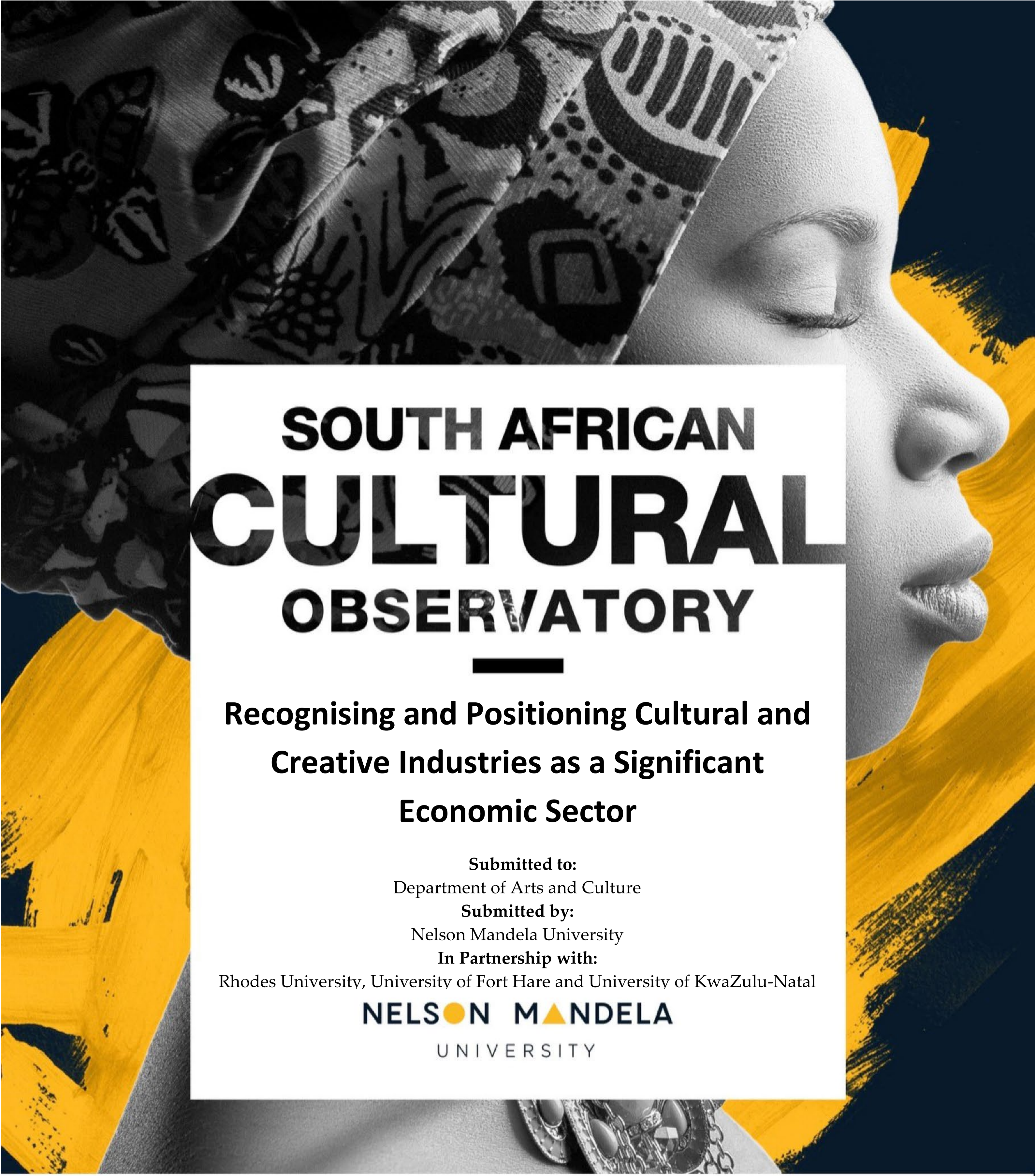


SOUTH AFRICAN CULTURAL OBSERVATORY

Recognising and Positioning Cultural and Creative Industries as a Significant Economic Sector

Submitted to:
Department of Arts and Culture
Submitted by:
Nelson Mandela University
In Partnership with:
Rhodes University, University of Fort Hare and University of KwaZulu-Natal

NELSON MANDELA UNIVERSITY

sport, arts & culture
Department:
Sport, Arts and Culture
REPUBLIC OF SOUTH AFRICA

RHODES UNIVERSITY
Where leaders learn

University of Fort Hare
Together in Excellence

UNIVERSITY OF KWAZULU-NATAL
INYUVESI YAKWAZULU-NATALI

South African Cultural Observatory

Report

Recognising and Positioning Cultural and Creative Industries as a Significant Economic Sector

March 2022

Contents

Figures

Table

Abbreviations

CCI	Cultural and Creative Industries
DSAC	Department of Sport, Arts and Culture
GDP	Gross Domestic Product
GVA	Gross Value Added

ICT	Information and Communication Technology
MGE	Mzansi Golden Economy
OECD	Organisation for Economic Co-operation and Development
SACO	South African Cultural Observatory
SNA	System of National Accounts
STEAM	Science, technology, engineering, art and math
STEM	Science, technology, engineering and math

Introduction

The Department of Sport, Arts and Culture (DSAC) is mandated to provide leadership to the sport, arts and culture sector to accelerate its transformation and oversee the development and management of the sector. Its mandate is also to promote diversity, social cohesion and nation-building. To contribute to economic growth through job creation, the DSAC endeavours to mainstream the sports, creative and cultural industries in the economy. In this regard, the department increases market share and accelerates job creation through providing funding for projects in the Mzansi Golden Economy (MGE) Strategy, which aims to stimulate economic opportunities for arts, culture and heritage practitioners in poor and remote communities.

o Purpose Positioning CCIs as an Important Economic Sector

As will be demonstrated in this document, South Africa's Cultural and Creative Industries (CCI) is an important sector in its own right (even though it is not formally recognised as such by Statistics South Africa). According to the South African Cultural Observatory's (SACO) latest Mapping Study the sector contributes just under three percent to the country's Gross Domestic Product (GDP) and six percent of total employment. The purpose of the paper is to start a conversation that will contribute to the recognition of CCIs as a significant economic sector and inclusion of the Minister of Sport, Arts and Culture as a member of government's Economic Sectors and Employment Cluster.

