

# Creative Industries: Making the Case for Indonesia and Australia

September 2023



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# Acknowledgment

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# Acronyms

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ABS	Australian Bureau of Statistics
BCARR	Bureau of Communications, Arts and Regional Research
CCIs	Cultural and Creative Industries
CECT	Center for Entrepreneurship, Change, and Third Sector (CECT)- a research centre in Trisakti University
DCMS	The United Kingdom Department for Digital, Culture Media and Sport
DGTO	Digital Games Tax Offset
IT	Information Technology
QUT	Queensland University of Technology
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference on Trade and Development

# Key points

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- **Cultural and Creative Industries (CCIs) are a largely untapped opportunity to deepen the Indonesia and Australia partnership.** While cattle, agriculture and mining typically dominate trade between Australia and Indonesia, CCIs offer an opportunity to diversify trade and build upon each country's respective competitive advantages for more inclusive and sustainable business growth. This includes regional and women's employment, cultural, social and economic exchange.
- **This market insight is intended primarily for Australian and Indonesian government agencies.** It outlines key opportunities for industry support and promotion in the CCI sector. The insight is also useful for Australian and Indonesian businesses and investors seeking to start and/or deepen commercial activities and contribute to inclusive economic growth.
- **Creative industries generate billions of dollars in economic value.**<sup>1</sup> In Australia, creative industries are worth AUD116 billion<sup>2</sup> (excluding the culinary sector) and employ over 700,000 people, equivalent to 5.9% of Australia's workforce.<sup>3</sup> In Indonesia, creative industries are worth AUD66 billion excluding the culinary sector (the culinary sector adds an additional AUD47 billion)<sup>4</sup> and employ 5.3 million people or 3.8% of the workforce (7.7 million people including culinary).<sup>5,6</sup>
- **International trade is led by digital creatives and fashion.** Australia exports around AUD14.3 billion in creative industry goods and services, driven largely by digital creative industries. Creative exports from Indonesia are valued at AUD30 billion, driven largely by fashion.
- **Creative and cultural industries are running at three speeds.** Creative industries include shrinking sectors that are challenged by changing technology and consumer preferences, such as print media; sectors that are experiencing moderate growth, such as fashion; and high growth digital industries, such as software development and publishing.
- **Digital industries are the fastest growing CCIs in terms of wages and jobs across both Indonesia and Australia.** By contrast more traditional industries, such as music and publishing, are shrinking in terms of employment. There is also a gender gap across CCI industries, with Indonesian women being more highly represented in lower-paid sectors, such as the fashion and culinary industries. Even within more highly paid creative sectors, such as digital creatives, women still experience a wage gap.
- **Digital creatives, especially male-founded start-ups, are benefiting from growth in venture capital investment in tech start-ups.** In 2022, the value of Australian venture capital investment in start-ups

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1 There is no single definition of creative industries. Australia and Indonesia have differing definitions for the CCIs, but there is general consensus that CCIs are generally sectors or jobs that require a level of creativity. Examples include traditional arts, music and textiles, and modern sectors such as software design, animation and gaming.

2 [https://www.infrastructure.gov.au/sites/default/files/documents/visual-summary-cultural-and-creative-activity-in-australia-2009-10-to-2018-19-sep2021\\_0.pdf](https://www.infrastructure.gov.au/sites/default/files/documents/visual-summary-cultural-and-creative-activity-in-australia-2009-10-to-2018-19-sep2021_0.pdf)

3 <https://www.canberra.edu.au/research/faculty-research-centres/nmrc/major-projects/tabs/current-funded-projects/Briefing-paper-1-20221122.pdf>

4 [https://bankdata.kemendiknas.go.id/upload/document\\_satker/5baa176056e524cfaa5086f5d69b2747.pdf](https://bankdata.kemendiknas.go.id/upload/document_satker/5baa176056e524cfaa5086f5d69b2747.pdf)

5 <https://kemenparekraf.go.id/>. Note: However, care should be taken in comparing economic contributions as each country's definition of creative industries differs.

