



arts & culture

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south african
cultural observatory



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for tomorrow

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The mapping of the South African creative economy: A baseline

Submitted to the Department of Arts and Culture

MEASURING & VALUING SOUTH AFRICA'S CULTURAL & CREATIVE ECONOMY

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1. Introduction and background

This **Baseline Report** encapsulates the main findings of a series of five (5) reports that have been prepared in response to a specific request from the Department of Arts and Culture (DAC) and the South African Cultural Observatory (SACO) to support the development of a National Research Agenda (NRA) of the South African Cultural and Creative Industry (CCI). The research study is related to section 5.5 of the NRA, which proposes an economic mapping study of the CCIs in South Africa. The scope of work and deliverables for the study are presented in five separate reports. Table 1 below provides the broad details of the reports within which each research topic is addressed. The key findings of the mapping study are presented in this report that condenses each of the selected reports, identifies key research findings, and attempts to draw broad implications for South African policy-makers in order to support the growth and development of South Africa's creative economy.

1.1 *The National Research Agenda for the CCIs*

The DAC has developed the NRA for research across the arts, culture and heritage (ACH) sectors and the CCIs of South Africa. The NRA is an attempt by the DAC to focus its research efforts and resources towards achieving research outputs that would enhance the development of the CCIs in South Africa. It also serves to support the many policy imperatives of the DAC, as well as the South African government and its stakeholders.

1.2 *The South African Cultural Observatory*

Initiated by the DAC through the Mzansi Golden Economy Strategy (2011), SACO is a statistical and socio-economic research project, launched in 2014, which charts the socio-economic impact of the ACH sectors and the CCIs in South Africa. The SACO is headquartered in Nelson Mandela Bay in Port Elisabeth where it is hosted by the Nelson Mandela University (NMU) on behalf of the DAC in partnership with Rhodes University and the University of Fort Hare.

1.3 *The Economic Mapping Study*

As indicated in the scope of work for this study, which has been overseen by the NMU, this report is one of several others that were commissioned by SACO that are related to the DAC's NRA and the mapping of the South African CCIs. Accordingly, the purpose of the research study is to develop an accurate and reliable baseline study pertaining to the current status of the South African CCIs, as defined in accordance with the 2009 United Nations Educational Scientific and Cultural Organisations (UNESCO) Framework for Cultural Statistics (CSF).

1.4 *Methodology and Research Reports*

The terms of reference for the mapping study specified that the five reports were primarily a desk-top study, though interviews with select stakeholders added value, where relevant. The engagement also required interaction between the different project teams (or Service Providers) involved in compiling the reports to ensure that common findings are presented in an integrated, clear and consistent manner.

The project teams were expected to make use of several primary sources for the mapping study, including UNESCO's FCS. It is necessary at this point to touch briefly upon the main cultural categories or "domains" identified in UNESCO's FCS, seeing as these are cited regularly throughout this document. These are:

- Domain A: Cultural and Natural Heritage;
- Domain B: Performance and Celebration;
- Domain B: Visual Arts and Crafts
- Domain C: Books and Press;
- Domain D: Audio-visual and Interactive Media; and
- Domain F: Design and Creative Services.

Other primary sources used in the mapping study include official statistics produced and published by Statistics South Africa (Stats SA) and the South African Reserve Bank, supplemented by figures derived from some of the research reports provided by the DAC and SACO (i.e. the 2014 DAC National Mapping Study).

The terms of reference specifically state that the primary purpose of the mapping study is to *provide macro-economic findings* relating to South Africa's creative economy, as well as to *provide interpretation* and analysis of the data as it *pertains to policy development and implementation* in accordance with the 2011 National Development Plan (NDP) and other DAC policy initiatives. In this regard, Table 1 below presents the scope of work of the entire mapping study, along with the reports that have been produced within which each element of the scope of work, as well as details of the research teams.

Table 1: Scope of work and research reports

Scope of Work	Research Reports	Research Teams
■ Employment Analysis: Define levels of cultural employment and illustrate growth overtime compared to GDP growth and growth in non-cultural jobs.	Research Report 1: Employment in the Cultural and Creative Industries in South Africa	Serge Hadisi , Independent Economic Consultant, & Researcher at PESA (Political Economy Southern Africa) Jen Snowball , Chief Research Strategist, South African Cultural Observatory and Professor of Economics, Rhodes University
■ International Trade Analysis: Define the levels of cultural goods trades between South Africa and its BRICS partners relative to the country's total trade in cultural goods	Research Report 2: South Africa's trade in cultural goods and services with a focus on cultural trade with BRICS partners	Niki Cattaneo , Senior Lecturer, Department of Economics, Rhodes University Jen Snowball , Chief Research Strategist, South African Cultural Observatory and Professor of Economics, Rhodes University.
■ Macroeconomic Impact Analysis: The contribution of the CCIs towards GDP (economic output), as well as demonstrating the relative size of the CCIs sector in relation to other economic sectors across the UNESCO-defined domains	Research Report 3: The Macroeconomic Impact Assessment Modelling System and Macroeconomic Impact Analysis of the Cultural and Creative Industries Sector	David Mosaka , Chief Economist and Senior Researcher, Conningarth Economists

An estimation of the forward and backward linkages (multipliers) in the CCIs sector itself, as well as linkages with other economic sectors		
■ Provincial, Location and Cluster Analysis: Provincial distribution of the CCIs (as per the macro-economic analysis stated above – this section includes maps detailing provincial distribution patterns) Identification of possible clusters within the CCIs (this includes maps pertaining to the relevant findings) Transformation and ownership levels from a provincial perspective Employment from a provincial perspective	Research Report 4: Provincial Location and Clusters of the Cultural and Creative Industries Sector in South Africa	David Mosaka , Chief Economist and Senior Researcher, Conningarth Economists
■ Shifting Transformation and Ownership Analysis: Determine the transformation and ownership patterns within the South African CCIs across the UNESCO domains, noting that transformation and ownership levels must also be presented in the above-mentioned section dealing with provincial distribution and clustering	Research Report 5: Transformation, Ownership and Employment in the Cultural and Creative Industries	David Mosaka , Chief Economist and Senior Researcher, Conningarth Economists

2. Key findings of the mapping study

The mapping study commences with **Research Report 1**, entitled *Employment in the Cultural and Creative Industries in South Africa*, which attempts to estimate the size of employment in South Africa's "creative economy", a term used by SACO to denote "the sum of a number of parts which make up the ACH [arts, culture and heritage] sectors and the CCIs".¹ Going further, UNESCO points out that cultural workers may be found in cultural industries, but also in other industries doing cultural work. A useful model for demonstrating this effect is the so-called "cultural trident", which distinguishes between:

- workers with a cultural profession working in a cultural sector (e.g. an artist in an opera);
- workers having a cultural profession but working outside the cultural sector (e.g. a designer in the car industry); and
- workers having a non-cultural profession and working in the cultural sector (e.g. a secretary in a film production company).

¹ Carin Smith, 'Tapping into SA's 'golden' creative opportunity', *Fin24*, 14 June 2017. The mapping study thus makes a methodological distinction between the terms "creative economy" and "creative industry" (or CCIs). The former includes those employed in creative occupations inside and outside the creative sector, as well as those in non-cultural jobs in creative sector firms. The latter, which is a sub-set of the creative economy, focuses on cultural and non-cultural workers, but only those employed in CCIs.

With this classification in mind, the employment report superimposed UNESCO's standard classification for cultural statistics on Stats SA's Labour Force Survey (LFS) and established that most cultural occupations in South Africa's creative economy (or cultural trident) actually occur in industries outside the CCIs. This essentially means that, in South Africa, more cultural workers are embedded in non-cultural firms than those working directly in the CCIs. In fact, the employment report indicates that, in 2015, only 0.5% (or 75 000) of all jobs in South Africa were recorded as 'pure' or direct cultural occupations in the CCIs; meanwhile, more than 2% (or 321 464) of all jobs in country were classified as cultural occupations in non-cultural industries, and a further 4% (or 661 340) were recorded as non-cultural occupations within in the CCIs (see Table 1 below).

