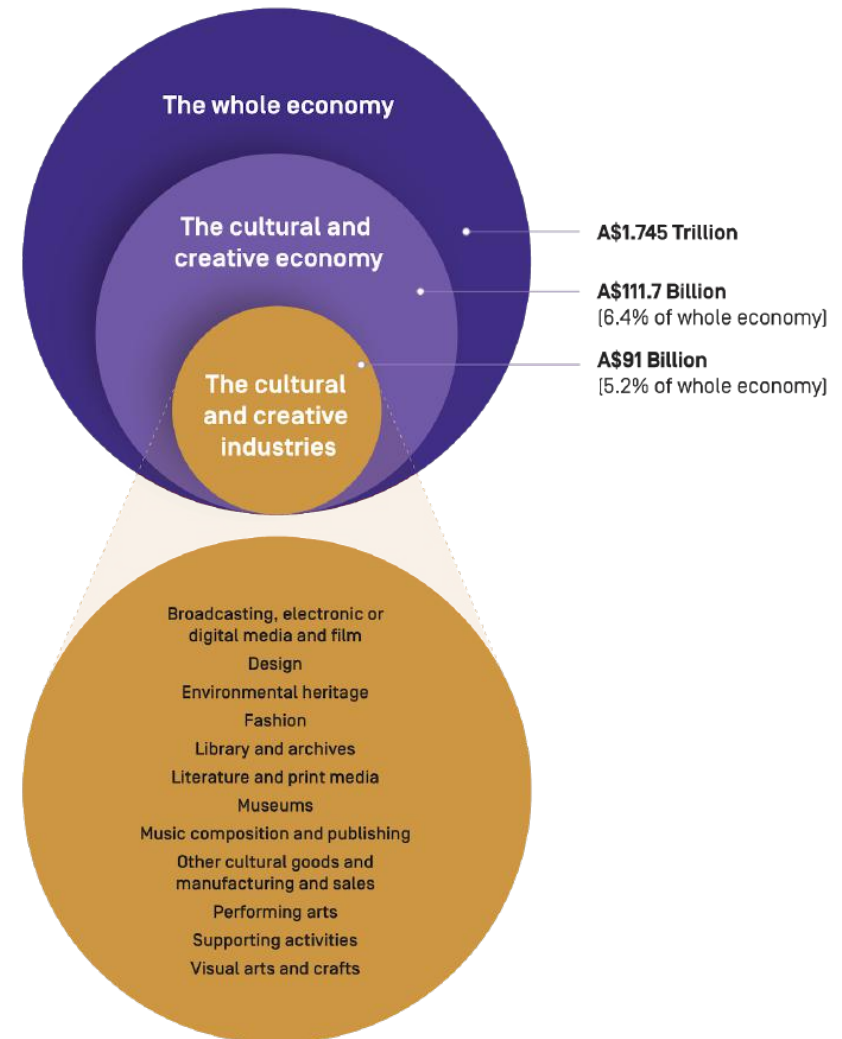


Figure 1: The Australian economy in 2016-17. The cultural and creative industries are a subsection of Australia's cultural and creative economy. 'Creative arts' includes several industry subdivisions within the cultural and creative industries. Source: Adapted from BCAR 2018 by ANA.

## What is the cultural and creative *economy*?

In this report, we use one of the most common definitions of the cultural and creative economy, which is based on the Creative Trident model (see Figure 2).

This model takes the sum of the activity in all the different cultural and creative industries, including activity undertaken by ‘specialist creatives’ (like a violinist working for an orchestra, or an architect working at an architectural firm) and also activity by ‘support professionals’ working in those industries (like an accountant working at a museum, or an electrician working for a big performing arts venue). Then it combines all that activity with activity undertaken by ‘embedded creatives’ working outside the cultural and creative industries (like a designer working for a bank, or a photographer working in tourism). The total of all that economic activity – that is, *cultural and creative activity* – is the value of the cultural and creative *economy*.

What kind of activity counts as cultural and creative in an economic sense? The supply chain approach, depicted in Figure 3, gives an overview of the activities captured in most definitions of the cultural and creative economy.<sup>6</sup>

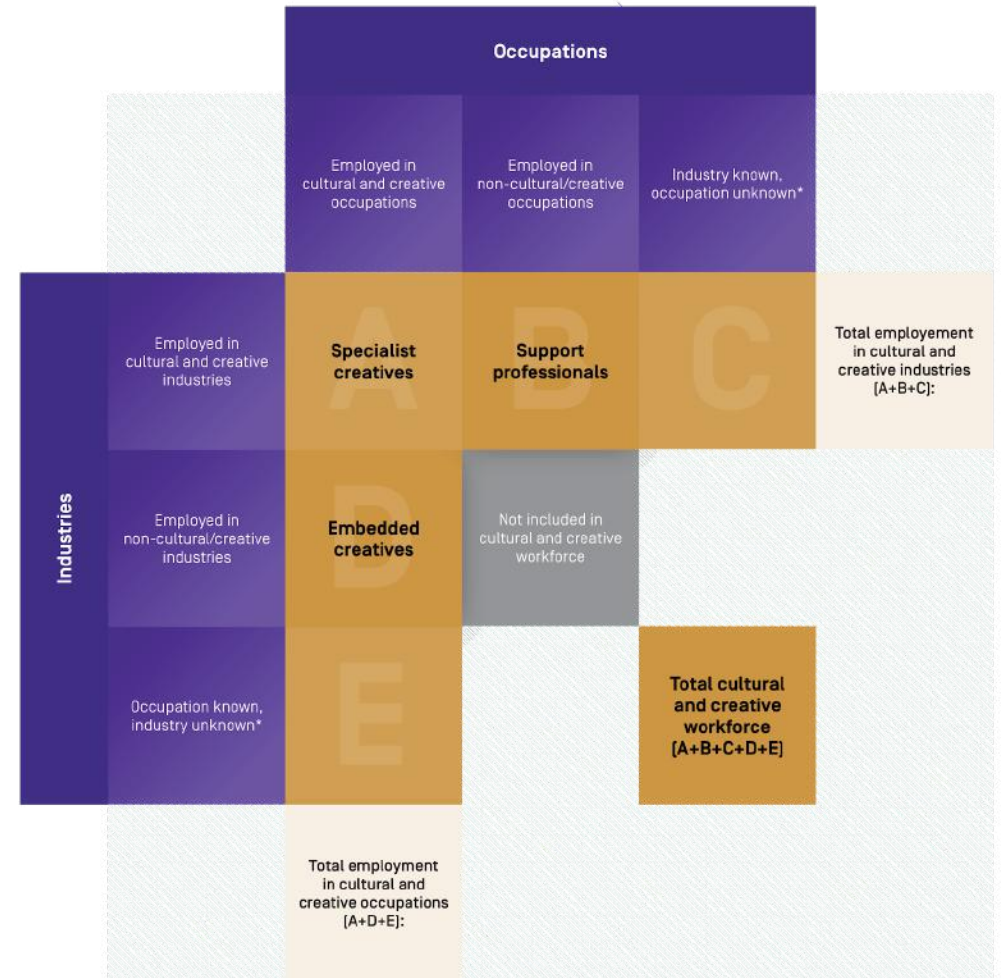


Figure 2: The Creative Trident. Activity undertaken by the total creative workforce forms the total of the Cultural and Creative Economy. Image adapted from Higgs and Cunningham 2008.



Figure 3: The cultural and creative supply chain aids understanding of how these activities make economic contributions to the cultural and creative economy. Source: Adapted from Australian Bureau of Statistics (ABS) 2014 Explanatory Notes, by PwC.

It is worth noting that sometimes when people say ‘the creative economy’, they are referring to a nation’s entire economy relying more heavily on creativity, or are using it as a synonym for ‘knowledge economy’.