Culture and creativity are important ingredients of any society. This important not only for the social wellbeing of a nation but also plays and important role in its economic welfare. South Africa has a diverse and extremely rich cultural heritage. There is an abundance of creativity. More could and should be done not only to protect its heritage and culture, but also to promote economic development. The purpose of this position paper is to:

Provide evidence of the contribution of the CCI to the South African economy.
Analysis the implication for economic planning and resource allocation if the CCI is not fully integrated into economic planning and included into the Economic Cluster.
Make recommendations on how to include DSAC into the Economic Cluster.
Define the type of contribution that DSAC can make to the Economic Cluster and economic planning in general.

Based on these factors this paper will present an evidence-based argument for the inclusion of the Minister of Sport, Arts and Culture into the Economic Sectors and Employment Cluster.

Accordingly, this report has been structured to quantity the contribution of various economic sectors to the South African Economy. This is followed by an analysis of the contribution of the CCI's to the South African Economy, which will quantify the significant contribution being made by the CCIs to economy and to other economic sectors. Based on the evidence presented the report will proceed to present a concluding argument for the inclusion of the CCI's into the Economic Cluster.

Definitions of the sector

There are many definitions of the Cultural and Creative Industries (CCI). Flew (2017) states that CCIs "refer to those parts of the modern economy where culture is produced and distributed through industrial means, applying the creativity of individuals and groups to the generation of original cultural product, which may have commercial value either through direct sale to consumers or as intellectual property." UNESCO (Pessoa and Deloumeaux, 2009) recognise that "Human creativity is the source of cultural and creative industries, goods, and services. They also share the common links of culture, trade and intellectual property rights, particularly copyright." The United Nations Economic, Social and Cultural Organisation (UNESCO) has developed a Framework for Cultural Statistics that include six domains and several subdomains:

- Cultural and Natural Heritage (museums, archaeological and historic places, cultural landscapes, and natural heritage);
- Performance and Celebration (performing arts, music, festivals, fairs and feasts);
- Visual Arts and Crafts (fine art, photography and crafts);
- Books and Press (books, other printed matter, libraries and book fairs);
- Audio-Visual and Interactive Media (film, video, TV, radio, live streaming, pod casting, and videogames); and
- Design and Creative Services (fashion design, graphic design, interior design, landscaping, architecture, and advertising).

The South Africa's Master Plans refer to the **Creative Industries** that include Visual Arts, Craft and Design; Audio-visual and Interactive Media; Performance and Celebration Including Music; and Publishing and Printed Media.

Government Clusters

To ensure government planning or the implementation of policies are executed in silos, "government clusters" were instituted to adopt an integrated approach to governance. The purpose of the cluster system is therefore primarily aimed at improving:

- government's planning;
- decision-making; and
- service delivery.

This is to be achieved by ensuring coordination of all government programmes at national and provincial levels. Therefore, the key functions of clusters are to:

- ensure alignment of government-wide priorities;
- facilitate and monitor the implementation of priority programmes;
- provide a consultative platform on cross-cutting priorities and matters being taken to Cabinet.

Within the South African Government context, the cluster system consists of seven clusters, these include:

- Infrastructure Development Cluster;
- Economic Sectors and Employment Cluster;
- Governance and Administration Cluster;
- Human Development Cluster;
- Social Protection and Community Development Cluster;
- International Cooperation, Trade and Security Cluster;
- Justice, Crime Prevention and Security Cluster

The cluster system therefore ensures optimal alignment government-wide priorities, facilitate and monitor the implementation of priority programmes in an integrated manner, whilst providing a consultative platform to address transversal issues relevant to Cabinet.

o Membership and Structure of the Economic Sectors and Employment Cluster

As the scope of this report deals with the rationale for inclusion of the DSAC into the Economic Cluster, it is important to understand the structure and scope of the Economic Cluster. In this regard, the Economic Sectors and Employment Cluster, (also known as the Economic Sectors, Investment, Employment, and Infrastructure Development Cluster) has the Minister of Mineral Resources and Energy and the Minister of Tourism as Co-Chairpersons. The members of the cluster include the Ministers of:

Agriculture
Land Reform and Rural Development
Communications
Cooperative Governance and Traditional Affairs
Environment, Forestry and Fisheries
Employment and Labour
Finance
Higher Education
Science and Technology
Human Settlements
Water and Sanitation
International Relations and Cooperation
Mineral Resources and Energy
Police
Public Enterprises
Public Works and Infrastructure
Small Business Development
State Security
Tourism, Trade Industry and Competition
Transport
Ministers in the Presidency and Ministers in the Presidency for Women, Youth and Persons with Disabilities

DSAC is not included.

