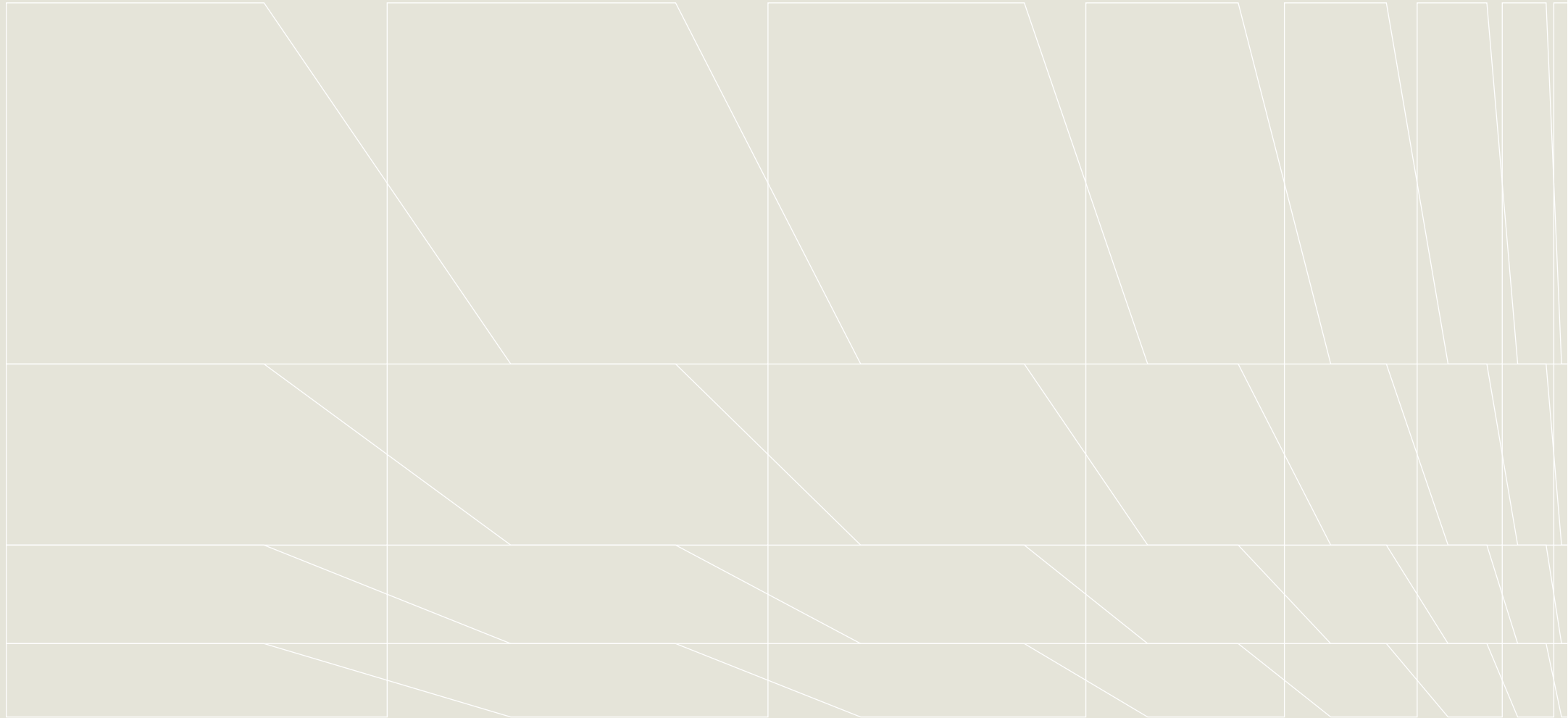


# Accelerate:

# Reframing culture's role in productivity



# Executive Summary



Understandably, productivity continues to rivet nations of the Organisation for Economic Co-operation and Development (OECD), including Australia.