An example of this definition comes from Richard Florida’s work:

*Many say that we now live in an information economy or a knowledge economy. But what’s more fundamentally true is that for the first time, our economy is powered by creativity...the shared commitment to the creative spirit in all its many manifestations is what underpins the new creative ethos that powers our age.<sup>7</sup>*

While this definition of the creative economy is a useful one to explore, staying within the bounds of the Creative Trident allows this report to make more conclusive arguments about Australia’s cultural and creative economy, and the cultural and creative activity that fuels it.

## What are cultural and creative industries?

'Creative industries' was a term developed in the late 1990s in the United Kingdom (UK) as part of the 'Cool Britannia' initiative.<sup>8</sup> It was a way of grouping together industries that 'have their origin in individual creativity, skill and talent and which have the potential for wealth and job creation through generation and exploitation of intellectual property'.<sup>9</sup> By grouping these industries together, the UK Government hoped to demonstrate the value of combining 'IP-based, culturally-rooted businesses that governments and banks had conspicuously failed to understand or take seriously as part of the economy',<sup>10</sup> and move Britain more towards an innovation and technology-based economic model.

In Australia, these industries have been grouped together in the 'Cultural and Creative Activity Satellite Accounts'. Australia's cultural and creative industries include:

- Broadcasting, electronic or digital media, and film
- Design
- Environmental heritage
- Fashion
- Library and archives
- Literature and print media
- Museums
- Music composition and publishing
- Other cultural goods and manufacturing and sales
- Performing arts
- Supporting activities
- Visual arts and crafts.

These 12 industry groupings – or domains – are based on the Australian and New Zealand Standard Industrial Classification (ANZSIC) codes.

Many of our neighbours and trading partners, and indeed some Australian states and territories, have strategically combined industries that rely on individual creativity and have the potential for wealth and job creation through the

generation and exploitation of intellectual property. As aforementioned, the UK is the quintessential example, having demonstrated global leadership by including the creative industries amongst its official industrial strategy sectors. Its goal was to inspire and equip the next generation of talent, helping creative businesses to start-up and grow, and maintaining the UK's competitiveness against other international markets. Fast forward to 2018 and, pre-pandemic, Britain's creative industries sector was growing more than five times faster than the national economy, up 7.4% on the previous year.

South Korea adopted a different, but even more successful approach. The Korean Wave (Hallyu) is a collective term used to refer to the phenomenal spread of Korean culture and popular culture worldwide, encompassing everything from music, movies and drama, to online games and Korean cuisine to name just a few. In the early 90s, the South Korean government began committing a minimum 1% of the national budget to supporting the cultural and creative industries, with the intention of building their international reputation.<sup>11</sup> In 2019 (again, before Covid-19), the Hallyu effect provided an estimated US \$12.3 billion boost to the Korean economy.

Several Australian states and territories, including Western Australia (WA), Tasmania, Victoria, Queensland and the Northern Territory, are currently employing cultural and creative industries approaches, with the goal to diversify their economic base and social and cultural opportunities. WA has been using its cultural and creative industries to capitalise on the state's unique identity since 2007 and identifies them as a priority sector in the 2019 *Diversify WA* Economic Development Framework.<sup>12</sup> In 2019 these industries were contributing an estimated \$3.3 billion to WA's Gross State Product and approximately \$175.9 million in service exports.<sup>13</sup> Tasmania, too, has identified these industries as 'drivers of state growth, based on Tasmania's growing reputation as an innovative and creative community and as a cultural destination'.<sup>14</sup>

See our report, *Behind the scenes: Drivers of arts and cultural policy settings in Australia and beyond* for more on creative industries models from Australian states and around the world.

## Contribution to GDP

### Are 'the arts' really worth \$111.7 billion to the Australian economy?

The contribution to GDP of Australia's *cultural and creative activity* was certainly valued at \$111.7 billion in 2016–17 (the most recent analysis undertaken).<sup>15</sup>

But the *creative arts*, being a small sub-sector of the broader creative economy, was valued at much less. So, while it is accurate to say that Australia's *cultural and creative activity* was worth \$111.7 billion in 2016–17, it is inaccurate to say '*the arts* are worth \$111.7 billion.'

As Figure 1 shows, the cultural and creative industries are a subsection of the broader cultural and creative economy. In the same analysis of 2016-17, BCAR found that activity from these industries contributed \$91 billion to GDP. The remainder of the \$111.7 billion came from activity undertaken by embedded creatives in other industries.<sup>16</sup>

Australia's *cultural and creative activity* was valued at \$111.7 billion in 2016–17, BUT cultural and creative activity is much larger than just the creative arts.

### So what makes up that \$111.7 billion?

The ABS and BCAR research on Australia's cultural and creative activity includes 12 'domains' – that is, industry groupings – based on the ANZSIC codes. These domains are:

- Broadcasting, electronic or digital media, and film
- Design
- Environmental heritage
- Fashion
- Library and archives
- Literature and print media
- Museums
- Music composition and publishing
- Other cultural goods and manufacturing and sales
- Performing arts
- Supporting activities
- Visual arts and crafts.

The \$111.7 billion contribution to GDP figure combines the economic activity generated in these 12 domains, with the economic activity of people employed in creative occupations working outside the cultural and creative industries (that is, embedded creatives).<sup>17</sup>



## The 12 cultural and creative industry domains and their contribution to GVA

Figure 4 shows the proportional contribution of each domain toward the total GVA of the cultural and creative industries, which is \$85.7 billion.

The GVAs of the domains related to a traditional definition of the creative arts — Performing arts, Visual arts and crafts, Music composition and publishing, and Literature and print media — make up 18.4% of this. Adding the Broadcasting, electronic or digital media and film domain to this, to align with the definition of creative arts used in the Australian Curriculum, amounts to 29.7%. Thus, while it is easy to see that the various Design subdivisions account for nearly half of all cultural and creative activity, this chart also shows that the creative arts can be said to account for approximately a fifth or a third of all cultural and creative activity, depending on what is included.

Figure 5 (pages following) showcases these 12 domains, breaking down the ANZSIC industries aligned to them, and the GVA of each industry domain. Because this shows GVA, rather than contribution to GDP, the total is \$85.7 billion (see note 16).

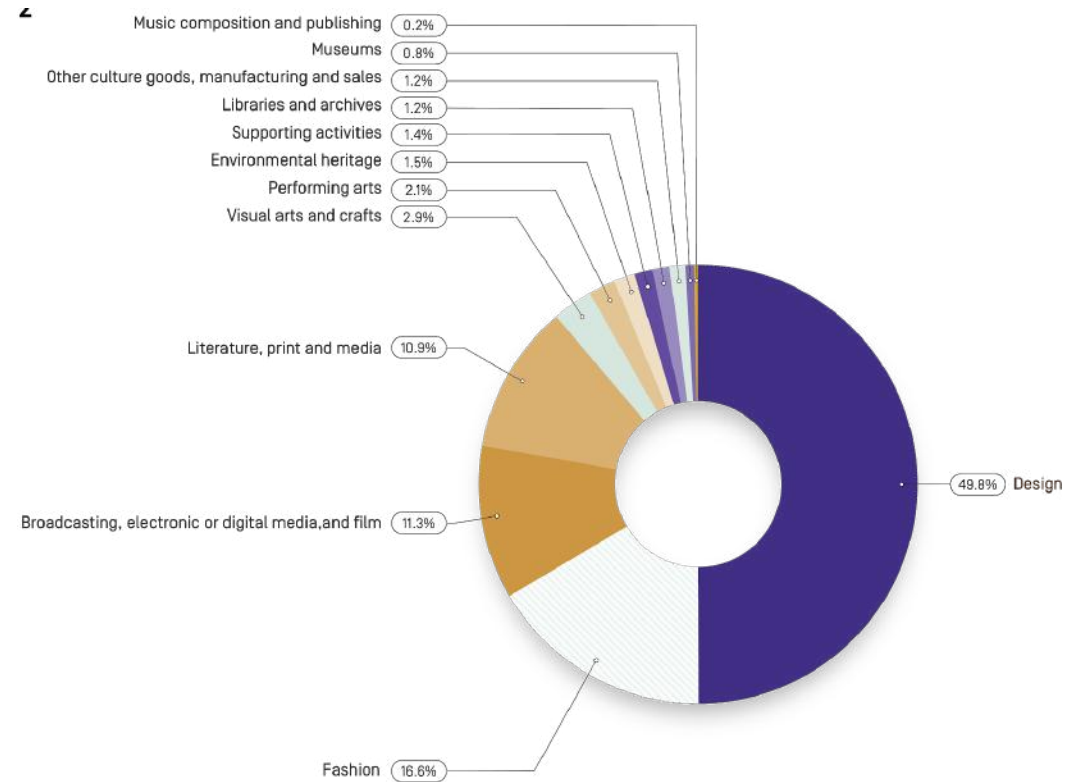


Figure 4: Proportional contribution of the 12 domains of cultural and creative activity to total GVA of the cultural and creative industries. Source: Data drawn from BCAR 2018 by ANA.