Economic Contribution of Economic Sectors

The Gross Domestic Product (GDP) is a monetary measure of the market value of all the final goods and services produced within a specific time period by countries. The Organisation for Economic Co-operation and Development (OECD) defines GDP as

> *"an aggregate measure of production equal to the sum of the gross values added of all resident and institutional units engaged in production and services (plus any taxes, and minus any subsidies, on products not included in the value of their outputs)" (OECD, 2001). The IMF puts it as follows: "GDP measures the monetary value of final goods and services—that are bought by the final user—produced in a country in a given period of time. (Callen, 2020)"*

Measuring Economic Sectors

The System of National Accounts (SNA) has a long history and is used internationally to facilitate comparison of data and informs countries how the GDP should be calculated and reported. The GDP is broken down into the contribution of each industry or sector of the economy. Given its history, the SNA's classification of economic sectors does not accurately reflect South African economic activity. It is difficult to calculate the size of various sectors including tourism, Information and Communication

Technology (ICT) and the CCIs[1]. It is for this reason that the DSAC was created by the South African Cultural Observatory (SACO)[2] to measure the size of the CCI sector (or the creative economy).

The Size of the CCIs and Sport in South Africa

Since the CCIs are not reported in the South African GDP (For reasons explained above), SACO has been doing the mapping of the CCIs on a national level (SACO, 2018; 2020). While not itself a policy document, mapping studies aim to provide reliable and relevant information about the economic value of the CCIs in South Africa that can be used to inform sector development and policy. These figures are reported below.