Table 2: Total employment within the CCIs and Creative Economy

Cultural Trident	% of total employment	Number of jobs
Cultural occupations in CCIs (A)	0.48%	75 209
Cultural occupations in Non-Cultural Industries (B)	2.04%	321 464
Non-Cultural occupations in CCIs (C)	4.20%	661 340
Total Cultural occupations (A + B)	2.52%	396 673
Total CCI employment (A + C)	4.68%	736 550
Total Creative Economy (A + B + C)	6.72%	1 058 014

(Source: adopted from Research Report 1)

This data implies three things. Firstly, in 2015, cultural occupations in South Africa – which includes people working in sectors traditionally classed as cultural or creative (such as fine art, performing art, film, museum, libraries, music, craft, and so forth), as well as more commercial sectors (including designers, architects, advertising and computer programming – amounted to around 2.5% of all jobs in the country. This equates to 396 673 jobs, slightly less than mining (which made up 2.9% of employment). Secondly, in the same year, total employment of both cultural and non-cultural workers in the CCIs amounted to 4.7% (or 736 550) of all jobs in the country. Finally, total employment in South Africa's creative economy – i.e. within the cultural trident – accounted for around 6.7% of all jobs in the country (or just over a million jobs).²

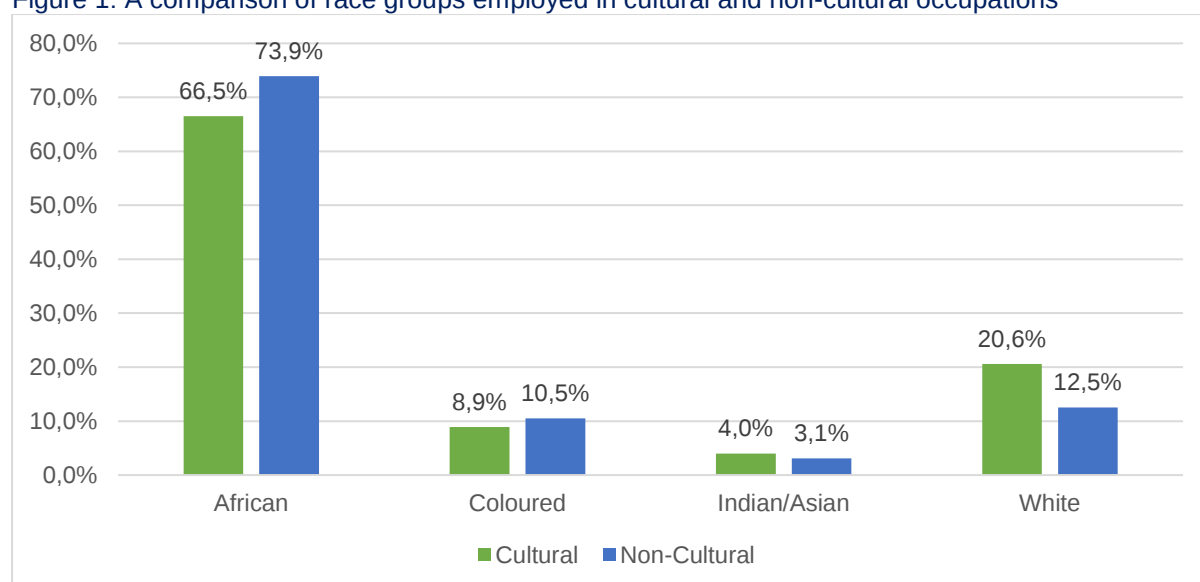
Like in many other countries worldwide, the CCIs in South Africa are not immune to (small or big) changes in the national economy. For example, total cultural occupations declined from 2.93% of all jobs in South Africa in 2014 to 2.5% in 2015. One reason for this trend may be attributed to the country's declining GDP growth rate, which dropped from 1.7% to 1.3% in 2015. Likewise, an examination of international trade in CCI goods (discussed in more detail in another report: see below) also showed a sharp decline in both imports and exports in 2015:

² It is important to note that the employment report presents its findings on the size of South Africa's CCIs as a *rough estimate* based on available data supplied by the LFS, which currently does not have sufficiently detailed national data to allow for more accurate measurements, at least according to UNESCO guidelines. Currently, the LFS uses three-digit level industry codes for measuring the size of occupations. UNESCO recommends relying on four-digit codes for a more accurate measure of the real extent of cultural industry employment (and five-digit level for education). This would require the South Africa Standard Industrial Classification (SIC) system to publish data to at least a four-digit code, given that the more digits there are, the more detailed the occupational classification becomes.

compared to the previous year, exports fell by 16% and imports fell by 25%. This provides some corroborating evidence that the CCIs were already under pressure in 2015, which may account for the fall in the number of people working in the sector in that year.

The employment report also relied on data from Stats SA to determine the demographic profile of cultural occupations in South Africa, as well as the employment experiences as compared to employment in non-cultural sectors. Through this analysis, the report was able to identify several *barriers* to transformation. The first barrier to transformation is identified as *access to tertiary education*. While the majority of cultural workers working in the CCIs in 2015 were mostly black Africans (66.5%), followed by Whites (20%), Coloureds (8.9%) and Indian/Asians (4%), it was established, firstly, that cultural occupations are somewhat less racially diverse than non-cultural ones (see Figure 1 below), and secondly, that Whites are still over-represented in certain cultural domains of the industry.

Figure 1: A comparison of race groups employed in cultural and non-cultural occupations



(Source: adopted from Research Report 1)

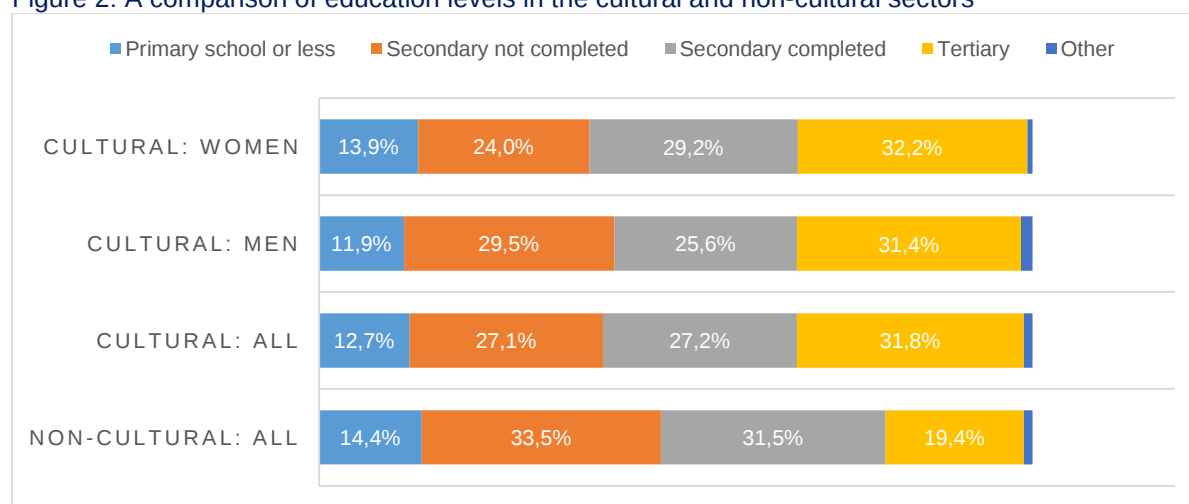
With respect to the latter issue, the employment report found that higher levels of education or formal qualifications appeared to have a significant effect on demographics within some cultural domains. For example, in 2015, the “Audio Visual and Interactive Media” domain was found to be 41% White (with 54.9% of this group having tertiary education), and the “Design and Creative Services” domain was 43% White (with 66% of this group having tertiary education). In sum, while the sector does appear to hold the potential to offer viable employment opportunities for all South Africans, access to tertiary education may be constraining radical transformation within the CCIs.

If there is a silver lining to this finding, it might be that CCI workers tend to be better educated, skilled and remunerated than those working in non-cultural sectors: the study found, firstly, that 31.8% of all cultural workers within the CCIs have tertiary education (compared to only 19.4% of those in non-cultural occupations); and secondly, earnings in the CCIs tend to be considerably higher than in non-cultural occupations – and this despite the fact that just under half (43.3%) of all cultural occupations are informal and/or freelance based employment.

The second barrier to transformation within South Africa's CCIs is *lower job security and fewer employment benefits* compared to non-cultural jobs. There is strong evidence to suggest that freelance contract work (and informal, unregistered work in general) is much more common in cultural than in non-cultural occupations. It was also established that, in the last decade, cultural workers have tended to move between the formal and informal sectors as their economic circumstances change. In other words, cultural occupations are volatile and sensitive to economic downturns. This is likely to be another factor constraining transformation within the sector, given that middle-class people – who are generally able to rely on family and strong social networks for financial and moral support – are more likely to go into the cultural and creative sectors, despite the potential risks. This finding is not dissimilar to findings from various international studies on CCI employment, which point to the fact that cultural occupations are often more precarious compared to their non-cultural counterparts. On a more positive note, it appears that cultural employment in South Africa is also *adaptable*, in that there is some movement between formal and informal sectors, and between types of employment, over specific economic periods.