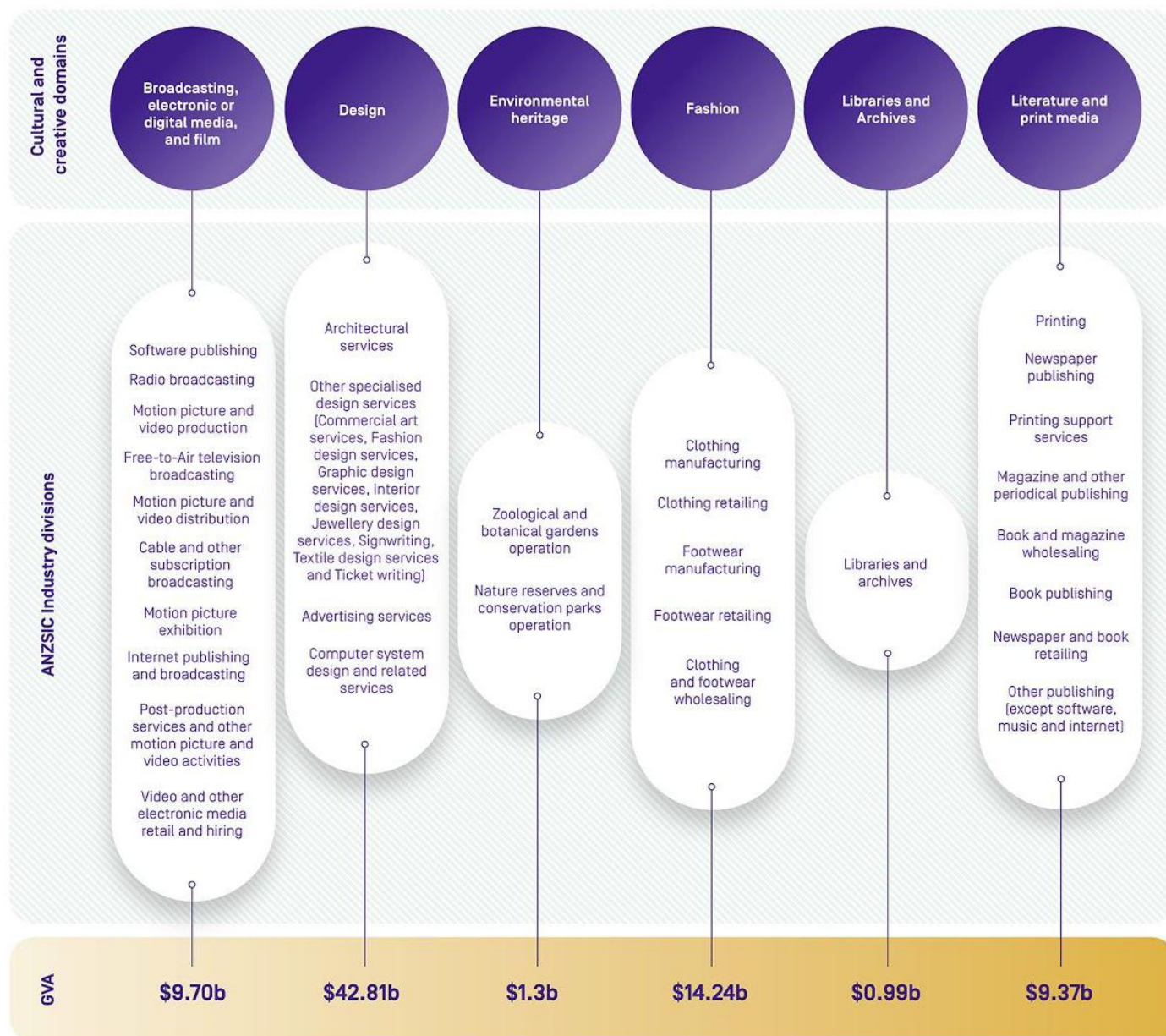


Figure 5-part 1: ANZSIC industry divisions used to calculate the GVA of each of the 12 cultural and creative domains. Source: Adapted from BCAR 2018 by PwC and ANA.

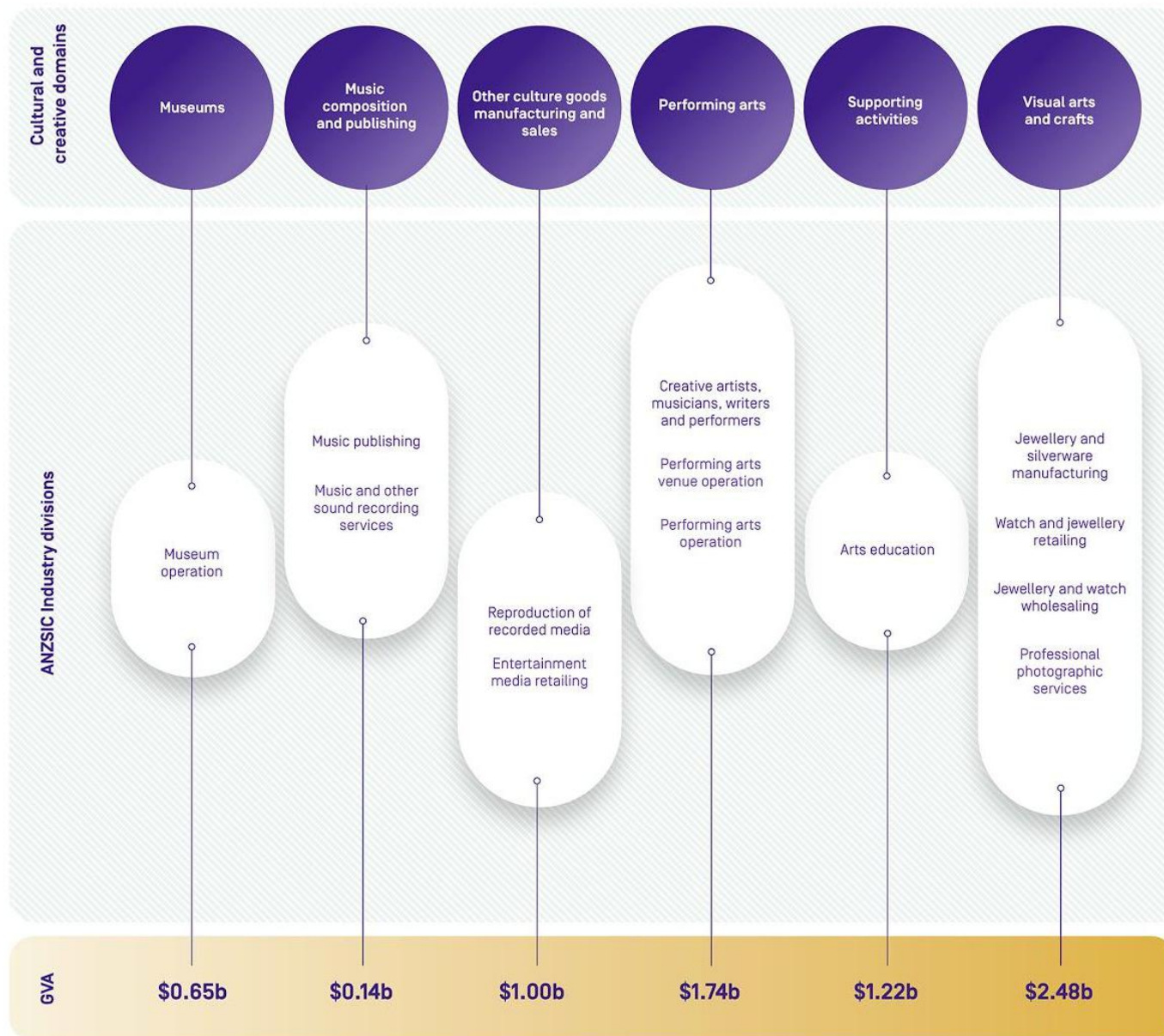


Figure 5-part 2: ANZSIC industry divisions used to calculate the GVA of each of the 12 cultural and creative domains. Source: Adapted from BCAR 2018 by PwC and ANA. Note that most economic activity undertaken in 'the arts' (that is, by visual artists, musicians, writers and performers) is recorded within the domain 'Performing arts'.