The value of the mapping study essentially boils down the fact that it has enable decision-makers to quantify the size and contribution of the CCIs which was not possible before. As such provides a new perspective on the structure and scope of not only the CCIs, but also the broader South African Economy. In this regard, it highlights those existing perspectives have not included the CCI's within the broader economic portfolio of government, leading to this fairly large portion of the economy essentially being invisible to economic planners, decision-makers, and related structures such as the cluster system.

In the next section the size and scope of the CCI's will be discussed in more detail.

Gross Value Added / Gross Domestic Product

One of the important findings of the mapping of the CCIs is its relative size to the South African economy. The sector is relatively larger than previously estimated. Given its size, the importance of its inputs to other sectors, and its ability to provide jobs, the sector needs to be fostered and developed. Below are the estimated sizes of the various economic sectors in 2020 with the estimates of the sport economy and the preliminary estimates for the sport economy[3].

[1] The Master Plans developed by government refer to the Creative Economy.

[2] SACO is a national research project of the Departments of Sport, Arts and Culture, established in 2015.

[3] The preliminary estimates for the sport economy were done at the same time as the estimates for the CCIs. It must however be noted that further research is needed to capture the full size of forward and especially backward linkages.

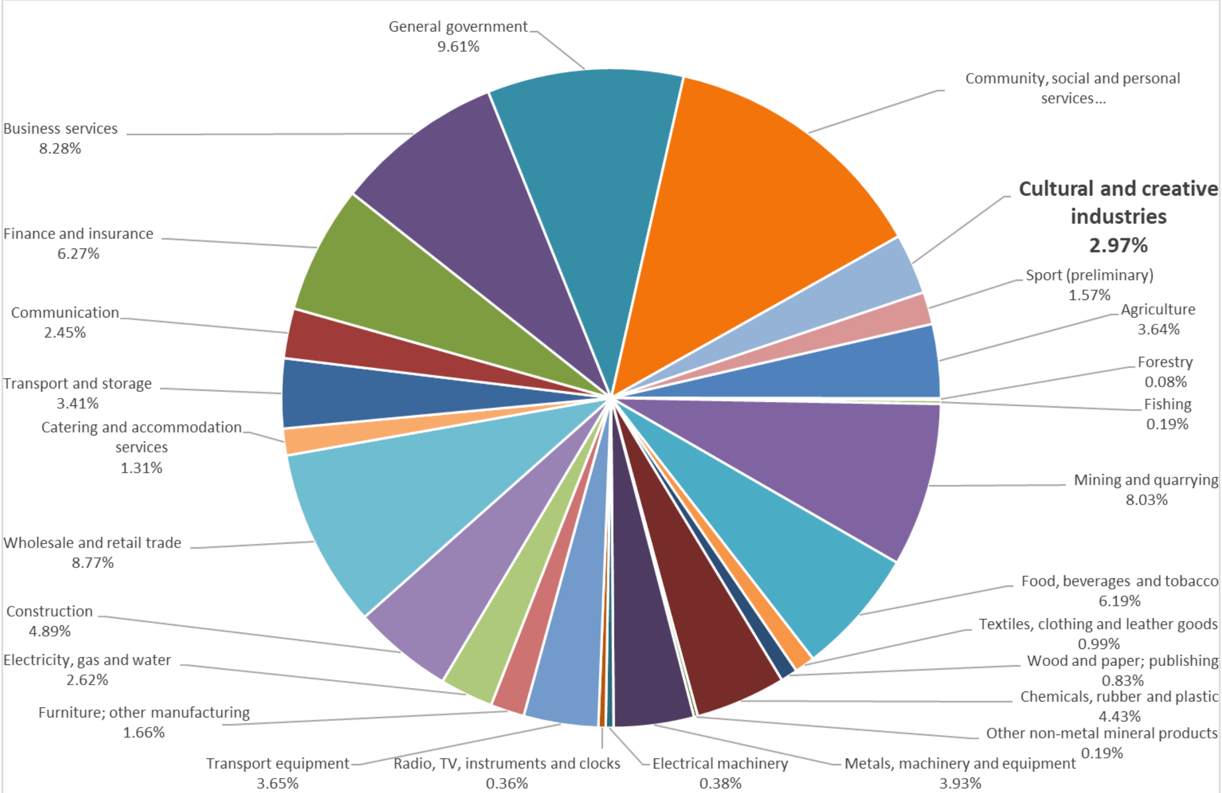
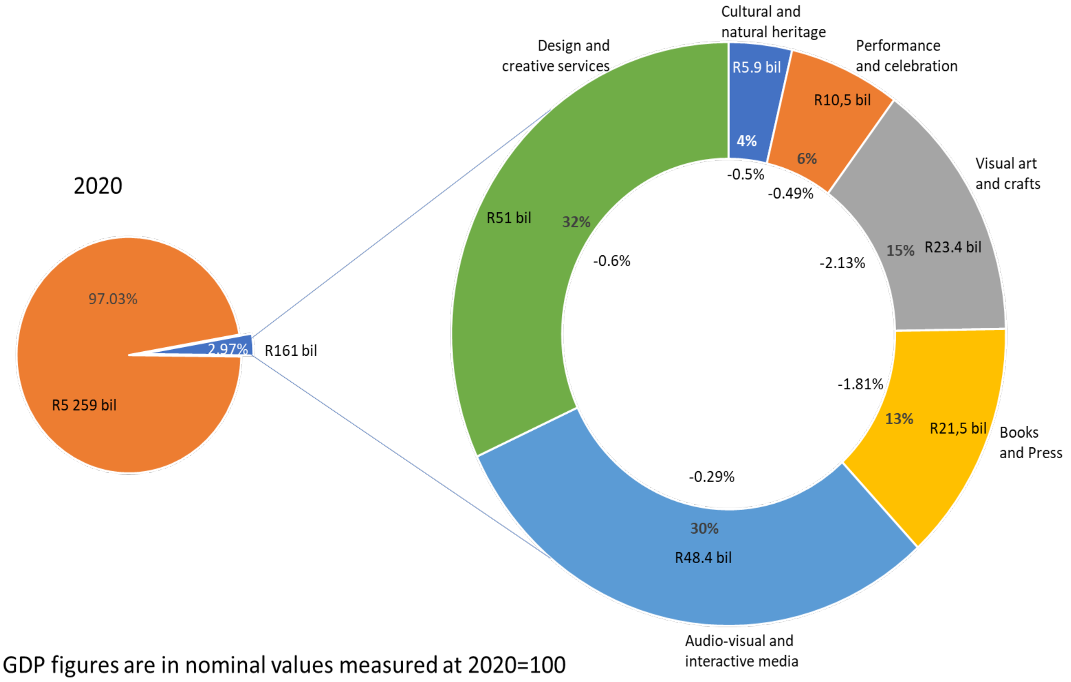