Growing productivity is critical to Australians' quality of life and wages according to the *5-year Productivity Inquiry: Advancing Prosperity (Advancing Prosperity)*<sup>1</sup> and *Working Future: The Australian Government's White Paper on Jobs and Opportunities (Working Future)*.<sup>2</sup> Productivity will also influence how Australians choose to spend their time in 40 years, according to the 2023 Intergenerational Report.<sup>3</sup>

Productivity also raises many important questions among policy-makers, researchers and the public. These questions, which cannot be dismissed, regard distributing productivity's benefits within the community; under-measuring true productivity; and attempting to predict the future.<sup>4</sup>

With Australia's measured productivity growing at its lowest rate in 60 years,<sup>5</sup> A New Approach (ANA) has boldly asked **'Can arts, culture and creativity make a contribution towards solving Australia's productivity predicament?'**

The answer to this question is 'yes'. Arts, culture and creativity can contribute to solving Australia's productivity challenge and can do so through both broad-based 'cultural and creative engagement'<sup>6</sup> by the Australian population and within the organisations, businesses and people focused on cultural and creative activities.

This report, *Accelerate: Reframing culture's role in productivity (Accelerate)*, outlines international and Australian evidence for this contribution, providing local examples and opportunities for strengthening this contribution.

Our objective is to unlock productivity knowledge that supports the vibrancy of all industries. Grappling with productivity in arts and culture, or 'what you get out for what you put in',<sup>7</sup> can also empower our cultural industries and firms to reach the global frontier and help Australia reach its potential as a cultural powerhouse.<sup>8</sup> Pursuing improved productivity in tandem with cohesion and inclusion's social benefits will position arts, culture and creativity and its industries as a future beneficiary of – and positive contributor to – Australia's National Cabinet productivity priorities.<sup>9</sup>

Productivity is a far-reaching social, economic and political concept.<sup>10</sup> Despite productivity commonly being linked with ideas of creativity and innovation, limited explicit research attention has been paid to productivity benefits of creative and cultural participation and expression within the broad population. Neither has there been a specific focus on the productivity of the 'cultural and creative industries' – a large group of businesses and their activities that government, industry and academia refer to and that the Australian Bureau and Statistics (ABS) has delineated based on industry scope.

This knowledge gap is addressed in a handful of recent publications by international organisations and by ANA's new report, *Accelerate*, which

- synthesises research on productivity and 'arts, culture and creativity' (defined below), highlighting relationships (or their lack thereof) among sources
- draws on official statistics of labour productivity in the cultural and creative industries
- outlines potent opportunities, policy settings and examples to grow productivity

Informed by research on the determinants of Australia's future productivity, *Accelerate* classifies the relationship between the cultural and creative industries and future productivity into four themes:

1. Creative skills and cultural organisations in innovation diffusion
2. Trade and investment in cultural and creative goods and services
3. Cultural and creative employment, workplaces and labour supply
4. Cultural and creative engagement by the public

Overall, the research finds positive contributions by arts, culture and creativity to productivity within these four themes, as well as opportunities for strengthening these contributions.

**Exhibit 1** illustrates these themes with relevant examples.

**The Productivity Commission's *Advancing Prosperity* focuses on five key themes that will determine Australia's future productivity, which are**

1. 'Building an adaptable workforce'
2. 'Harnessing data, digital technology and diffusion'
3. 'Creating a more dynamic economy'
4. 'Lifting productivity in the non-market services'
5. 'Securing net-zero at least cost'

The Australian Government reinforced these broad themes through *Working Future*; the *2023 Intergenerational Report* and, most recently, through the *Productivity Commission Statement of Expectations*.

Productivity features in intergovernmental priorities of Australia's National Cabinet.

**ANA's *Accelerate* summarises the relationship between cultural and creative industries and productivity in four themes that reflect its positive contributions, which are**

1. Creative skills and cultural organisations in innovation diffusion
2. Trade and investment in cultural and creative goods and services
3. Cultural and creative employment, workplaces and labour supply
4. Cultural and creative engagement by the public

The OECD, UNCTAD, UNESCO and, to a lesser extent, ILO and WHO provide a range of evidence and examples on the relationship between cultural and creative industries and productivity.