## What are the growth areas for Australia's cultural and creative industries? What's declining?

As Figure 6 (next page) demonstrates, most cultural and creative activities have trended steadily upwards over time. Following the Global Financial Crisis, cultural and creative activities kept pace, if not surpassed, Australia's total GDP growth.

The largest and fastest growing of the creative industry domains is Design. Design activity includes architectural services, commercial art services, fashion design, graphic design, interior design, jewellery design, signwriting, textile design, ticket writing, advertising services, computer system design, and exhibition and display design. Design has also been one of Australia's more successful export sectors.

Figure 7 also shows that the domain with the largest decline was Literature and print media, with the greatest contractions occurring in the area of print journalism (newspaper and magazine publishing and retailing). Since 2011–12, this domain has shown a persistent decrease and this has been attributed to overseas competition and a shift in customer preferences towards the use of online platforms to consume media. Given that Literature and print media formed one of the larger parts of total cultural and creative GVA, its decline has had a large impact on the sector's total GVA growth.

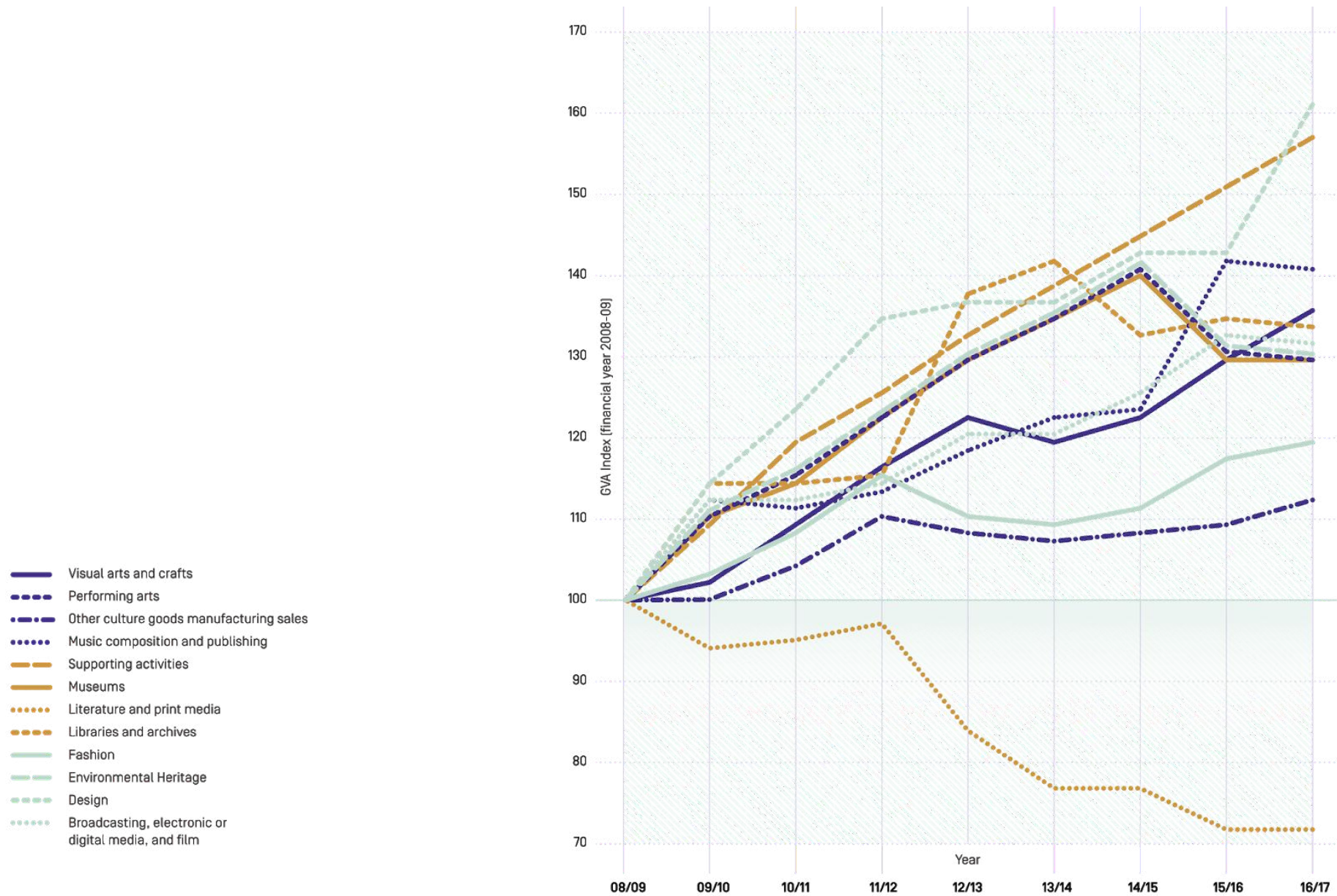


Figure 6: GVA growth of the 12 cultural and creative domains over time (2008-09 to 2016-17). Source: Adapted from BCAR 2018 by PwC. Note: the line at 100 represents the base year index of 2008-09. The area above the line represents growth whereas the area below the line represents a contraction since 2008-09.

# What about jobs?

## 2.3.1 The cultural and creative workforce is large, and has been growing

In 2016, Australia's cultural and creative economy was the main source of employment for 868,098 people, representing 8.1% of the national workforce.<sup>18</sup> Of these, 593,830 were employed in the creation of new intellectual property, with jobs in this crucial part of the cultural and creative economy growing at nearly twice the rate of the Australian workforce.<sup>19</sup>

As we saw in Figure 2, the creative workforce is made up of:

- 'specialist creatives' – cultural and creative industries specialists working in creative occupations within their own industries. This includes:
  - cultural production – film, television and radio, music and performing arts, publishing and visual arts
  - creative services – advertising and marketing, architecture and design, software and digital content
- 'support professionals' who work in these cultural and creative industries, such as technicians, accountants, lawyers or salespeople
- 'embedded creatives' (in both cultural production and creative services roles) who work outside the cultural and creative industries, across the rest of the economy.<sup>20</sup>

Figure 7 gives a numerical breakdown of employment in these areas, using data from the 2016 Census calculated from the ABS/BCAR definition of the cultural and creative economy.