The third barrier to transformation relates to *gender imbalances*. The study found that more than half of all cultural occupations are held by men (57%), and more than 40% of these men are under the age of 35. Women in the same age category accounted for only 34% of cultural workers. In comparison, the majority (or 37.8%) of women working in cultural and creative industries are between 35 and 49 years of age. As mentioned in previous mapping studies, these findings may point toward the difficulties that younger women, who are more likely to have family obligations, have in working in cultural jobs where working hours may be long and erratic. Clearly, the fact that cultural workers might be subject to less employment benefits compared to non-cultural workers compounds this problem even further. On a more positive note, Figure 2 below shows that a similar proportion of men and women in cultural occupations in South Africa have tertiary education (roughly 32% each), and that a higher proportion of women (29.2%) have completed secondary education compared to men (25.6%).

Figure 2: A comparison of education levels in the cultural and non-cultural sectors



(Source: adopted from Research Report 1)

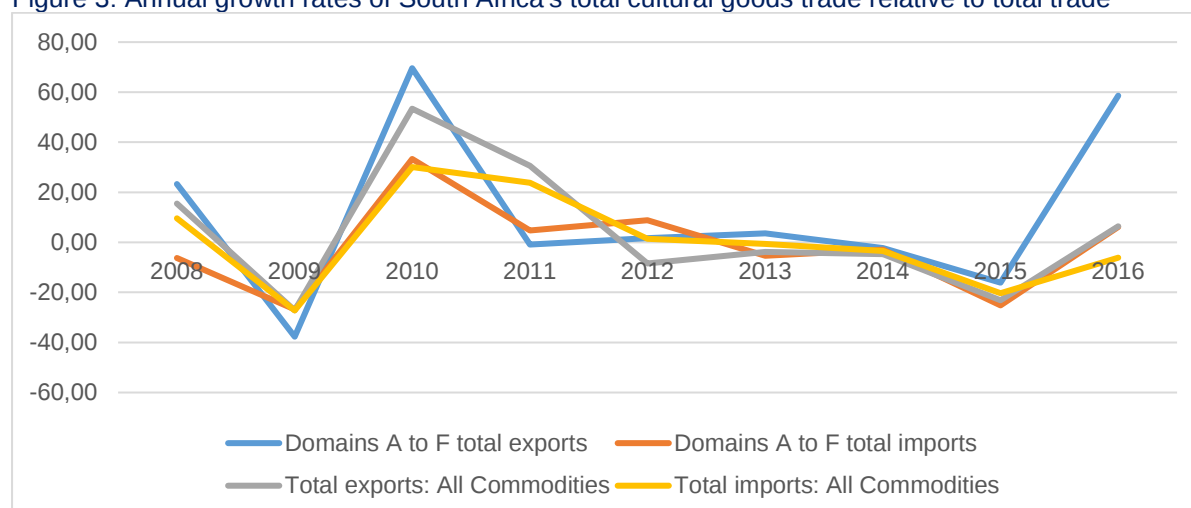
The employment report also shows that, similarly to international contexts, creative workers in South Africa tend to cluster or group together in provinces that have larger cities (this topic is also discussed in another report: see below). As a result, Gauteng, KwaZulu Natal (KZN),

and the Western Cape – the country's three wealthiest provinces – currently have the highest proportion of people employed in the cultural sector (36.9%, 15.5%, and 15% respectively). It is worth noting that, while Mpumalanga has a relatively low share of overall cultural employment (7.62%), the figure is still higher than its overall share of employment in South Africa (7.52%). Critically, the report suggests that a number of economic indicators – including growing employment and wage levels, recent major infrastructure investments, and increasing immigration flows to the province – show that Mpumalanga has the potential to become the next major cultural hub in South Africa.

Although current LFS data does not permit researchers to *accurately* highlight a relative concentration of cultural domains within each province, some clusters were identified where a particular province has the majority share of cultural employment in a particular domain. For example, Gauteng has the highest percentage of the “Books, Information and Press” domain (35%), the “Audio Visual and Interactive Media” domain (63%), and the “Design and Creative Services” domain (50%). And although the Western Cape has the third highest percentage of cultural jobs overall in the country, it also has significant clusters in “Books, Information and Press” (14%), “Audio Visual and Interactive Media” (18%), and “Design and Creative Services” (27.5%).

Research Report 2 entitled, *South Africa's trade in cultural goods and services with a focus on cultural trade with BRICS partners*, provides an analysis of the growth of international trade of South African cultural goods and services. With regard to cultural goods,³ the study established that the export of cultural goods accounted for around 0.46% of South Africa's total commodity exports in 2016, while imports accounted for roughly 0.66% in the same year. As already mentioned, a significant slowdown in South Africa's total cultural goods trade was evident in 2015, in line with the slower growth in the economy. However, there was strong evidence of a comfortable recovery in 2016.

Figure 3: Annual growth rates of South Africa's total cultural goods trade relative to total trade

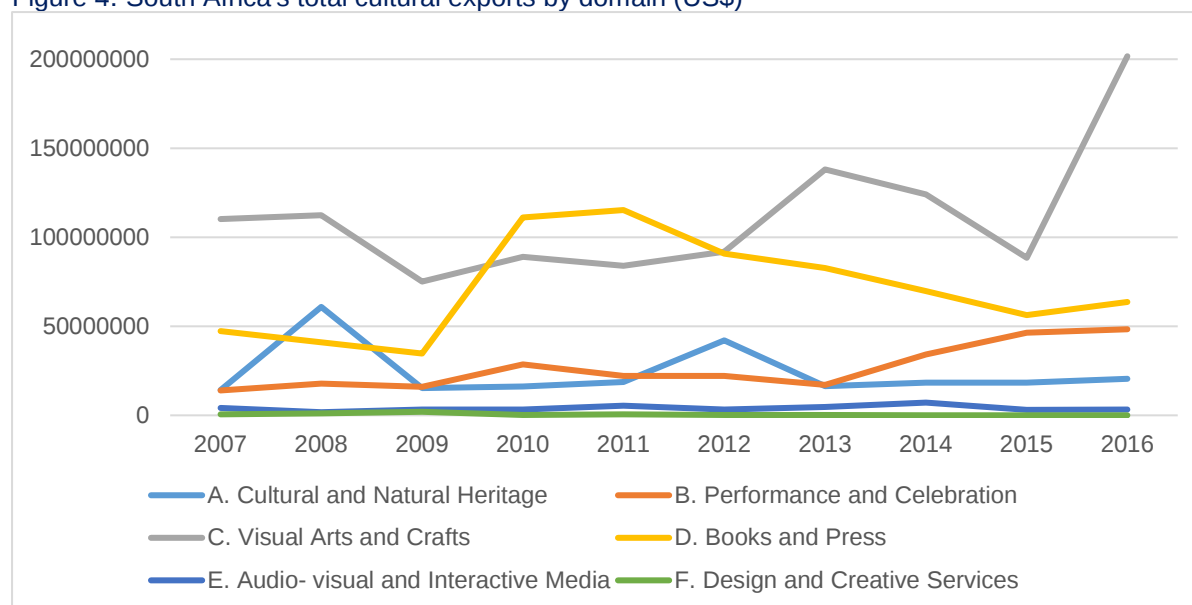


(Source: adopted from Research 2)

³ The term 'cultural goods' broadly implies various sectors that form part of the wider creative and cultural industry, namely: design, arts and crafts, visual arts, publishing, performing arts, new media and audio-visuals.