**Examples of productivity determinants and benefits of cultural and creative engagement across these themes are**

- Development of 'higher-order' skills and human attributes through arts and culture education and training
- Upskilling and reskilling, as part of Australia's 'culture of lifelong learning'
- Exposure to new ideas and innovation through cultural and creative services trade and international linkages
- No-cost or low-cost access to ideas that have large public good value
- Use of digital and non-digital platforms in the gig economy
- In best practice, cross-sectoral responses to age-related illness and the social determinants of health
- Cultural tourism approaches adapted for climate change
- Cross-sectoral behavioural change programmes tackling climate change
- Generating data for use by businesses and government in new products and services
- Supporting service users' experiences, across sectors

This report also examines:

- **What is the existing evidence on the productivity impacts of the cultural and creative industries?**
- **How can arts, culture and creativity lift and be lifted by Australia's productivity agenda at *no or low cost*?**
- **How productive are the cultural and creative industries according to official statistics?**

To do so, we build on the latest international research; illustrative industry examples; and evidence on the determinants of future productivity published by Australia's Productivity Commission, many of which have been reinforced in recent governmental policies and by New Zealand's Productivity Commission.

We situate the role of arts, culture and creativity in proposed reforms, including in approaches to lift the productivity growth of 'non-market services' (such as programs and services of government-funded or government-operated cultural institutions), and in recommendations to strengthen the diffusion of innovation in the Australian economy (such as through the public's access to ideas that have large public good value).

The research's overarching opportunity is substantive: decisions taken about arts, culture and creativity generally and the cultural and creative industries specifically can influence Australia's productivity and deliver value and returns to investors, businesses, workers and Australians.

ANA will work with governments and industry on a path to accelerate productivity growth through this cultural and creative lens.

#### For context<sup>11</sup>

- **ABS** finds 32% of Australian adults 'participated' in at least one cultural activity and 64% of Australian adults 'attended' at least one cultural venue or event in 2021-22 (statistics that may have been impacted by the COVID-19 pandemic).
- **UNCTAD** finds global exports of creative goods 'increased by more than 2.5-fold over the past two decades, while those of creative services also doubled over the last decade'.
- **BCARR** finds non-market output of market producers in cultural and creative industries was \$97 million in 2019-20, an increase of \$19 million compared to 2010-11.

#### **ANA finds:**

- Labour productivity growth varies across the cultural and creative industries, with 'publishing' exhibiting notable productivity growth.
- Non-COVID-19 government expenditure on arts and culture across the three levels of government was \$7.2 billion in 2020-21 (also showing an increase, in adjusted terms, compared with five years earlier).
- A diverse range of governmental and non-governmental sources of finance exist in arts, culture and creativity (e.g. debt and equity finance, crowdfunding).

**ANA uses the term 'productivity' in this report consistent with the following definitions:**

- *'The ratio between output and the total input of factors required to achieve it'.<sup>12</sup>*
- *'The end result of a complex social process including: science, research and development, education, technology, management, production facilities, workers and labour organisations'.<sup>13</sup>*
- *'Productivity growth occurs when more output is generated per unit of input [ . . . ]' and 'In reality, the change in productivity - productivity growth - reflects not only the quantity of goods and services produced but also changes in their quality over time. It also reflects the invention and introduction of entirely new products'.<sup>14</sup>*
- *'True productivity can differ from measured productivity [ . . . ]'<sup>15</sup> and 'A productivity measure is an indicator of the efficiency or effectiveness of production, that is, how much production (or output) is achieved given a certain amount of resources (or input)'.<sup>16</sup>*

**ANA describes arts, culture and creativity across our work as follows:**

- Creating, experiencing and consuming arts and culture through activities such as attending cultural events, visiting cultural venues, creating or performing something and engaging with cultural and creative content in your home. ANA has provided a visual of this definition in **Appendix 2**.
- Making and attending work by organisations of all scales, including our best-known cultural institutions – such as the Australian War Memorial, the Australian Broadcasting Corporation and Bangarra Dance Theatre – as well the nation-wide ecosystem of creative organisations and individuals in remote, regional and metropolitan Australia.