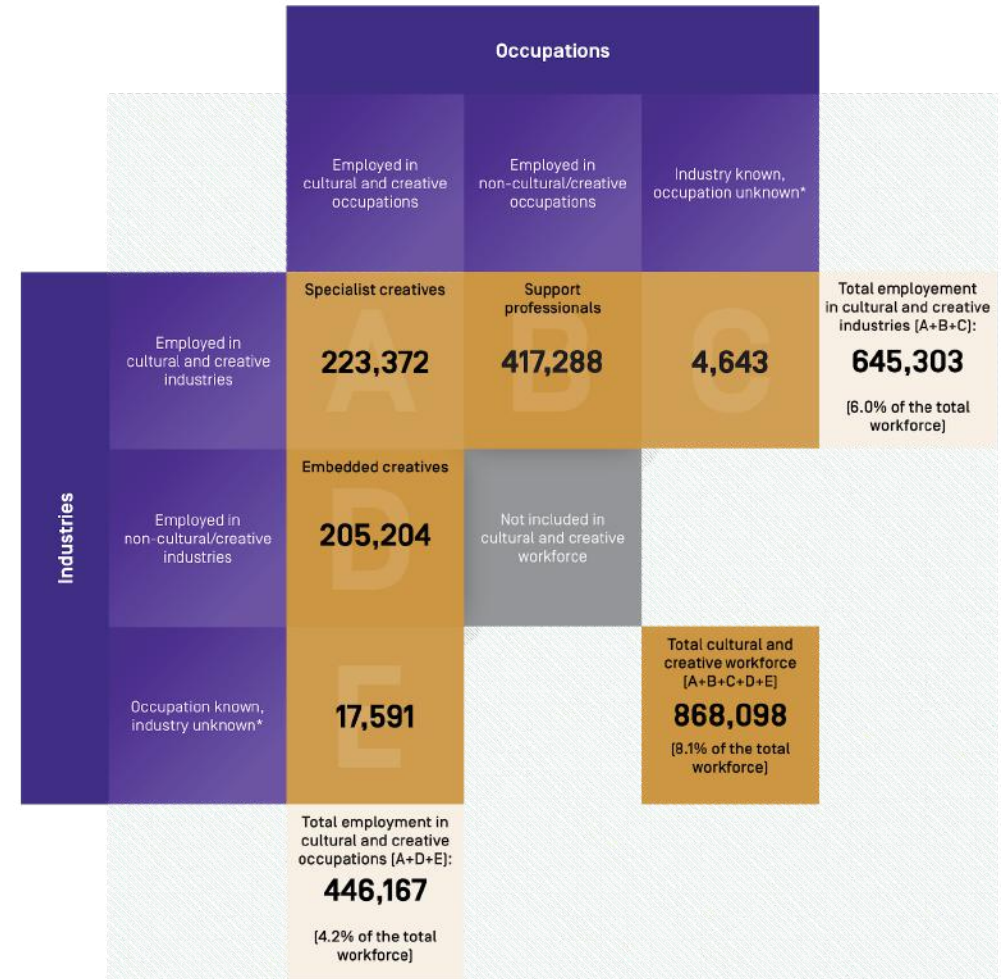


Figure 7: Estimates of cultural and creative employment by industry and occupation, 2016. Adapted from the 2016 Census, using the ABS/BCAR definition of the cultural and creative economy, by ANA.



### 2.3.2 How many of these jobs are in 'the arts'?

How we answer this question depends on what definition of the arts we use, and how we map that definition to the ABS's Industrial Classification codes (ANZSIC). If we remain strictly within the subdivision of 'Creative and Performing Arts Activities', which includes occupations related to performing arts operation, creative artists, musicians, writers and performers, and performing arts venue operation, then just over 33,000 people, or 4% of the total cultural and creative workforce, work in the arts. Most of these employees are likely to be specialist creatives, however these figures also include support professionals (accountants etc.) working within these industries.

A recent report from The Australia Institute found it was more meaningful to look at a category they have called 'Arts and Entertainment', which combines the Creative and Performing Arts Activities subdivision with Motion Picture and Sound Recording Activities, Internet Publishing and Broadcasting, Library and Other Information Services, Publishing (except Internet and Music Publishing), and Heritage Activities.<sup>21</sup> Using this category, there are close to 200,000 people, or 22% of the total cultural and creative workforce, working in 'Arts and Entertainment'. Again, some of these are support professionals.

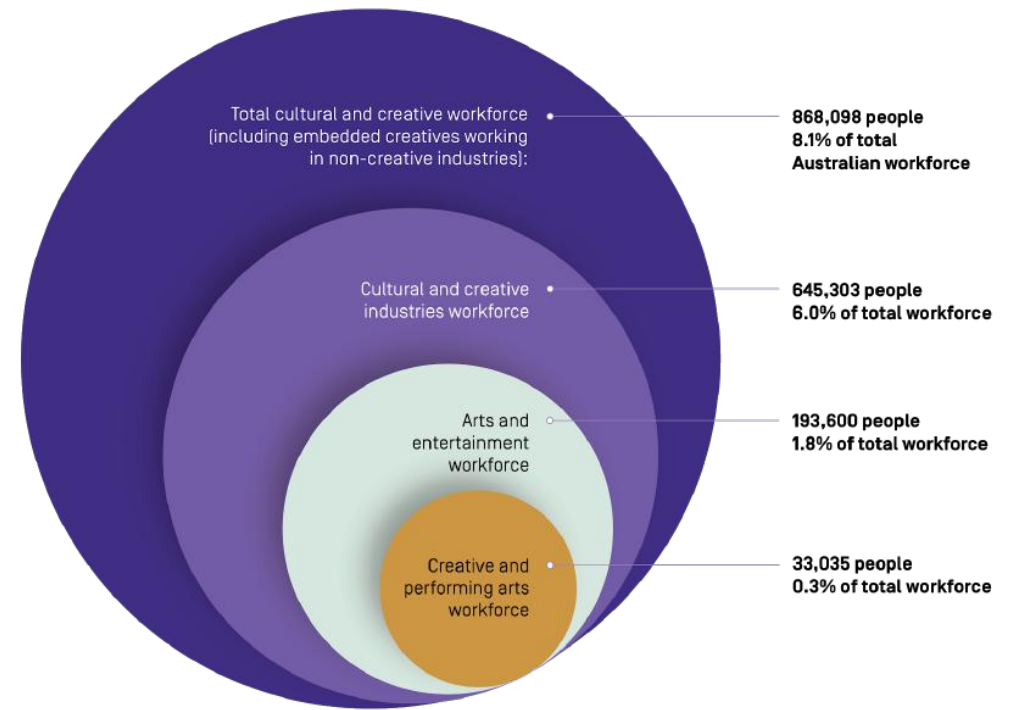


Figure 8: Cultural and creative workforce broken down by industry subdivisions.  
Source: Created using data from the ABS 2016 Census TableBuilder, BCAR 2019, and Browne 2020, by ANA.

# Impact on other areas of the economy

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## What's the relationship between arts and culture, the cultural and creative industries, and the broader Australian economy?

Arts, cultural and creative activities are not only a subset of the cultural and creative industries and the economy, but they also positively influence their economic growth. This is known as 'spillover effects', which have been defined by Arts Council England and the European Cultural Foundation as:

*...the process by which an activity in one area has a subsequent broader impact on places, society or the economy through the overflow of concepts, ideas, skills, knowledge and different types of capital.*

Spillover effects contribute to the economy indirectly — so while cultural and creative activity directly contributed \$111.7 billion in 2016-17, each of these industries and employees also contributed to the economic growth in other industries, thus helping to grow the economy as a whole.

In the following sections, we explore first how subsidised arts, cultural and creative activity indirectly contributes to the growth of commercial cultural and creative businesses. We then look at how the cultural and creative industries indirectly contribute to the growth of other industries, and the economy as a whole. Of course, society also derives significant intangible benefits from arts, cultural and creative activity. For more information about these non-monetary benefits, see our second Insight Report, 'Transformative: Impacts of Culture and Creativity'.

## How does subsidising arts, culture and creativity stimulate commercial businesses in the cultural and creative industries?

Creative arts are often perceived to be the most highly subsidised industries within the cultural and creative economy, and therefore are sometimes seen as less economically valuable. However, there is a good body of research demonstrating that a thriving creative arts scene makes a range of **indirect economic contributions to other cultural and creative industries**.