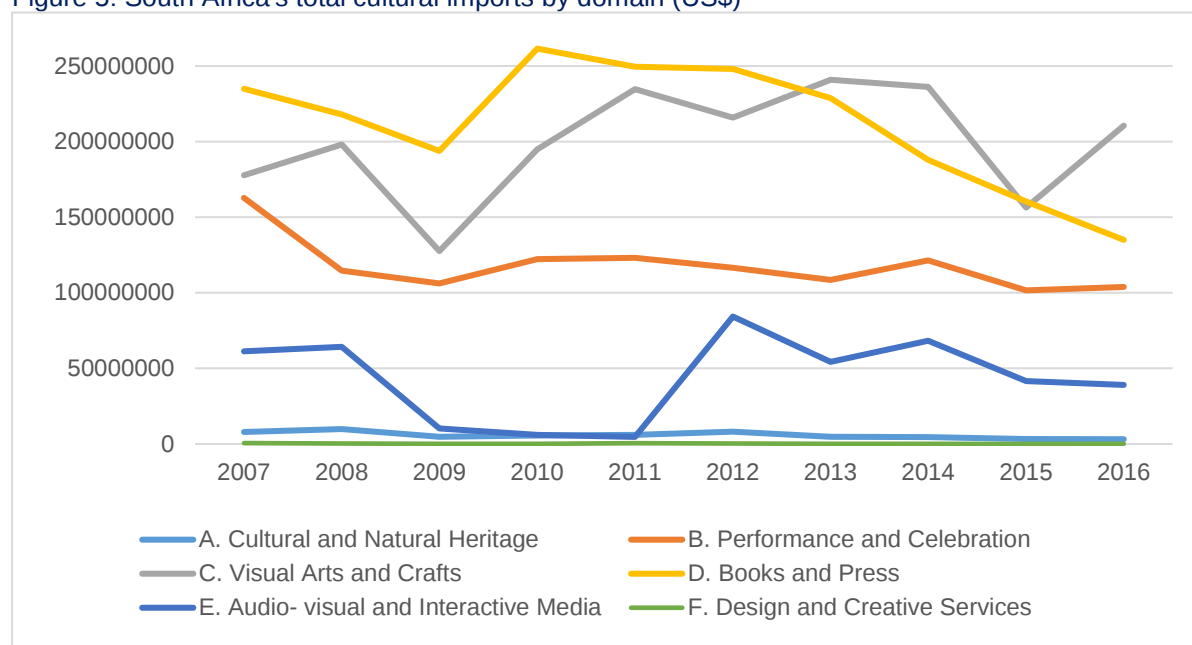
Overall, between 2007 and 2016, South African cultural goods exports grew faster than cultural goods imports (including after the post-2009 financial crisis period), significantly reducing the country's trade imbalance in cultural goods, particularly in the most recent period (see Figure 3 above). A significant driver of this trend, both from the export and import side, rested on the performance of the “Visual Arts and Crafts” domain, and also due to growth of “Performance and Celebration” exports, alongside a reduction in imports mainly in the “Books and Press”, “Performance and Celebration”, and Audio-visual and Interactive Media” domains, particularly in the most recent period (see Figures 4 and 5 below)

Figure 4: South Africa's total cultural exports by domain (US\$)



(Source: adopted from Research Report 2)

Figure 5: South Africa's total cultural imports by domain (US\$)

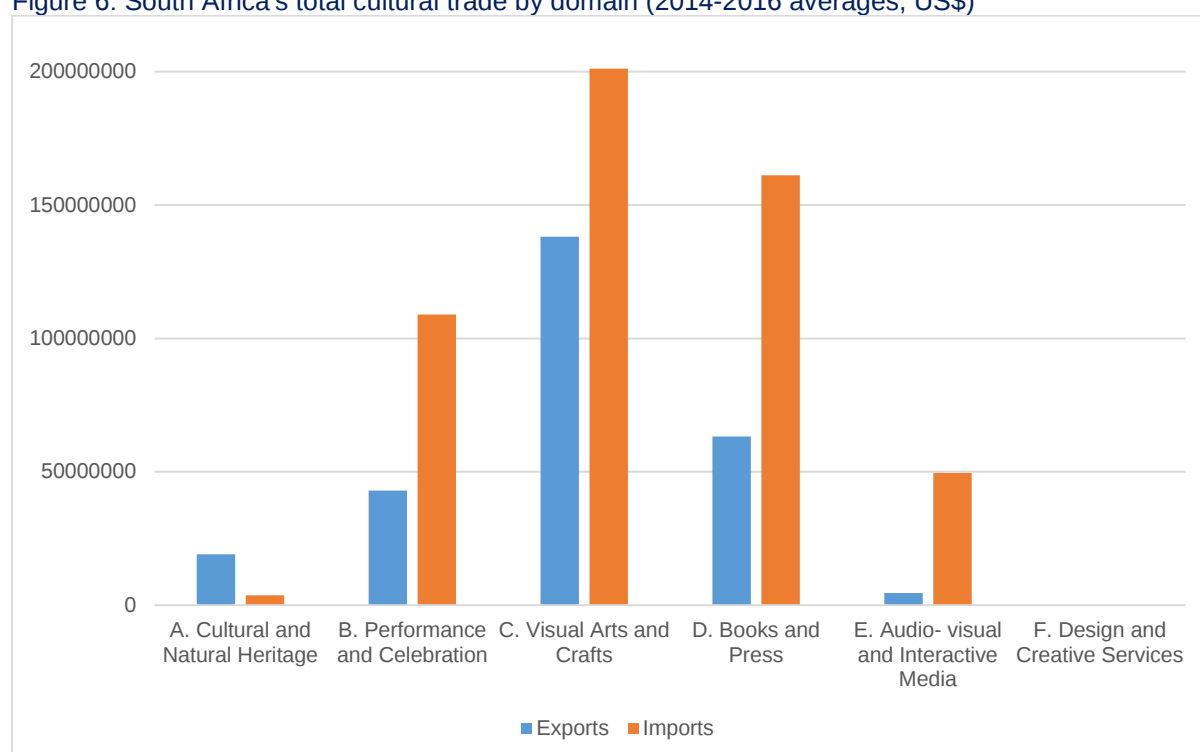


(Source: adopted from Research Report 2)

The trade report notes that the prominence of the “Visual and Crafts” domain can be attributed to its designation as a priority sector in various Industrial Policy Action Plans (IPAPs), which in recent years have noted the importance of employment, economic growth, broad-based black economic empowerment (BBBEE), and the development of small businesses, as critical to the sector’s growth.

Meanwhile, of all the cultural domains in the selected period (i.e. 2007 to 2016), only “Cultural and Natural Heritage” was found to have a positive trade balance, while the most significant trade imbalance was in the “Books and Press” and “Performance and Celebration” domains (see Figure 6 below).

Figure 6: South Africa's total cultural trade by domain (2014-2016 averages, US\$)



(Source: adopted from Research Report 2)

At this point of the discussion, it is necessary to mention that the abovementioned trade findings are partly at odds with some of findings made in the report on the macroeconomic impact of the CCIs (see below). Firstly, the later report proposes that in 2016 the “Design and Creative Services” domain had the highest export *and* import intensity (43% and 37% respectively). At face value, this provides preliminary evidence of intra-industry trade – i.e. two-way trade in the same product – within certain cultural domains in South Africa (a topic discussed in another report: see below). Secondly, it also found that, in the same year, “Visual Arts and Crafts” was the second strongest cultural exporter (20%) and the fourth strongest importer, along with “Books and Press” (9% each).

Setting these differences aside, the macroeconomic impact report does however reaffirm that “Cultural and Natural Heritage” had a positive trade balance in 2016, and further adds that “Visual Arts and Crafts” had the highest trade balance in the same year – and by some margin. It also found that the “Audio-Visual and Interactive Media” domain showed by far the highest

negative trade balance in 2016,⁴ followed by “Books and Press” and “Performance and Celebration”.

The analysis of South Africa's trade in cultural goods with its BRICS partners showed mixed results for both inter-industry trade and intra-industry trade.⁵ With regards to inter-industry trade, South Africa's trade imbalances with China, India, and (to a lesser extent) Brazil were found to be significantly high, although they narrowed slightly in recent years. Russia is the only BRICS country with which South Africa runs a surplus in its cultural goods trade, with the “Performance and Celebration” domain being an important cultural product in South Africa's trade with Russia. In general terms, the “Visual Arts and Craft” domain is a significant traded domain on both the export and import side in South Africa's trade with its BRICS partners. On the export side, both “Cultural and Natural Heritage” and “Books and Press” are key export domains for the country's CCIs. With respect to imports, “Visual Crafts and Arts”, “Performance and Celebration”, and “Books and Press” are significantly traded domains, although imports of “Audio-visual and Interactive Media” products are especially dominant in South Africa's trade with China.

Based on a unit of measurement known as the Grubel-Lloyd index⁶, significant percentages of intra-industry trade in some cultural domains were found in South Africa's total cultural goods trade (see Table 3 below). Worldwide, “Visual Arts and Crafts” was the strongest performer (81%) for South Africa, closely followed by “Design and Creative Services” (78%), and, to a lesser extent, “Books and Press” (56%). The situation was somewhat different with the county's BRICS partners. A notable score (31%) was recorded between South Africa and Brazil in the case of “Visual Arts and Crafts”, particularly in the period 2014 to 2016. Likewise, South Africa's two-way trade with China in the both the “Cultural and Natural Heritage” and “Design and Creative Services” domains were also found to be statistically significant (88% and 42% respectively). However, apart from these results, South Africa's intra-industry trade in cultural goods with its BRICS partners was not very high (most domains scored below 10%).

Table 3: South Africa's intra-industry trade (%) by domain and partner (2014-2016 averages)

	World	Brazil	China	India	Russia
A. Cultural and Natural Heritage	32.6	0.7	41.5	4.4	0.9
B. Performance and Celebration	56.5	1.6	0.3	8.5	5.3
C. Visual Arts and Crafts	81.4	30.9	0.4	4.1	10.2
D. Books and Press	56.3	12.9	1.4	1.1	13.4
E. Audio- visual and Interactive Media	16.6	-	0.0	1.1	-
F. Design and Creative Services	78.4	0.0	88.0	22.9	-

(Source: adopted from Research 2)

⁴ The authors of the trade report note that “if the distorting effect of the video games sub-sector is removed from Audio-visual and Interactive Media, the trade imbalance improves significantly in this domain”.