6 It is worth recognising that CCIs are worth more than just the dollar value of trade. Creative industries hold national significance. At the heart of CCIs are occupations that allow for the expression of human creativity. They contribute to social inclusion and tell Australian and Indonesia's story through identity, history, values and beliefs. Thus, they have a unique role to play in achieving Indonesia and Australia's commitment to a deeper and more comprehensive economic partnership.

was AUD8.6 billion,<sup>7</sup> up from just AUD111 million in 2013. In Indonesia, private capital investment in technology reached AUD13 billion by 2021.<sup>8</sup>

- **Australia and Indonesia’s complementary competitive advantages in CCI create strong opportunities for cooperation, particularly in digital creative industries.** Australia’s advantages include strong research and development capability and a highly skilled workforce. Indonesia’s complementary advantages are a large and growing workforce, affordable labour costs and a rapidly expanding consumer market for digital products. Strong and complementary digital capabilities in Australia and Indonesia mean there are substantial opportunities to create value through improved bilateral trade, and to address gender gaps in digital skills acquisition, through cross-border digital skills and training.
- **There is an opportunity for traditional CCIs to benefit from their digital peers.** Traditional cultural production activities such as arts and literature have enduring social and cultural importance, but it is largely digital industries, such as software, games and content that are contributing most to economic growth. There is an opportunity for the technological innovations in these growth industries to revitalise traditional creative industries, allowing them to reach a new generation of consumers. For example, Du Anyam is a highly successful Indonesian social enterprise that has utilised e-commerce and digital content to access a wider international market for its traditional handicraft products.
- **There is tremendous scope for Australian and Indonesian CCIs to collaborate.** This could be as simple as using e-commerce to find new ways of making and selling traditional items, or as sophisticated as using innovative technology to collaborate on the development and design of new products. Katalis is looking to work with partners in cultural and creative industries to unlock this potential.

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<sup>7</sup> See for example: <https://www.forbes.com.au/news/investing/us6bn-year-for-australian-vc-investment-in-2022/> | <https://www.forbes.com/sites/jlim/2014/06/10/is-australias-venture-capital-industry-doomed/?sh=ba012b720a3e>

<sup>8</sup> [https://services.google.com/fh/files/misc/e\\_economy\\_sea\\_2022\\_report.pdf?utm\\_source=bain&utm\\_medium=website&utm\\_campaign=2022](https://services.google.com/fh/files/misc/e_economy_sea_2022_report.pdf?utm_source=bain&utm_medium=website&utm_campaign=2022)



# Introduction

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Cultural and Creative Industries (CCIs) are a diverse sector that not only play an important role for the economies of both Indonesia and Australia, but also hold national significance in terms of identity, history, values and beliefs. CCIs offer a tremendous opportunity to further diversify trade and investment and build upon each country's respective competitive advantages for more inclusive and sustainable business growth.

This market insight provides an overview of the cultural and creative sectors ('creative industries') in Australia and Indonesia. It examines the economic contribution of the sector, including the value of goods and services produced, the number of jobs created, and wages paid. It includes a GESI analysis of CCIs in Indonesia and identifies strong opportunities for collaboration between Australian and Indonesian businesses.

The insight is intended primarily for Australian and Indonesian government agencies seeking to unlock growth in trade between the two countries, as it identifies key opportunities for industry support and promotion. It is also useful for Australian and Indonesian businesses and investors in the CCI sector seeking to start and/or deepen commerce, trade and investment and contribute to inclusive economic growth.

## ***What are creative industries?***

There is no universal definition of creative industries (see Appendix A for further discussion) and what constitutes a CCI differs in Australia and Indonesia. The Indonesian Ministry for Tourism and the Creative Economy (Kemenparekraf) have a formal definition for CCIs that is clustered around 14 (formerly 17) creative industries (as defined in the table below). These include both creative services and cultural production. In Australia there is no single official definition of creative industries. The Australian Bureau of Statistics (ABS) has a list of creative occupations,<sup>9</sup> used by the Bureau of Communications, Arts and Regional Research (BCARR), while Queensland University of Technology (QUT)<sup>10</sup> has developed a slightly different list that is used by several sources.<sup>11</sup>

Key differences in definitions between Australia and Indonesia include the scope of software development services (e.g., Australia often includes broader definitions of software development and publishing whereas Indonesia focuses more narrowly on applications and games) and the inclusion (Indonesia) or exclusion (Australia) of culinary services. For the purpose of this insight, we use a broad, forward-looking definition of creatives industries<sup>12</sup> that disaggregates the different segments and harmonises the two countries' definitions where possible.

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9 <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/5271.0.55.001Main%20Features52013?opendocument&tabname=Summary&prodno=5271.0.55.001&issue=2013&num=&view=>

10 QUT's definition includes software development and fashion design but does not include apparel manufacture and retail, while the ABS satellite accounts include garment manufacture and retail activities along fashion design.