A strong empirical model comes from John Holden's work on the relationship between publicly funded arts and the broader cultural and creative economy (see Figure 9),<sup>22</sup> which suggests that when the arts, cultural and creative industries are effectively subsidised:

- **They are a major procurer and presenter of creative products and services.** Often, we think of the subsidised arts as a small component of the larger cultural and creative economy. But another way to look at this is that the institutions that often receive the largest government subsidies — the Major Performing Arts companies, the National and State collecting institutions etc. — are some of the most significant clients for the many small creative businesses that make up the more commercial industries within the cultural and creative economy.
- **They create a lively and thriving environment** that is distinctive, which therefore encourages people to move to an area, to remain living in an area, or to visit an area as a tourist and spend money.<sup>23</sup>
- **They form clusters of creative businesses**, which in turn encourages other creatives to move into an area and enhances the lively and thriving effect.
- **They help develop creative skills that can be applied in commercial cultural and creative industries.** This can happen formally through education and training (a drama degree, for example, can help prepare someone for a career as a festival director, or an arts journalist, or a role in

broadcasting) but also informally via collaboration, networking and cross-pollination of industries.

- **They can be a resource for creatives** in all industries, helping to stimulate new ideas, knowledge and skills, facilitate networking, foster communities of practice, and provide new audiences/markets for creative businesses.
- **They encourage creative risk-taking, experimentation and diversification**, which in turn allows the market to be tested, allowing non-subsidised creative businesses to reduce their commercial risk.

Although the economic activities of these industries (that is, the making, distributing, buying, selling, consuming, taxing or subsidising of goods and services that they undertake) lead to direct economic contributions to the economy, many of the effects mentioned above are in addition to those direct contributions. The first three can be quantified and can therefore be linked to monetary spillover effects of these activities. The final three are intangibles, which can be measured using 'contingent valuation methods'.<sup>24</sup>

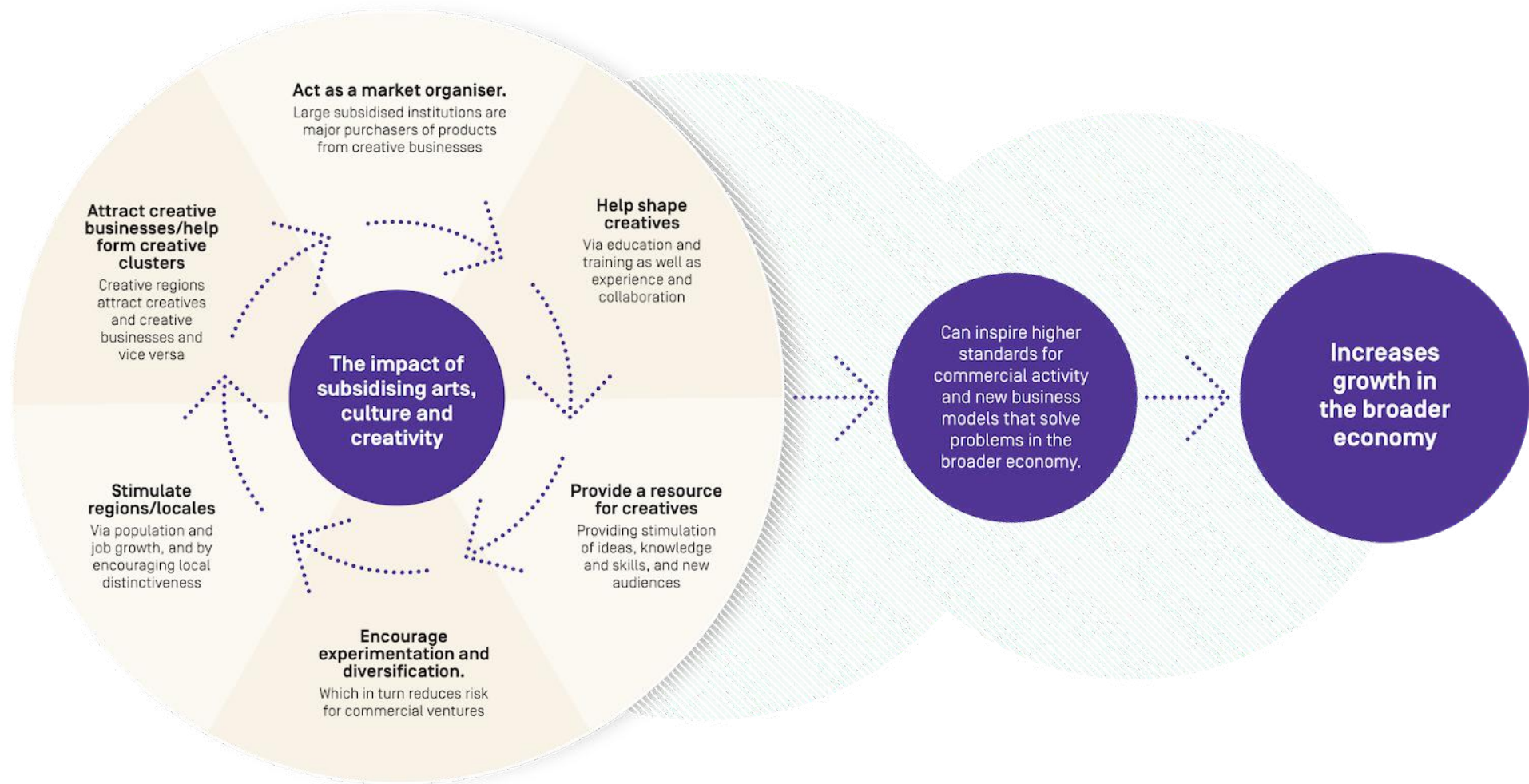


Figure 9: An illustration of the relationship between the broader creative economy, and arts, cultural and creative activities that are subsidised by either public (government) or private (philanthropy and volunteering) sources. Adapted from Holden 2007 p. 11 and pp. 18–21 by ANA.



## How do the cultural and creative industries indirectly stimulate other areas of the economy?

As shown in Figure 9, the subsidised cultural and creative industries can have a positive effect on the non-subsidised cultural and creative industries by stimulating ideas, attracting both creatives and broader population growth to an area, and experimenting with the market. But they can additionally make **indirect economic contributions to other industries**, therefore helping to grow the economy in that way also, as is depicted in Figure 10.

For example, for 2016–17, the direct, value-added economic contribution of the arts, screen and culture to the New South Wales (NSW) economy was calculated to be \$8.7 billion.<sup>25</sup> However, by exploring the indirect, 'spillover effects' of these industries – that is, by looking at the effects of these industries on other industries, like tourism, food and accommodation, transport, information technology and media products and services – the total *indirect* contribution that arts, screen and culture were making to NSW in this period was estimated at \$16.4 billion.<sup>26</sup> So, for every \$1 spent on arts, screen and cultural activities in NSW in that period, an additional 88c was spent in other areas of the economy as a result.

Similar research has been conducted to understand the economic impact of cultural festivals in Adelaide, which showed that in 2018, Adelaide's 11 festivals made a contribution of \$109.1 million in *new* money to the state's economy. Furthermore, the estimated 76,000 tourists who visited these festivals spent \$94 million during their stay (excluding ticket expenditure).<sup>27</sup>