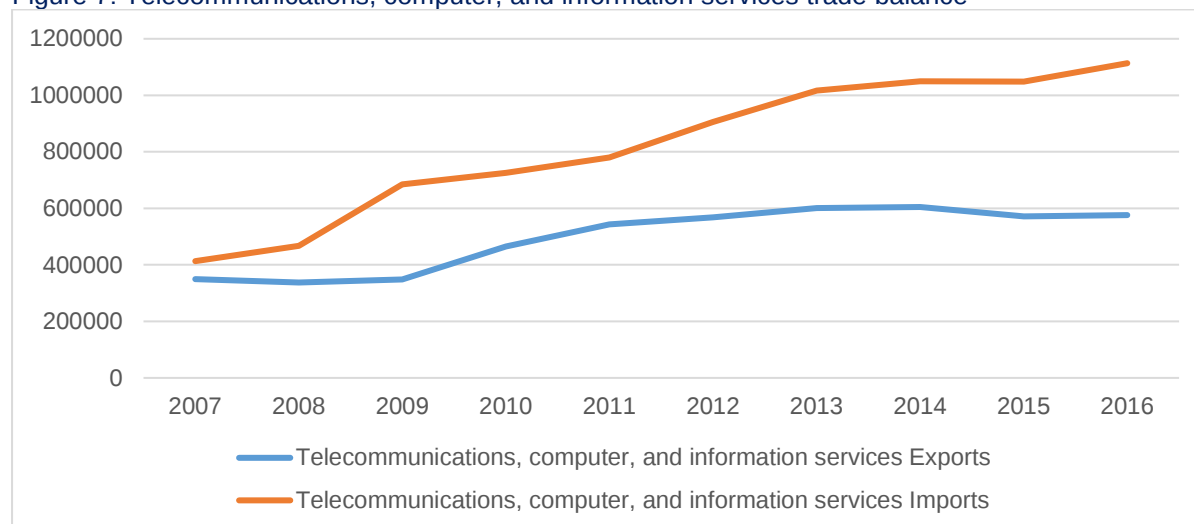
⁵ The study presents some of its trade findings with the rather niche and specialised topic of inter- and intra-industry trade. The concepts are relatively new in economic literature. That said, the main difference between the two is that *intra*-industry trade refers to two-way trade in a given sector (or domain), while *inter*-industry trade refers to one-way trade in a sector (or domain), the latter based on the economic theory/principle of the ‘comparative advantage’. In the case of intra-industry trade, imported products are highly similar to those already available in the national market, whereas with inter-industry trade the goods belong to different categories.

⁶ The Grubel-Lloyd index ranges from 0 to 100%, with higher percentages reflecting greater two-way trade within a particular domain

The trade report also provides some findings with regards to South Africa trade in cultural services.⁷ It found that South Africa performed fairly well in selected services sectors. For example, there was evidence of growing audio-visual services exports, suggesting that some government initiatives, such as the Film Incentive Programme (launched by the Department of Trade and Industry in 2004) could be taking effect. Furthermore, since 2007, South Africa, has had a consistent trade surplus in the following categories: “Personal Travel Services” (which, according to UNESCO, falls under the “Related Cultural Services” domain); “Audio-visual and related services”; and also “Other personal, cultural and recreational services” (except in 2011).

However, in the same period, South Africa also exhibited a widening negative trade balance in the “Charges for the use of Intellectual Property” and “Telecommunications, computer, and information services” categories (see Figure 7 below). The report concludes that these findings are to be expected for a small, open economy like South Africa, suggesting that there are prospects for increased trade in cultural services between South Africa and other BRICS countries, particularly in tourist-related service activities.

Figure 7: Telecommunications, computer, and information services trade balance



(Source: Adopted from Research Report 2)

Research Report 3 entitled, *Macroeconomic Impact Assessment Modelling System and Macroeconomic Impact Analysis of the Cultural and Creative Industries Sector*, provides a detailed analysis of the macro-economic impact of the CCIs in South Africa, using a modelling system developed by the firm Conningarth Economists.⁸ The report underlines that South Africa's culture and creative sector appears to have a sizeable impact on the national economy, and that the sector's contribution is growing every year. The reports main findings

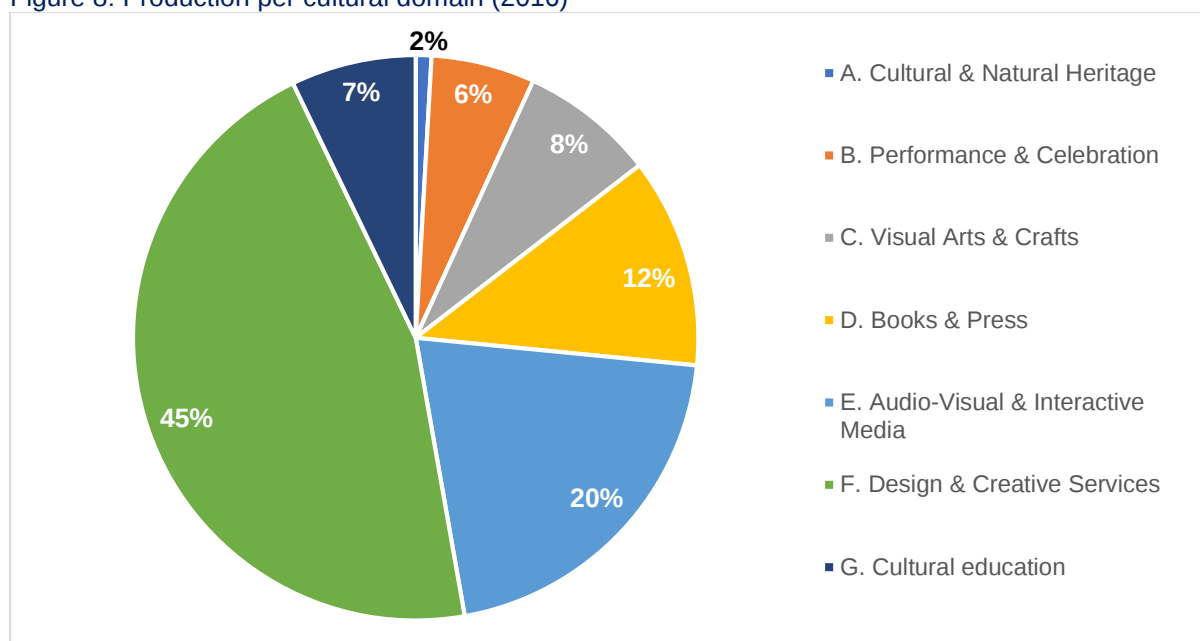
⁷ The term 'cultural services' broadly implies services in the following sectors: architectural, engineering and other technical services; research and development services; cultural and recreational services; and audio-visual and related services.

⁸ It is necessary to point out that selected findings made by Conningarth cannot be directly compared with standard economic performance indicators quoted elsewhere in the mapping study (GDP, employment, growth rates, etc.), given that the firm often makes use of a number of different direct and indirect techniques to produce figures.

are presented according to different themes, including economic growth and impact on GDP, employment, and fiscal outputs. The main results are summarized in the following paragraphs.

First, South Africa's CCI's have grown on average at 4.9% per annum over the period 2011 to 2016. This can be viewed as a significant growth compared to the total growth of the country's economy, which was only 1.6% per year over the same period. The strong growth rate experienced by the industry CCI is, to a large extent, due to the significant growth in the "Audio-Visual and Interactive Media" domain, which grew nearly 40% over the selected period. More recently, in terms of production, value-added and labour, the "Design and Creative Services" category has been by far the most prominent within the CCIs, followed by the "Audio-Visual and Interactive Media" and "Books and Press" domains (see Figure 8 below). On the other hand, the "Cultural and Natural Heritage" domain has experienced the least growth within the selected period (1.6% per year).

Figure 8: Production per cultural domain (2016)



(Source: adopted from Research Report 3)

Second, in 2016, the GDP contribution of the CCIs was just over R62 billion (see Table 4 below), which represents approximately 1.7% of the total GDP (agriculture, in contrast, contributed around 2.4%).⁹ According to Conningarth calculations, this percentage increases nominally to 5.7% (to the value of R233 billion) if the direct, indirect, and induced impacts are factored into the equation. Based on this, it was found that roughly 32% of the cultural industry's total contribution to the GDP was generated through the production of cultural goods and services (i.e. direct impact); 40% was generated from the supplying of materials to the CCIs (i.e. indirect impact); and the remaining 28% was generated from the remuneration of labour and the resultant private consumption expenditure (i.e. induced impact).