Figure 1: GVA's per economic sector including the CCI and sport economies (at 2020 prices).

Using Stats SA's rebased 2015 GDP data, the total Gross Value Added (GVA) of the CCIs was R161 billion in 2020. This represents just under 3% of South Africa's total economic production in 2020 and makes the sector approximately the same size as agriculture.



All GDP figures are in nominal values measured at 2020=100

Percentage growth inside the donut is the CAGR between 2018 and 2020 in real (2015=100) values

Figure 2. GVA Contribution per CCI Domain (at current 2020 prices)

The figure below shows the contribution of the CCIs to South Africa's GDP by domain (holding all prices constant at the 2015 rate so that real changes can be observed without distortions caused by inflation).

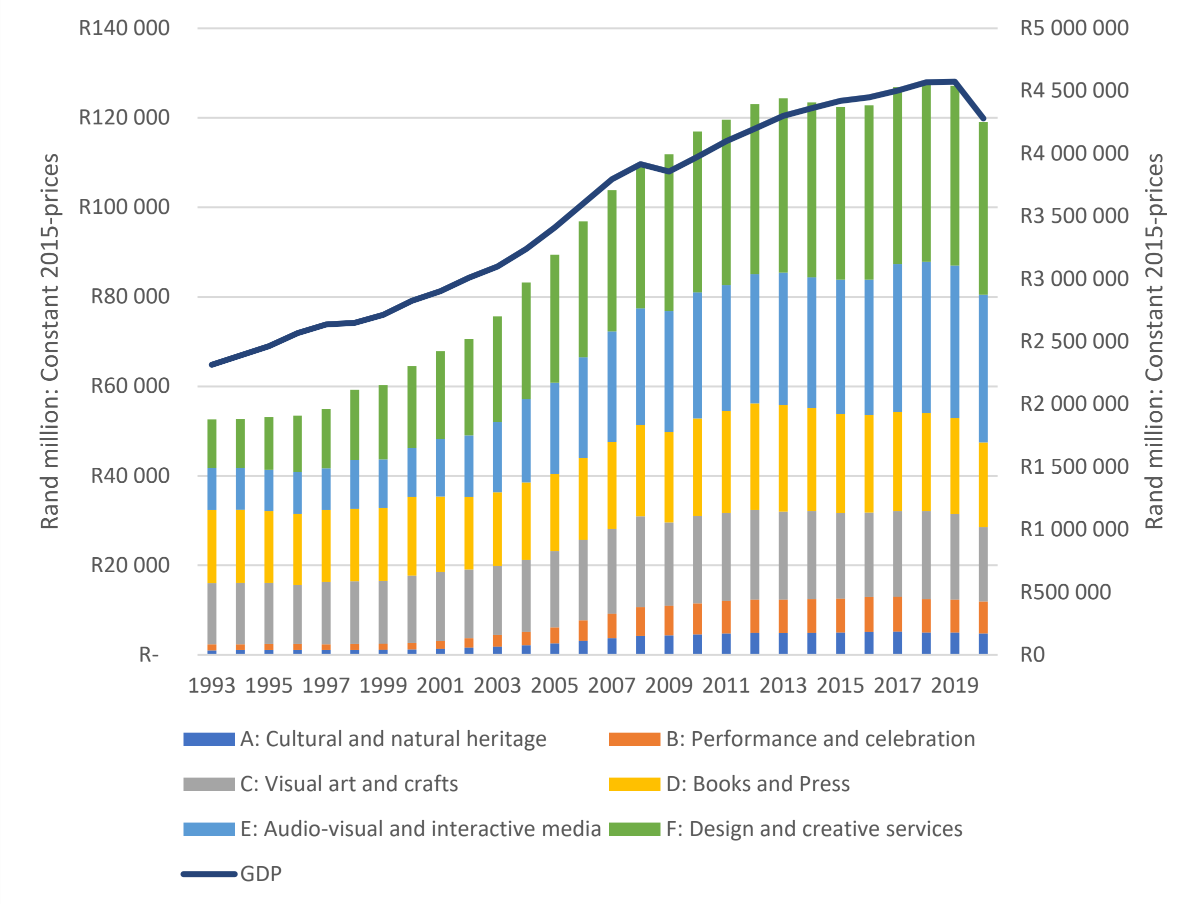


Figure 3: GDP per domain and South African GDP

Two points are immediately evident from this analysis:

1. The contribution of the CCIs to South Africa's GDP has increased significantly since 1997, especially from the commercial application domains of Design and Creative Services and Audio-visual and Interactive Media.

CCI growth has generally tracked South Africa's GDP, although it can be more volatile – increasing quickly when the economy is growing, but falling more quickly when the economy is in a downswing.

As found in previous mapping studies, the largest domains in terms of contribution to output are Design and Creative Services (R51 billion in 2020, 32% of the CCI sector's contribution to GDP), and Audio-visual and Interactive Media (R48.4 billion in 2020, 30% of the CCI sector's contribution to GDP). The dominance of these domains is expected because they involve the commercial application of cultural and creative content such as in film and television, video games, fashion design, architecture, and advertising.

The next largest domains are Visual Arts and Crafts (R23.4 billion in 2020, 15% of the contribution to GDP), and Books and Press (R21.5 billion in 2020, 13% of the contribution to GDP). These are followed by the smaller domains of Performance and Celebration (6%) and Cultural and Natural Heritage (4%).

The performance of the CCIs need to be measured against a background of slowing South African economic growth over time.

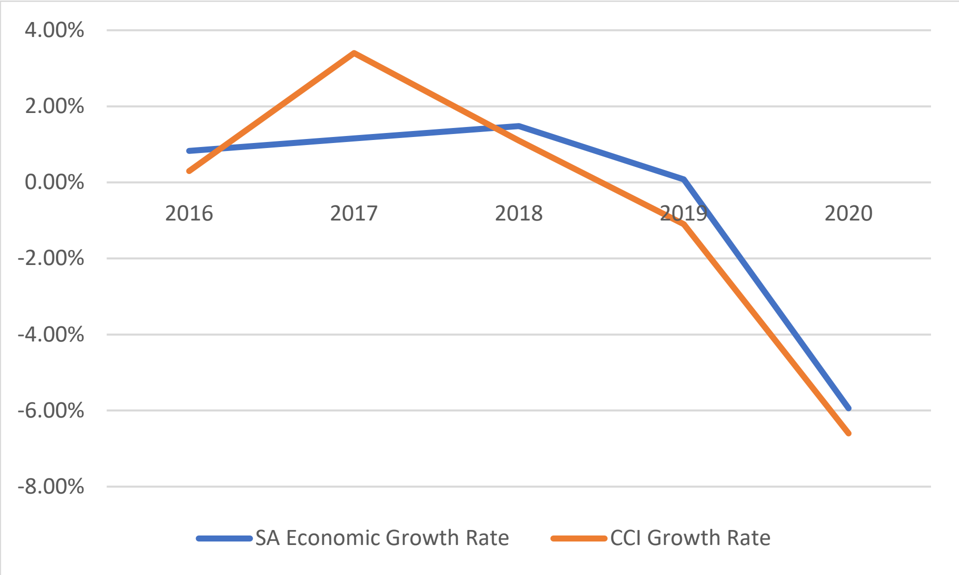


Figure 4. South African economic growth and CCI performance

As found in previous mapping studies and in the international literature, the creative economy grows quickly when the economy is doing well but tends to decline more quickly than other sectors when economic growth slows. The CCIs generally performed better in 2017 than the rest of the South African economy. However, the growth rate for the sector slowed down relative to the South African economy from 2018.

The Creative Economy Ecosystem

Figure 5 combines the demand and supply sides of the creative economy to show how the CCI ecosystem works, and the size of the financial flows in each part of network.