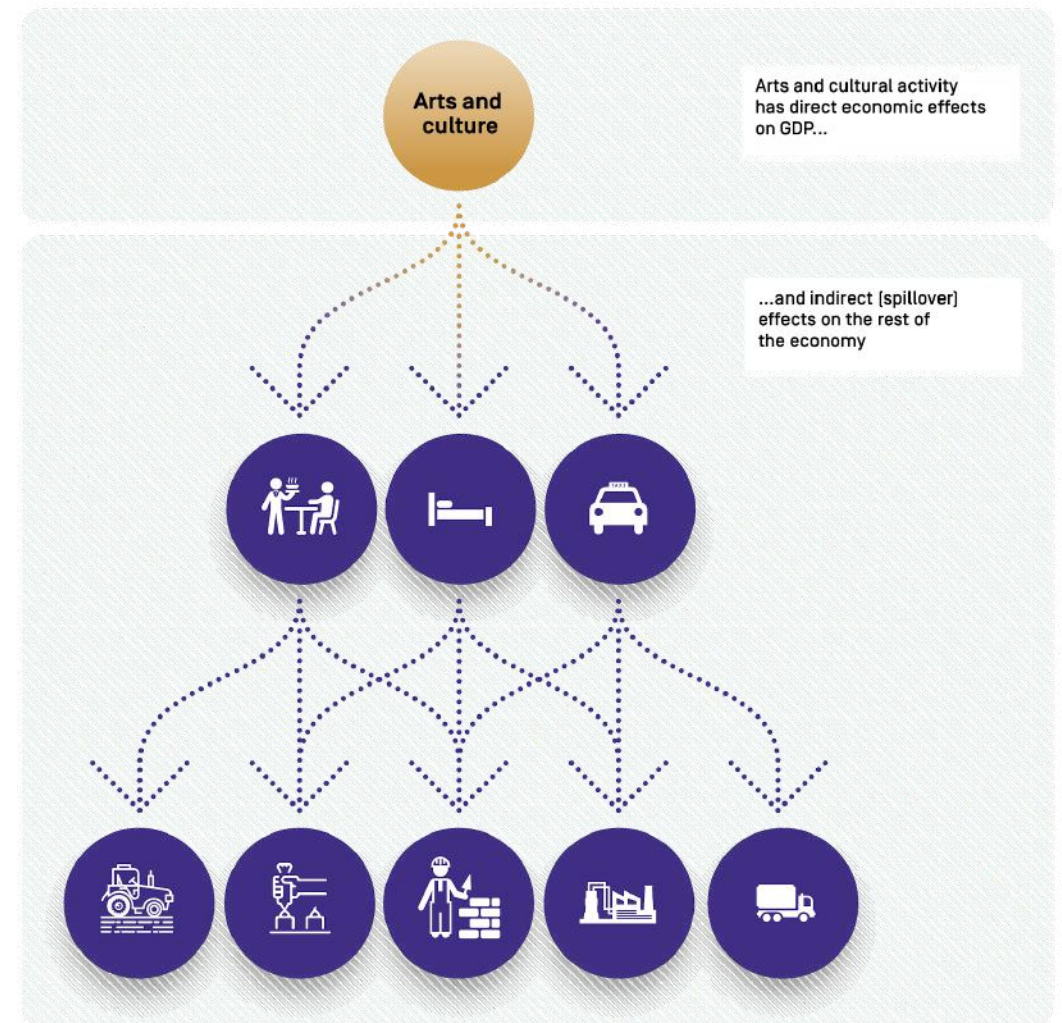


Figure 10: Spillover effects of arts and culture into other industries. Adapted from Raabová 2014, p. 5, by ANA.



Analyses of spillover effects often do not take into account a critical question: if this money had not been spent on X (in this instance, cultural and creative pursuits), where might it have been spent instead? And what would have been the spillover effects of these other activities? Failure to consider this means that when all of these kinds of analyses are added up – and this analysis is produced for almost every industry – they tend to add up to much more than the GDP of Australia.<sup>28</sup>

This does not, however, mean that this kind of analysis can't be useful for understanding the scale of spillover effects resulting from cultural and creative activity in comparison to other industries. For example, SGS Economics and Planning undertook a comparative study of the spillover effects of Australia's cultural and creative industries compared to the average of other industries, using input-output tables from 2008-09. They found that our cultural and creative industries had higher multipliers compared with other Australian industries, with total output, value-added and employment multipliers all higher than the equivalent values for other Australian industries (as depicted in Figure 11):<sup>29</sup>

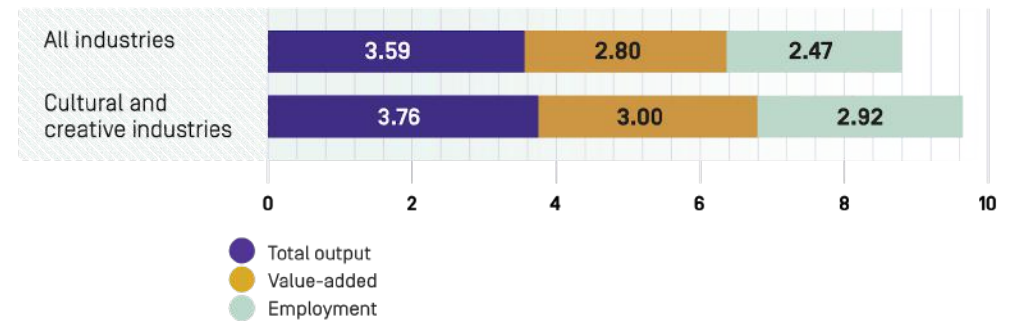


Figure 11: Multipliers for creative and other industry sectors. Source: Adapted from SGS Economics and Planning 2013, pp. 13 and 64, by ANA.

It's important to note that the impact of subsidising cultural and creative activity is not \$3.76 (the headline multiplier commonly used) but rather \$0.17 (that is, \$3.76-\$3.59). This is because, while it's true to say that every \$1 generated in the cultural and creative industries generates \$3.76 in other industries, this is only 17 cents higher than if that same \$1 had been generated elsewhere. Being 17 cents higher than the average is still better than *not* being 17 cents higher than the average, and this is still useful in understanding the spillover effects that occur from investment in the cultural and creative industries.

- 1) **Total output:** Every \$1 of turnover generated by the cultural and creative industries results in \$3.76 total revenue in all other industries in the Australian economy (compared with an average of \$3.59 for all other Australian industries).
- 2) **Value added:** Every \$1 in gross regional product generated by the cultural and creative industries results in a boost to total value-added for all industries by a factor of 3.00 (compared with the average generated across other Australian industries of 2.80).
- 3) **Employment:** For every job in the cultural and creative industries, 2.92 jobs are created in other industries (compared with the average of 2.47 jobs across all industries).

## Concluding comments

As outlined at the start of this working paper, this working paper is an extract from the forthcoming report from A New Approach titled *Australia's cultural and creative economy: A 21st century guide*.

The full report is designed to make it easier to have discussions about Australia's creative economy. By posing and then answering commonly asked questions about the cultural and creative economy, it aims to increase evidence-based, robust discussion about the critical role of these industries to Australia's future. The report covers the following material:

**Part 1** outlines key concepts that assist in understanding the cultural and creative economy, namely:

- The cultural and creative economy
- Everyday terms take on different meanings in economics
- How Australia measures economic activity

**Part 2** answers some frequently asked questions about Australia's cultural and creative economy, including:

- Are 'the arts' really worth \$111.7 billion to the Australian economy?
- Are the cultural and creative industries profitable? What impact do they have on the economy?
- How do arts, culture and creativity stimulate the economy?
- What about jobs?
- How are cultural and creative industries funded?
- What cultural and creative goods and services do Australians spend their money on?
- What do we know about Australia's cultural and creative trade activity?

**Part 3** presents five case studies that illustrate trends and key economic issues in Australia's cultural and creative industries, focusing on:

- the rise in creative occupations
- print journalism
- communities and cultural infrastructure
- international students studying the creative industries in Australia
- architectural services exports.

**Part 4** explores the implications of the report's findings and case studies, and makes suggestions for how Australia can best capitalise on the current opportunities offered by the creative economy.

This report aims to help demystify Australia's cultural and creative economy. We hope this will help drive well-informed public policy settings to maximise effective investment and return for our cultural and creative economy.

# Acknowledgements

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Expert analysis and input was provided by ANA's Research Working Group, chaired by Professor Malcolm Gillies AM FAHA, with Distinguished Professor Stuart Cunningham AM FAcSS FAHA, Distinguished Professor Ien Ang FAHA, Professor Tony Bennett AcSS FAHA, and Professor Jennifer Milam FAHA.

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The opinions in this report do not necessarily represent the views of ANA's funding partners, the individual members involved in the governance or advisory committees, or others who have provided input.

# About A New Approach

A New Approach (ANA) is an independent think tank championing effective investment and return in Australian arts and culture. We aim to foster a more robust discussion about cultural policies, underpinned by good data, informed by shared understandings, and through a non-partisan and independent approach. ANA was established in 2018 with a \$1.65 million commitment by The Myer Foundation, the Tim Fairfax Family Foundation and the Keir Foundation. The Australian Academy of the Humanities is the lead delivery partner for this initiative.