⁹ According to a previous mapping study of the sector, South Africa's creative economy (which includes the CCIs) contributed over R90.5 billion to the national economy or 2.9% of the GDP in 2013 to 2014.

Table 4: South Africa: Cultural and Creative Industry Domains (R million, 2016 prices)

Cultural Domains	Production	GDP/Value Added	Fixed Capital stock	Labour (Numbers)
A. Cultural and Natural Heritage	1 669	461	4 709	4 257
B. Performance and Celebration	11 001	3 388	10 227	13 806
C. Visual Arts and Crafts	14 319	2 044	20 528	10 817
D. Books and Press	22 277	8 501	28 820	27 001
E. Audio-Visual and Interactive Media	38 323	10 363	45 222	69 786
F. Design and Creative Services	84 627	30 847	104 370	131 964
G. Cultural education	13 268	6 799	27 750	28 607
Total	185 483	62 402	241 627	286 238

(Source: adopted from Research Report 3)

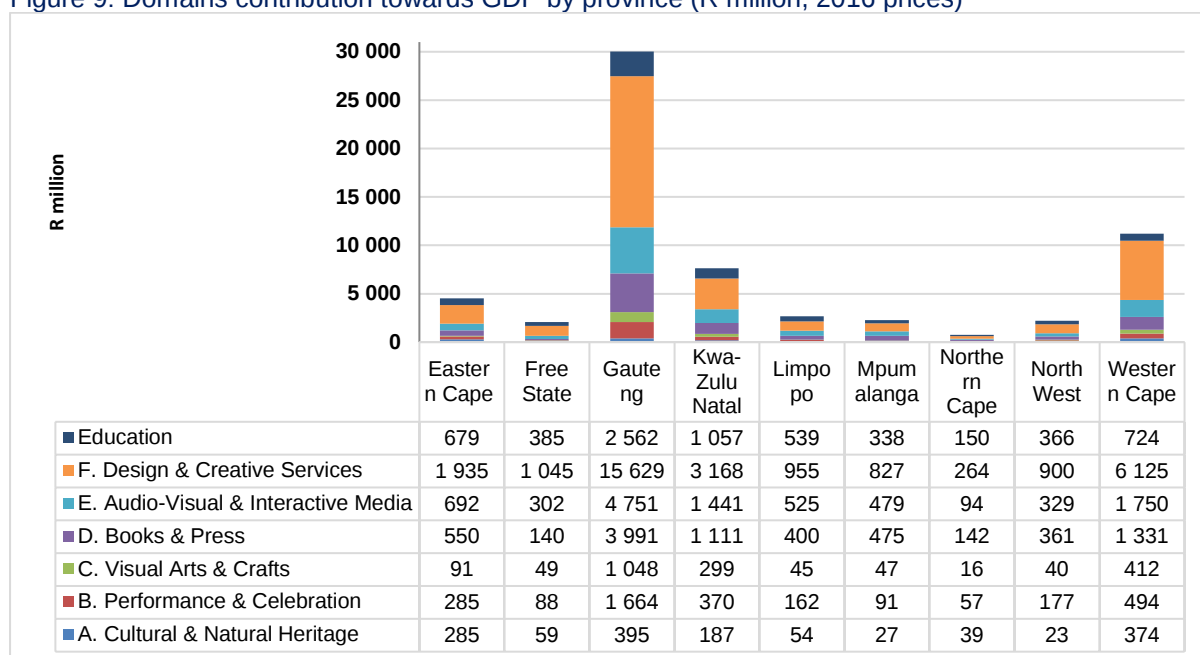
Third, in 2016, just under 300 million people were employed directly in the CCIs (compared to 396 673 jobs in 2015), which constitutes around 1.6% of total employment in South Africa. Again, this figure rises nominally to just under 700 000 for all occupations in South Africa's entire creative economy. Out of these jobs, an estimated 53% were located in the skilled labour category, while 36% were semi-skilled and 11% were unskilled.

Fourth, in 2016, the total impact on household income amounted to around R145 billion, of which 15% was earmarked for lower-income households. Thus, of the total income generated directly and indirectly through the CCIs, a significant percentage reached South Africa's poor communities. Furthermore, the annual fiscal impact of the CCIs amounted to roughly R61 billion through direct and indirect taxes (personal income tax, company tax, value added tax, and other indirect taxes). This amount roughly translated to covering the cost of the following social services: 17 235 educators; 3767 hospital beds; 822 doctors; and 5682 low-cost (or RDP) houses.

Research Report 4 of the mapping study, entitled *Provincial Location and Clusters of Cultural and Creative Industries*, reiterates the fact that South Africa's creative industry, at least in terms of GDP, is clustered predominantly in three provinces namely: Gauteng, Western Cape, and KZN (R30 billion, R11 billion, R8 billion respectively in 2016). When viewed from the perspective of provinces, the CCI contribution towards GDP per sector suggests that, across most provinces, the "Design and Creative Services" and "Audio-Visual and Interactive Media" sectors are major contributors to the national economy. For example, in 2016, the "Design and Creative Services" sector in Gauteng contributed around R15.5 billion to the national GDP; in the Western Cape this figure was just R6 billion; and in KZN it was recorded as R3 billion (see Figure 9 below).

In terms of employment, the report highlights that the CCIs are predominantly active in the same provinces. Again, in 2016, the "Design and Creative Services", which overall created 123 725 jobs nationally, employed 62 784 people in Gauteng, 24 403 in the Western Cape, and 12 957 in KZN. Conversely, the domains that created the least amount of job opportunities across all three provinces were the "Cultural and Natural Heritage" and "Performance and Celebration" domains, and, to a lesser extent, the "Visual Arts and Crafts" domain.

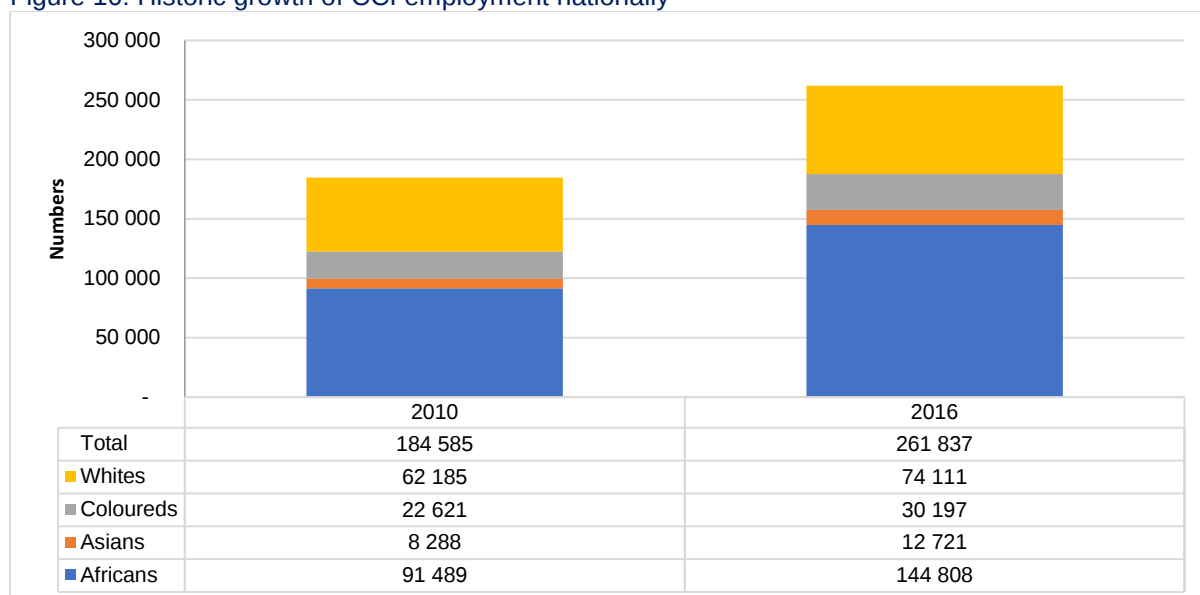
Figure 9: Domains contribution towards GDP by province (R million, 2016 prices)



(Source: adopted from Research Report 4)

An historical analysis of the growth of CCI employment per province in the various domains suggests that, in the last decade, the CCIs have become more representative of the South African population, but only gradually.