**ANA defines the cultural and creative industries as follows:**

- All industries treated as 'cultural' or as 'creative' – or as both 'cultural and creative' – within the 'satellite accounts' based on a supply chain approach to their activities, and classified in accordance with the 2006 edition of the Australian and New Zealand Standard Industrial Classification.<sup>17</sup>
- Example businesses within these industries are involved in the above definition of arts, culture and creativity as well as in activities that may be less obvious, such as advertising, computer system design and architecture and education and training that develops performance artists.

# Summary of findings

## Finding 1

Positive examples exist of cultural and creative engagement supporting the determinants of Australia's future productivity, including our 'adaptable workforce', 'dynamic business environment' and 'data, digital technology and diffusion'.

There is also evidence of existing cross-sectoral initiatives in response to climate change, ageing population and healthcare.

## Finding 2

Australia's cultural and creative industries contribute to productivity growth by inventing, introducing and embedding new and improved products in the economy. Prominent examples exist in fashion, technology and music. 'Skills', 'industry associations' and, to a lesser extent, 'place' are identified as channels for diffusing innovation in Australia's cultural and creative industries.

## Finding 3

Digital infrastructure, the productivity of the next generation (human capital) and regulatory settings promoting market openness influence Australia's competitive position in the future trade of cultural and creative services.

## Finding 4

Artificial intelligence and platform work are productivity tools in the cultural and creative industries, but the 'net impact' of these tools on all employment remains 'ambiguous'.<sup>18</sup>

## Finding 5

Australia's five-year productivity inquiry does not measure productivity in the cultural and creative industries. The inquiry's findings on Australia's broader 'non-market sector' (schools, hospitals, childcare and defence) are relevant to parts of the cultural and creative industries.

# Summary of opportunities

These opportunities seek implementation through the architecture of National Cabinet.<sup>19</sup>

## Opportunity 1

Harness the proven benefits of cultural and creative engagement and strengthen the public investment logic for culture and creative activities.

Australia's National Cabinet and relevant ministerial councils across portfolios should consider

- cultural and creative engagement to build an adaptable workforce; harness data, digital technology and diffusion; and create a more dynamic economy
- cultural and creative initiatives that tackle productivity headwinds and specific challenges (climate change, ageing population and healthcare costs)

## Opportunity 2

Consider arts, culture and creativity when developing productivity policy and innovation, trade and employment initiatives.

This will require coordination of Australia's three levels of government and the following:

- identification of innovation diffusion channels in the cultural and creative industries (e.g. peak bodies, industry groups, regulatory organisations and code reviewers; see Opportunity 3)
- identification of productive investment needs to support the cultural and creative services trade (see Opportunity 4)
- consultation with platform workers of the cultural and creative industries on any proposed reforms to workplace entitlements and protections, including those relating to safety

## Opportunity 3

Strengthen the diffusion of innovation within and from the cultural and creative industries.

An early step for progressing this opportunity within the architecture of Australia's National Cabinet is to make the meeting of Cultural Ministers a Ministerial Council that reports annually to National Cabinet.

## Opportunity 4

Bolster Australia's competitive position in the trade of cultural and creative services by identifying productive investments in human capital and digital infrastructure alongside regulatory settings supporting global trade and investment flows.

Explore investment options 'where the private sector is unwilling or unable to invest'<sup>20</sup> including in

- skills that combine technical mastery, broad capabilities and adaptability
- cost-effective provision of digital infrastructure in regional Australia
- work-from-home infrastructure

Two existing groups for exploring such investments are the Skills & Workforce Ministerial Council and the Council on Federal Financial Relations under Australia's National Cabinet.

## Opportunity 5

To foster productivity gains, providers of free-of-charge (or well-below-cost) cultural and creative services (such as government-funded or government-operated cultural institutions) should consider

- adopting 'flexible', 'blended' and 'shared' approaches to financing<sup>21</sup>
- using and reporting benchmark results
- making data-led improvements in the quality and variety of goods and services





**A New Approach (ANA)**