For further information visit [www.humanities.org.au/new-approach](http://www.humanities.org.au/new-approach) or contact us via [newapproach@humanities.org.au](mailto:newapproach@humanities.org.au)



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# Endnotes

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1. Fielding, Kate, and Jodie-Lee Trembath. 2020. "A View from Middle Australia: Perceptions of Arts, Culture and Creativity." 3. Insight Series. Canberra: A New Approach and the Australian Academy of the Humanities.  
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3. Based on analyses by the Bureau of Communications and Arts Research (BCAR 2018) and using data from the 2016 Census (ABS 2016). Unless otherwise stated, all dollar figures in this report are Australian currency.  
Bureau of Communications and Arts Research (BCAR). 2018. "Cultural and Creative Activity in Australia 2008–09 to 2016–17." Working Paper. Canberra: Department of Communications and the Arts.  
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5. Department of Premier and Cabinet Western Australia. 2019. "Diversify WA: Strong Economy, Creating Jobs, Diverse Industries." Western Australia: Government of Western Australia. [https://www.wa.gov.au/sites/default/files/2019-07/DiversifyWA\\_0.pdf](https://www.wa.gov.au/sites/default/files/2019-07/DiversifyWA_0.pdf). (p. 24)
6. Research by the World Economic Forum and McKinsey & Company (2018) has shown that cultural and creative supply chains around the world are experiencing significant

disruption from emerging technologies like artificial intelligence. AI is now being used to create content, aid production and manufacturing, and help target the distribution of products more effectively. Consumers are also increasingly consuming creative content using emerging technologies such as virtual and augmented reality. Research on the effects of these changes on Australia's cultural and creative supply chain is currently underdeveloped.

World Economic Forum, and McKinsey & Company. 2018. "Creative Disruption: The Impact of Emerging Technologies on the Creative Economy." White Paper. Geneva: World Economic Forum.

<https://www.mckinsey.com/~media/McKinsey/Industries/Technology%20Media%20and%20Telecommunications/Media%20and%20Entertainment/Our%20Insights/How%20do%20emerging%20technologies%20affect%20the%20creative%20economy/Creative-Disruption.pdf>.

7. Florida, Richard. 2012. *The Rise of the Creative Class, Revisited*. New York: Basic Books. (p. 6)

8. In most countries that take this approach, the term 'creative industries' is the norm. At the federal level in Australia, extensive work was undertaken by the ABS and a range of cultural and creative specialists to determine what should be included in our cultural and creative industries. Part of this process involved agreeing that it was important to retain the 'cultural' in 'cultural and creative'. Not all Australian states have adopted this term, however. In this report, we refer to 'cultural and creative industries' except where we are referring to a specific policy or piece of research that has used the more common 'creative industries'. We have attempted to make clear, where possible, whether this is only a difference in name, or whether the industries included differ also.

9. UK Department for Culture, Media and Sport. 1998. "Creative Industries Mapping Document." The National Archives. United Kingdom: Department for Culture Media and Sport.  
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13. Smithies, Rachel, and Jackie Bailey. 2019. "WA Creative Industries: An Economic Snapshot." Western Australia: BYP Group.

[https://www.dlgsc.wa.gov.au/docs/default-source/culture-and-the-arts/research-hub/creative-industries/wa-creative-industries-an-economic-snapshot.pdf?sfvrsn=48f6d7e4\\_3](https://www.dlgsc.wa.gov.au/docs/default-source/culture-and-the-arts/research-hub/creative-industries/wa-creative-industries-an-economic-snapshot.pdf?sfvrsn=48f6d7e4_3).

14. (Department of State Growth 2018)

15. (BCAR 2018)

16. (BCAR 2018 p9.) Australia uses the Production Approach to calculate the value of specific industries to our nation's GDP, by calculating industries' Gross Value Added (GVA). Calculating GVA involves adding up the final prices of everything produced in an industry in a given time period and subtracting intermediate inputs. To get the contribution to GDP, we must then add net taxes. The GVA of the cultural and creative industries in 2016-17 was \$85.7 billion. Adding net taxes gives us the 'contribution to GDP' figure of \$91 billion.

17. The economic activity of embedded creatives is represented by their salaries and wages etc., referred to in economic terms as 'imputed compensation of employees (COE)'. See BCAR 2018 for more on this.

18. Data calculated using the 6-digit ANZSCO codes, in the ABS 2016 Census TableBuilder, based on the definition of cultural and creative economy used by BCAR to produce the Cultural and Creative Activity Satellite Accounts. It includes 43 industry classes and 132 cultural and creative occupations. (ABS 2016)

19. Cunningham and McCutcheon's work on employment in the cultural and creative economy uses a different, and narrower, definition than BCAR uses. Figure 3 shows the supply chain approach on which BCAR bases their definition. Cunningham and McCutcheon, however, argue that in terms of employment, the only part of the supply chain that is truly creative/cultural are the people engaged in creating new goods and services. They argue that other people in the value chain could be doing the same jobs anywhere else (that is, their skills are transferable) and that they are therefore the beneficiaries of the creative sector, rather than part of it.

Cunningham, Stuart, and Marion McCutcheon. 2018. "The Creative Economy in Australia: Factsheet 1." Queensland University of Technology Digital Media Research Centre. <https://research.qut.edu.au/dmrc/wp-content/uploads/sites/5/2018/03/Factsheet-1-Creative-Employment-overview-V5.pdf>.

20. (Cunningham and McCutcheon 2018 Factsheet 1)

21. Browne, Bill. 2020. "Economic Importance of the Arts and Entertainment Sector." Background Brief. Canberra: The Australia Institute.

<https://www.tai.org.au/content/background-brief-economic-importance-arts-and-entertainment-sector>. (pp. 1–2)

22. Holden, John. 2007. Publicly-Funded Culture and the Creative Industries. England: Arts Council England.

23. See Florida 2012 for a detailed explanation of this idea.

24. For more on contingent valuation methods, see Simes, Ric, John O'Mahony, Frank Farrall, Kate Huggins, and David Redhill. 2013. "How Do You Value an Icon? The Sydney Opera House: Economic, Cultural and Digital Value." Sydney: Deloitte.

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<https://www.create.nsw.gov.au/wp-content/uploads/2018/12/Economic-Value-of-Arts-Screen-and-Culture-2018-Report.pdf>.

26. In this report, we use the term 'spillover effects', while in the report these NSW economy figures are drawn from, they are called 'input-output multipliers'. The report defines these multipliers as, 'the total economy-wide impact on employment or output resulting from a change in one industry, considering the change in demand for the outputs of other industries.' (KPMG 2018, p. 89). We consider multipliers defined this way to be a form of spillover effect and thus have used the broader term. Note that this is not the same kind of multiplier as those used in Keynesian analysis, which traditionally refers to analyses of the effects of injections of government spending into the economy.

27. (Private communication from Festivals Adelaide, July 2020)

28. Gretton, Paul. 2013. "On Input-Output Tables: Uses and Abuses - Productivity Commission Staff Research Note." Australia: Productivity Commission.

<https://www.pc.gov.au/research/supporting/input-output-tables>.

29. SGS Economics and Planning. 2013. "Valuing Australia's Creative Industries: Final Report." Sydney: Creative Industries Innovation Centre.

<https://www.sgsep.com.au/projects/australias-creative-industries-valuation>.

(p. 13 and pp. 61-64). Note: Gretton (2013) points out a range of shortcomings to using the input-output tables to understand the economic impact of industries on other industries,

despite how commonly this method is used. One limitation specific to undertaking multiplier analyses with satellite industries uses the example of tourism, but this applies to the cultural and creative industries also. Gretton suggests that when comparing multipliers for a satellite industry to other, non-satellite industries, there is potential to count the multipliers of the component activities that make up the satellite industries in both these and the comparator industries. This indicates that more, and more recent, research is needed to better understand the impact of cultural and creative activity across a range of areas.