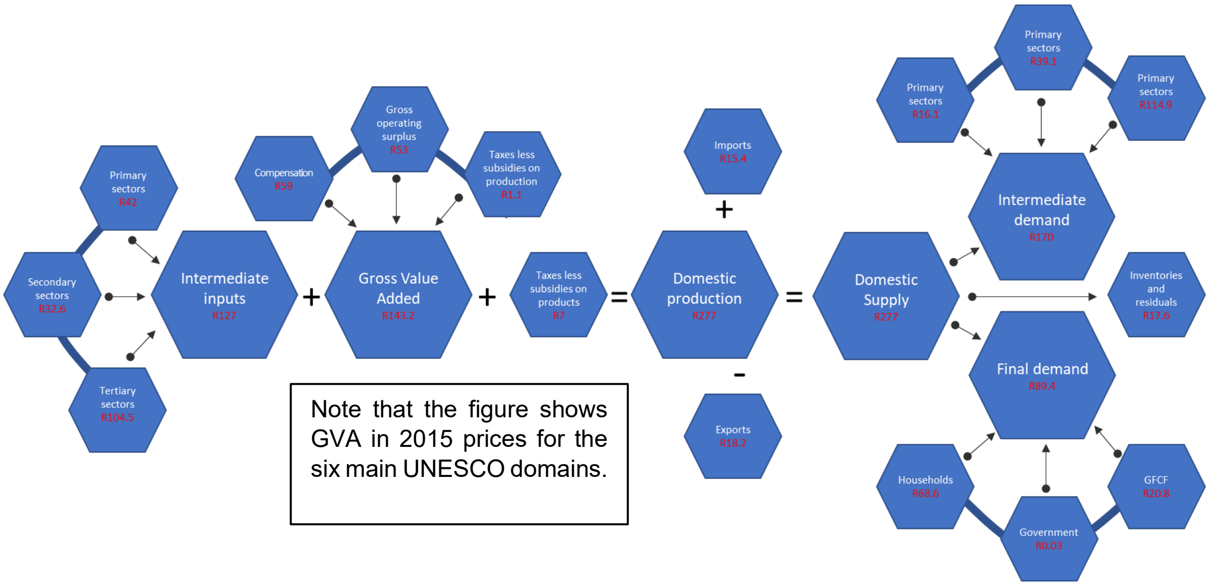


Figure 5. The Creative Economy Ecosystem

The components on the left-hand side generally indicated the contribution to the supply side of the CCI-economy, while those on the right-hand side show the demand for CCI products and services. It is through such analysis that the South Africa's creative economy can be mapped and understood in order to design effective evidence-based policy.

Non-Measured Part of the Economy

GDP does not take into account the value of household and other unpaid or voluntary work. In both the CCIs and especially sport there are a number of volunteers that help with the development of the sectors in general, as well as the creatives and sports people.

Total, Indirect and Induced Economic Impacts: Multipliers

In addition to the direct impact of productive activities of the creative sector, the CCIs also have indirect and induced impacts on other parts of the economy. A multiplier is a factor that measures how much a monetary inflow that comes from outside a sector (exogenous variables) changes the endogenous variables (inside the sector itself). The affected variables could include output, GDP, GVA, income, employment, profit, taxes etc. In other words, it is the additional economic benefit that accrues to an area from money being spent (generally referred to as a shock) in the local economy. The size of the multiplier depends on the structure of the economy, including the degree of labour or capital intensity, the source of the raw material or other inputs and the propensity to spend or save.

The Type I output multiplier (or direct and indirect multipliers) for a particular industry is defined as the total of all outputs from each domestic industry required in order to produce one additional unit of output. This gives the direct and indirect multipliers. Type II multipliers include the knock-on effect from household income and spending and are therefore larger than Type I multipliers.

Table 1. CCI Type I and II output multipliers

Multiplier Type	Cultural and Natural Heritage	Performance and Celebration	Visual Arts and Crafts	Books and Press	Audio-visual and Interactive Media	Design and Creative Services
Type 1 Output Multipliers	1.850	1.894	2.092	1.903	1.891	1.881
Type 2 Output Multipliers	3.740	3.748	3.700	3.814	4.170	4.353

For example, if foreign tourists come to South Africa and spend an additional R1 million on Cultural and Natural Heritage products and services, the boost given to the economy in direct and indirect output impacts would be equal to R1m multiplied by 1.850 (the multiplier for this domain), which would be equal to R1,85 million (the total impact on the GDP of South Africa as a results of the original R1m increase in spending).

However, as the output increases, so do the number of workers required and the profits of the owners. These funds are saved, invested, or spent in other sectors. This additional spending (profits and compensation) is referred to as the "induced impact." The Type I multipliers plus the induced impact add to Type II impact or the total impact that can be expected from the additional turnover.

Using the same example given above, if foreign tourists come to South Africa and spend an additional R1 million on Cultural and Natural Heritage domain products and services, the boost given to the economy through the total output impacts (direct, indirect and induced) would equal R3.74 million.

The Design and Creative Services domain has the highest multipliers followed by Audio-visual and Interactive Media. In considering the economic value that the CCIs represent, direct GVA is important, but it should also be considered that increases in spending on the CCIs also have large knock-on (multiplier) impacts on other parts of the economy.

Externalities

Externalities are activities which are not directly measured in GDP. In both the CCIs and sport, externalities play an important role in the welfare of a nation. They contribute not only to social cohesion and nation-building, but also aid in creating a sense of national pride when national teams do well.

Employment

The cultural economy makes an important contribution to employment and transformation in South Africa. The UNESCO (2009) Framework points out that people in cultural occupations may be found in cultural industries, but also in other industries. A useful model for demonstrating this effect is the "Cultural Trident" (Higgs and Cunningham, 2008) which distinguishes between

A. Cultural occupations in the cultural industries (such as a director in a film company);
B. Cultural occupations in non-cultural industries (such as a designer in a motorcar manufacturing firm); and
C. Non-cultural occupations in cultural industries, also called support occupations (such as an accountant in a theatre company).

This definition gives rise to three different ways of expressing employment in the cultural sector:

- The *Creative Economy*, which includes those employed in creative occupations inside and outside the creative sector, as well as those in non-cultural jobs in creative sector firms (A + B + C);
- The *Creative Industries*, which is a sub-set of creative economy, focusing on cultural and non-cultural workers, but only those employed in CCIs (A + C); and
- *Creative Occupations*, which is a sub-set of the creative economy that focuses on cultural work both in, and outside of, cultural firms (A + B).

As found in previous years, many cultural jobs in South Africa are based in the non-cultural industries (such as the example of the designer working in a car manufacturing industry) – 1.9% in 2019 (320 00 jobs).