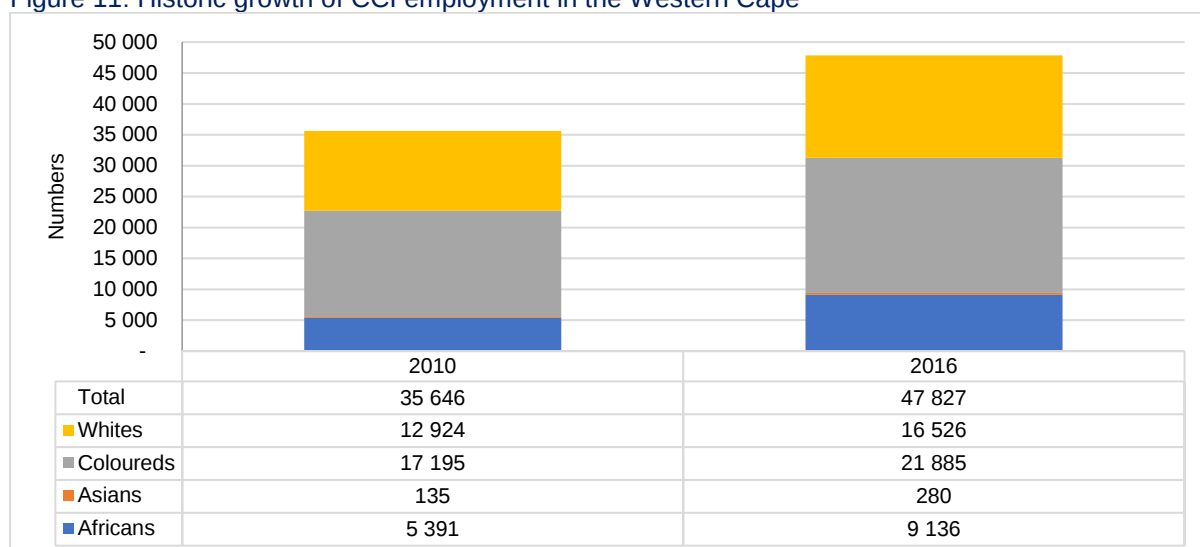
Figure 10: Historic growth of CCI employment nationally



(Source: adopted from Research Report 4)

Indeed, Figure 10 above indicates that, in 2010, just under 50% of black African were recorded as working in the CCIs nationally – in 2016, this figure grew marginally to 55%. However, during the same period, the employment growth rate of black African jobs was 53% (an increase from 91 489 to 144 808 jobs). The least transformed province in South Africa is the Western Cape (see Figure 11 below).

Figure 11: Historic growth of CCI employment in the Western Cape

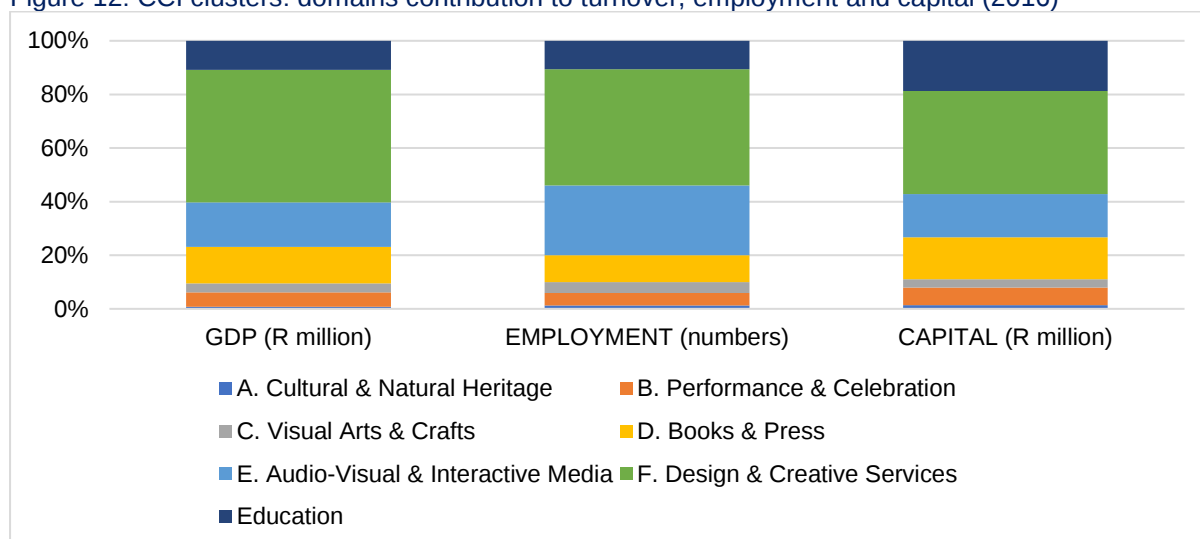


(Source: adopted from Research Report 4)

In fact, since 2010, CCI companies in the province have consistently employed around 50% more Whites than black Africans, and the latest available data suggests that, in 2016, there were 9136 black Africans employed in the CCIs in the province, compared to 16 526 whites.

The clustering report also provides detailed estimates regarding the direct contribution of South Africa's cultural domains in generating basic macro-economic aggregates (i.e. production or turnover, employment, fixed capital formation). This is known as a "cluster analysis", where researchers attempt to analyse the entire value chain of a broadly defined industry – or, in UNESCO's case, the various cultural domains within the CCIs – from suppliers to end producers, including supporting services and specialised infrastructure (see Figure 12 below).

Figure 12: CCI clusters: domains contribution to turnover, employment and capital (2016)



(Source: Adopted from Research Report 4)

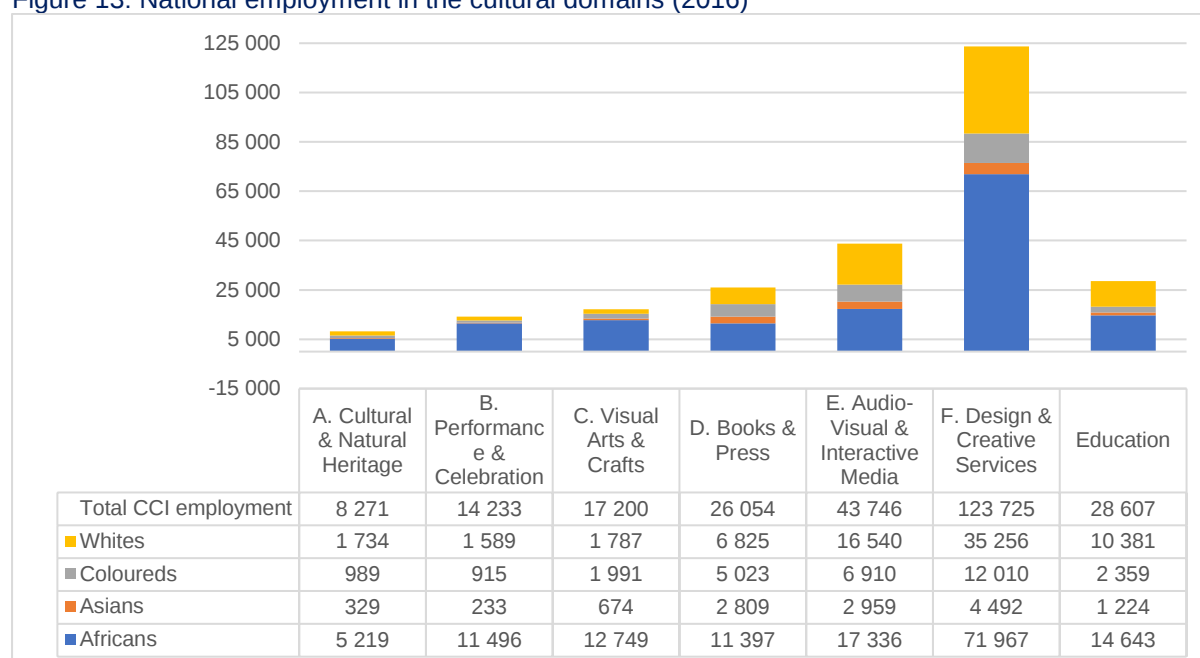
Once again, it was found that the "Design and Creative Service" category is the largest of the clusters in terms of turnover, labour employed, and capital employed. In 2016, the cluster contributed a turnover of R84 billion, with the second biggest contributor being "Audio-visual

and Interactive Media” (R38 billion), followed by “Visual Arts and Crafts” (R14 billion). The smallest cluster in terms of turnover, making-up only 1% of the total CCI turnover (R1.7 billion), was “Cultural and Heritage”. According to the cluster report, the dominance of the Design and Creative Service cluster is primarily the result of the cross-cutting activity of advertising (35% contribution to the cluster), which is present in virtually all activities in all domains, as well as architectural and engineering activities (46% contribution to the cluster) and specialised design actives (19% contribution to the cluster).

The clustering analysis also highlights that around half of the clusters – particularly “Performance and Celebration”, “Visual Arts and Crafts” and “Books and Press” – are dominated by a single sub-activity (either turnover, labour or capital), whereas the rest show a more even distribution of these activities.