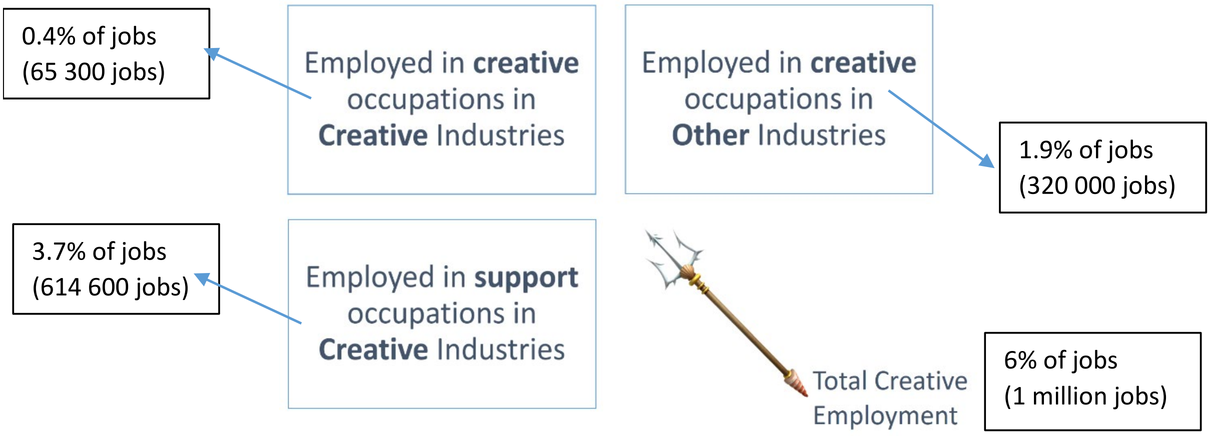


Figure 6. The Cultural Trident for South Africa (2019)

This is an interesting finding, as it suggests that many cultural and creative occupations occur in non-cultural industries, which means that cultural workers are often embedded in non-cultural firms, even if their job or occupation is classified as creative. Relatively few cultural jobs occur in cultural industries

– 0.4% in 2019 (approximately 65 300 jobs). It is noteworthy that this is the only part of the creative trident where the proportion of jobs, as well as the number of jobs, has declined since 2017.

Overall, the creative economy accounted for 6% of all jobs in South Africa, which translates into just over 1 million jobs. This is a slight increase from 2017, when the creative economy made up 5.9% of all jobs (approximately 965 000 jobs).

While it is emphasised that, for the cultural industries number, the figure should be treated as a rough estimate, rather than an exact number (because of the lack of detailed industry-level data at 4-digit level), the results nevertheless show that the creative economy in South Africa makes a significant contribution to employment.

o The Virtuous Circle

All nations have been endowed with natural resources to both create and contribute to the nation's heritage. Heritage is an important determinant of a society's culture. The culture of a nation has a strong influence on its art. Art contributes to the creativity of individuals. Creativity is a key ingredient in innovation.

In the economic sphere, innovation is the development and implementation of ideas that either:

- Lead to new ideas or services being developed
- Improve the current service or goods being offered
- Find new ways of "doing things" better, more effectively and more efficiently

Innovation therefore is an essential ingredient to improving a nations' technology. With better technology firms are able to become more productive, which leads to economic growth. With economic growth, government is in a better position to improve wealth creation, incomes, create higher employment rates and even contribute to a more equitable society.

It has been shown throughout history that wealthy societies add to the natural heritage *inter alia* by contributing to the nation's build environment. The new heritage, together with the natural heritage, accelerates this virtuous circle shown below:

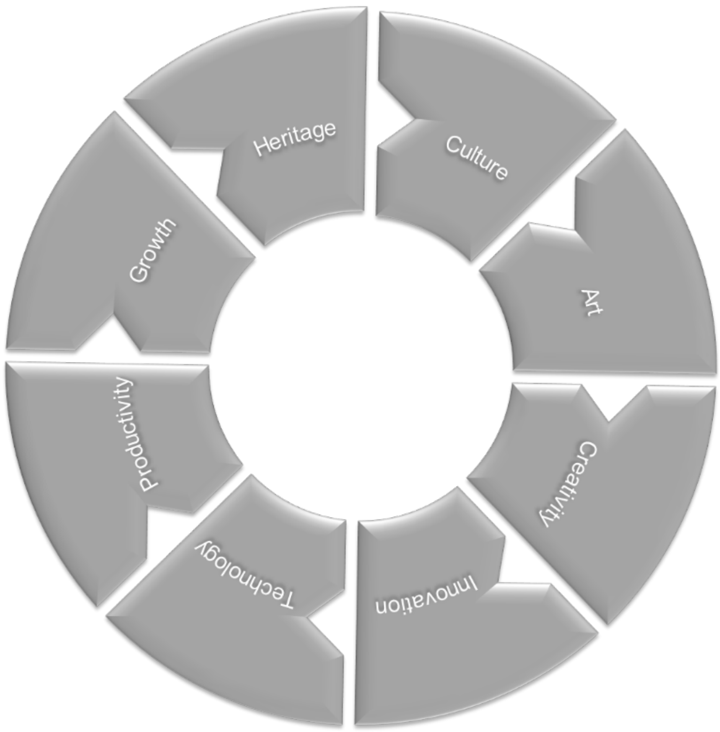


Figure 7: The virtuous circle

Even education recognises the importance of heritage, culture and art. The science, technology, engineering and math (STEM) approach to education is changing to science, technology, engineering, art and math (STEAM). Education professionals are beginning to appreciate the importance of the arts in the comprehensive education of individuals. Even the "Big Tech" companies are employing workers with qualifications in the arts because of the added dimension they bring that contributes to their competitive position.