Research Report 5 entitled, *Transformation, Ownership and Employment in the Cultural and Creative Industries in South Africa*, reprises much of the findings discusses in the previous four research reports. In terms of national employment, the report confirms that, in 2016, the CCIs employed roughly 1.7% of the total South African employed labour force (or just over 260 000 jobs). Critically, this percentage is somewhat higher than the upper range estimate of total employment presented in the previous 2014 National Mapping study, which ranged from 1.08% to 1.28% of total employment in the country. The “Design and Creative Services” domain was the biggest employer, employing roughly 47% of the total CCI workforce, followed by 17% in the “Audio-Visual and Interactive Media” domain. “Cultural and Natural Heritage” was recorded as the smallest domain, both at the national and provincial level (see Figure 13 below).

Figure 13: National employment in the cultural domains (2016)



(Source: adopted from Research Report 5)

In terms of transformation, the report found that, from 2010 to 2016, the highest national employment growth figures occurred within the Asian (18.12%) and African (10.51%) racial groupings. During the same period, the Free State was recorded as having the highest annual

average growth of African jobs (26%), while, as mentioned above, the Western Cape was the worst performer (4%). The last report also substantiates findings made in the rest of the mapping study that Blacks currently represent the most significant employment group, accounting for roughly 55% of total national employment in 2016, followed by Whites (28%), Coloureds (11%), and Asians/Indians (5%). In the same year, black African workers represented the most significant employment group in the Limpopo (accounting for 91.5% of total CCI employment in the province), followed by Mpumalanga (79.7%), the North-West (78.3%), and the Free State (73.9%).

Nationally, black Africans were also the largest group employed per domain (see Table 5 below). The least transformed domains in the CCIs were the “Audio-Visual and Interactive Media” and “Books and Press” domains (accounting for around 39.6% and 43.7% of African employment).

Table 5: National employment percentages by racial groups (2016 numbers)

Cultural domain	Africans	Whites	Coloureds	Asians
Cultural and Natural Heritage	63.1%	21.0%	12.0%	4.0%
Performance and Celebration	80.8%	11.2%	6.4%	1.6%
Visual Arts and Crafts	74.1%	10.4%	11.6%	3.9%
Books and Press	43.7%	26.2%	19.3%	10.8%
Audio-Visual and Interactive Media	39.6%	37.8%	15.8%	6.8%
Design and Creative Services	58.2%	28.5%	9.7%	3.6%

(Source: adopted from Research Report 5)

The two provinces with the worst overall transformation figures *per domain* were the Western Cape and Gauteng, both employing around 35% of whites across all the cultural domains. More specifically, in Gauteng, the “Audio-Visual and Interactive Media” domain created roughly the same number of jobs for both the White and African groupings (around 10 000 jobs each). Likewise, although Coloureds represented the most significant employment group in the Western Cape (accounting for 45.8% of total employment), the number of White occupations were significantly higher than African occupations across the board, apart from in the “Cultural and Natural Heritage” and “Performance and Celebration” domains.

Finally, the ownership results of the report draw heavily on a previous mapping study conducted on behalf of the DAC. In this regard, the report reiterates the fact that more than half of entity owners in South Africa are Black (52.1%). Compared to other provinces, Black ownership tends to be higher in Limpopo (83.6%) and Mpumalanga (70.9%). The Western Cape, Eastern Cape and Gauteng are the only provinces where White ownership is usually higher than Black ownership. Nationally, the majority of entities are male-owned (59.9%), while female ownership tends to be higher in the Eastern Cape and KZN. Firms with at least one female owner vary from around 30% in “Audio-Visual and Interactive Media” to 58% in “Visual Arts and Crafts”. Furthermore, South African CCI firms have shown a strong degree of variation with respect to ownership within each different cultural domain. For instance, firms with at least one Black owner (i.e. owned by a black African, Coloured, or Indian/Asian person) have varied from 44% in the “Books and Press” domain to 65% in the “Performance and Celebration” domain.

The report concludes that, while large-listed CCI-related businesses in South Africa – such as African Media Entertainment, Naspers and Vodacom – appear to have all made significant strides in terms of employment equity, Black ownership of CCI businesses in the country is still relatively limited within the sector.

3. Policy implications

A number of policy implications for the DAC and its stakeholders are identified in this macro-economic mapping study of South Africa's CCIs. These are:

- Improve the collection of disaggregated data to allow for better measurement of cultural employment. In this regard, it is strongly recommended that four-digit industry level data in the LFS (Labour Force Survey) be sought from Stats SA in order to obtain a more accurate estimate of the size of employment the cultural and creative industries. It would also be useful to extend the time series further back in time in order to have a longer data run, which could be better analysed using more sophisticated statistical techniques. In this regard, the Post-Apartheid Labour Market Series (PALMS), which runs from 1994, could be helpful;
- Publish an annual report on employment in the CCIs and/or in the creative economy once a more suitable methodology for measuring cultural employment is established. This would require collecting more accurate and reliable data of *direct* employment figures of both cultural and non-cultural occupations in the CCIs. In addition to this, data could also be obtained on cultural occupations in non-cultural industries in order to have a more complete picture of South Africa's 'cultural trident' or creative economy. Ultimately, such a report would enable the Department and its CCI stakeholders to:
 - access valuable information on the state of the sector;
 - track the impact of policy implementation; and
 - demonstrate the Department's willingness in promoting job creation in the creative economy, and South Africa in general;
- Improve data collection on ownership within the CCIs. This effort would require increased coordination between industry groupings, including between the DAC, the Department of Trade and Industry (DTI), the Department of Small Business Development (DSB), the South African Revenue Service (SARS), and the South African Reserve Bank (SARB);
- Consider the possibility and advantages of using cluster-based analysis methods to more effectively identify and quantify the linkages that exists between cultural activities within South Africa's creative economy and other sectors of the national economy. Cluster analysis may also be a more effective way of providing policymakers with the necessary information required for developing more effective policies and programs for growing South Africa's creative economy. This would imply, not only creating more jobs, but have a greater positive impact on broader economic growth in the country;

- Similarly, create CCI “hubs” or “clusters” (similar to South Africa’s Industrial Parks Programme) to promote competitiveness, informal-formal sector linkages, employment and export opportunities - including promoting export growth in sectors that promote two-way – or intra-industry trade (IIT);
- Conduct further research on IIT within the sub-categories of particular domains to fully understand their economic impact and structure (most cultural domains are divided into sub-sectors). For example, the “Visual Arts and Crafts” domain is sub-divided into five sub-categories (Paintings, Other visual arts, Craft, Jewellery, and Photography), and each category has its own standard statistical code. This would facilitate an investigation of, for example, IIT within the jewellery sub-sector, which is obviously an important focus area for South Africa;
- Promote the trade in value added (TiVA) in both cultural goods and services, both with BRICS and other trading partners.¹⁰ This effort would align with South Africa’s Trade Policy and Strategy Framework and Industrial Policy Action Plan;
- Raise the profile of the CCI sector in trade negotiations in Africa and elsewhere by, for example, introducing CCI “stalls” or sections at international trade fairs hosted by the DTI; it would also be helpful to consult industry groupings to explore what the CCI sector actually hopes to achieve out of international trade and cooperation agreements, including promoting South Africa’s cultural diplomacy;
- Liaise with industry bodies to ensure that information about incentives are properly communicated to the CCI sector. There is preliminary evidence, for example, that the Industrial Policy Action Plan (IPAP) focus on both the Film and Crafts domains has improved their export performance in recent years; and
- Develop policy initiatives which aim to break down the barriers of transformation within the CCI’s, which were identified in the mapping study as (i) access to tertiary education, (ii) lower job security and fewer employment benefits, and (iii) gender imbalances. This could include, for example, supporting initiatives aimed at improving working conditions within the various cultural domains, such as extending access to benefits and increasing protection (pension, health insurance, and so forth), in order to create more diversity within South Africa’s CCIs and broader creative economy.

¹⁰ TiVA is a standard statistical method used to estimate the sources of value added when producing goods and services for export and import. It traces the value added by each industry and country in the production chain to the final export, and allocates the value added to these source industries and countries.

APPROVALS FOR THE SOUTH AFRICAN CULTURAL OBSERVATORY RESEARCH REPORT – Summary Report – CCI Mapping – A Baseline

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Prepared and recommended by:	Prof. Richard Haines	CEO		21/12/2017
Submitted by:	Mphikeleli Mnguni	Research Officer		3/4/2018
Recommended by:	Charles Mabaso	Chief Director		05/04/18
Approved by:	Lisa Combrink	Acting Deputy Director General		06/04/2018