Recognition of the Economic Importance of the Sector

In its 2019 presentation to Cabinet on South Africa's Re-Imagined Industrial Strategy, the Department of Trade, Industry and Competition (the DTIC) pointed to the potential the CCIs have for, *inter alia*, employment creation, skills development, promoting social cohesion, raising the country's profile abroad and supporting the domestic tourism industry (the DTIC, 2019). Prioritisation of the CCI sector as one of seven focus areas in the country's revised industrial policy[4] is intended to address the challenges and constraints that need to be overcome to allow the sector to reach its full potential. The development of Master Plans for each priority sector aims to promote a collaborative approach among all stakeholders to address the needs of that sector in its entirety.

Size and Importance of the Sport Sector

Although the size of the Sport Sector has not yet been measured (SACO in planning to do so in the first quarter of 2022/2023) it is large and estimated to be in the region of R1 billion (if not larger). Mega sporting events also contribute to the economy. For example, Netball South Africa will host the Netball World Cup in Cape Town in 2023 at a cost of R69 million over the medium term. The event is expected to inject R250 million into the economy in 2023/24.

There are many spin-offs from sport that cannot be quantified that include:

- Physical and mental health and wellbeing
- National pride
- Social cohesion
- Nation-building

Again, there is a virtuous circle, as a healthy nation leads to a healthy workforce. A healthy workforce is more productive, which in turn contributes to an economically competitive nation. Exports grow and contribute to a trade surplus, providing the resources to import components that will again improve competitiveness.

Indirect Benefits

Besides the indirect benefits that are explained in the "Virtuous Circle", CCIs have non-economic benefits to society. The way that people can enjoy their recreational time, by consuming cultural and creative goods and services can improve the quality of their lives. The improved quality of their lives indirectly helps the economy through higher productivity.

[4]The seven national priority sectors are as follows: Sector 1: the Industrial Sector (Automotive, Clothing Textile Leather and Footwear, Gas Chemicals and Plastics, Renewables/Green Economy, Steel and Metal Fabrication); Sector 2: Agriculture and Agro-processing; Sector 3: Mining (Minerals and Beneficiation); Sector 4: Tourism; Sector 5: High Tech Sectors/Knowledge based (Digital Economy, ICT and Software Production, Health Economy, Defence Economy); Sector 6: Creative Sector; Sector 7: Oceans Economy (the dtic, 2019: 23).

In addition, CCIs act as magnets for international cultural tourism while sport plays an important role in sports tourism. The added tourism also has important backward and forward economic linkages that further contribute to economic growth and employment.

Recommendation

Give the obvious importance of the CCIs in South African society in general and particularly its role in the economy; as well as the fact that its significance goes largely unnoticed or simply taken for granted, DSAC should arrange a series of provincial or regional indabas. The purpose of these would be to provide evidence to authorities across the country of the importance of CCIs to the region concerned.

Further, DSAC should consider hosting a national CCI summit giving feedback from the regional indabas and giving further evidence of the importance of the sector and how it should contribute to economic growth and job creation. The CCI summit should recommend to the President that the Minister of Sport Arts and Culture be included on government's Economic Sectors and Employment Cluster.

Conclusion

The implications for the broader economy and the government cluster system cannot function effectively nor efficiently if a significant part is not included in the Economic Sectors and Employment Cluster. Firstly, the absence of heritage, culture, art or creativity from the cluster could result in a situation where a key element of the economy is not taken into consideration when planning. Secondly it also implies that the importance of the sector is understated. This could result in less than optimal resources being allocated to the sector. Not including the CCI sector in the Economic Sectors and Employment Cluster also results in the CCIs not being afforded the prominence within the broader provincial ambit. This again could lead to insufficient means allocated to sustain this sector. In turn, this would result in a sub-optimal economic performance and an economy which cannot function optimally to lead to wealth creation, diversification, income growth and employment.

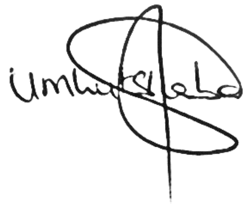
Bibliography

Callen, T. (2020) 'Finance & Development', *Finance & Development | F&D*, 24 February. Available at: https://www.imf.org/external/pubs/ft/fandd/basics/gdp.htm (Accessed: 7 March 2022).

Flew, T. (2017) 'Cultural and Creative Industries'. Oxford University Press. doi:10.1093/obo/9780199756841-0188.

OECD (2001) *OECD Glossary of Statistical Terms - Gross domestic product (GDP) Definition*. Available at: https://stats.oecd.org/glossary/detail.asp?ID=1163 (Accessed: 7 March 2022).

Pessoa, J. and Deloumeaux, L. (2009) *UNESCO Framework For Cultural Statistics*. UNESCO institute for statistics (UIS). Available at: http://e-artexte.ca/27990/ (Accessed: 2 March 2017).

APPROVALS FOR THE SOUTH AFRICAN CULTURAL OBSERVATORY – Recognising and Positioning Cultural and Creative Industries as a Significant Economic Sector – March 2022				
	NAME	**TITLE**	**SIGNATURE**	**DATE**
Prepared and recommended by:	*Ms. Unathi Lutshaba*	*SACO Executive Director*		31 March 2022
Approved by:	*Ms. Lisa Combrinck*	*DSAC SACO Project Manager*		
Approved by:	*Dr Stella (CN) Khumalo*	*DSAC Acting DDG: Arts and Culture Promotion and Development*		