11 See for example: [https://sgsep.com.au/assets/main/Valuing-Australias-Creative-Industries-Final-Report-December-2013\\_Email.pdf](https://sgsep.com.au/assets/main/Valuing-Australias-Creative-Industries-Final-Report-December-2013_Email.pdf); and <https://www.canberra.edu.au/research/faculty-research-centres/nmrc/major-projects/tabs/current-funded-projects/Briefing-paper-1-20221122.pdf>

12 Sources include:















- Kemenparekraf/Baparekraf and BPS <https://kemenparekraf.go.id/statistik-pariwisata-dan-ekonomi-kreatif/statistik-upah-tenaga-kerja-pariwisata-dan-ekonomi-kreatif-2018-2021>
- ABS <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/5271.0.55.001Main%20Features122013?opendocument&tabname=Summary&prodno=5271.0.55.001&issue=2013&num=&view=>
- QUT <https://eprints.qut.edu.au/92726/>
- University of Canberra <https://www.canberra.edu.au/research/faculty-research-centres/nmrc/major-projects/tabs/current-funded-projects/Briefing-paper-1-20221122.pdf>



## Australian Creative Industries

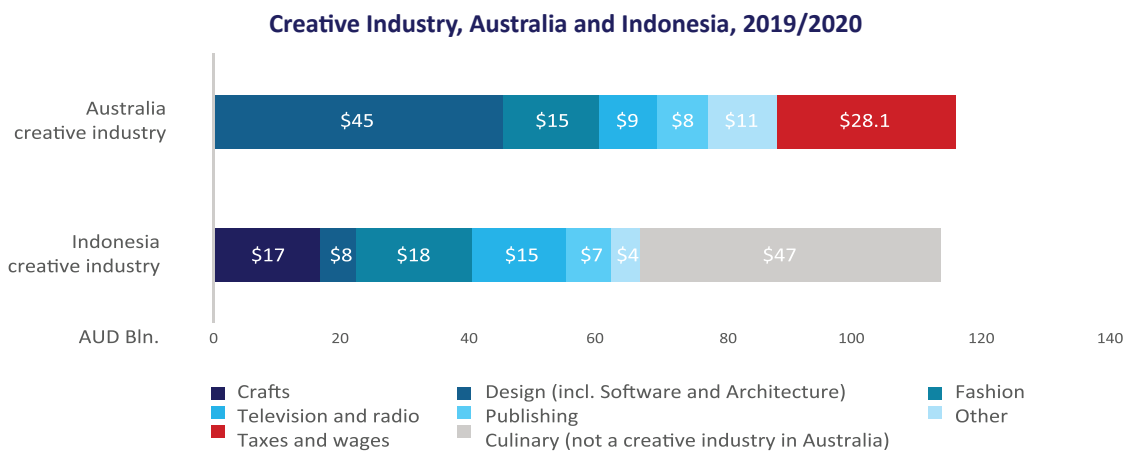
Creative Services		Cultural Production	
 Advertising and Marketing	Advertising and Marketing	 Film TV and Radio	Radio Broadcasting
 Architecture and Design	Architecture		Film Production
	Photography		Post Production
	Specialised design (including fashion)	Television Broadcasting	
 Software and digital content	Software development	 Publishing	Book publishing
	Software publishing		Libraries
	Multimedia publishing		Newspaper publishing
		 Visual and performing arts	Publishing
			Creative artist
			Jewelry
			Museums and galleries
			Music
			Performing Arts
			<i>Apparel manufacture and retail</i>

## Indonesian Creative Industries

Creative Services		Cultural Production		
 Advertising	Advertising	 Film	 Television and radio	 Publishing
 Architecture	Architecture			
 Photography	Photography	 Fine art	 Art and Crafts	 Music
 Design	Design			
 Applications and games	Applications and games	 Performing Arts	 Fashion	 Culinary

# The economic contribution of creative industries

In Australia, creative industries were estimated to be worth about AUD116 billion in 2019/2020, with the largest contributor being design (including software and architecture). Creative exports from Australia were worth AUD14.3 billion in 2019, driven largely by digital creative activities. In Indonesia, creative industries were worth AUD113 billion in 2019/2020, with the largest segments being fashion, craft and culinary.<sup>13</sup> Creative exports were worth AUD30 billion in 2019,<sup>14</sup> driven by fashion industry exports (63%) to USA, Japan and Europe.

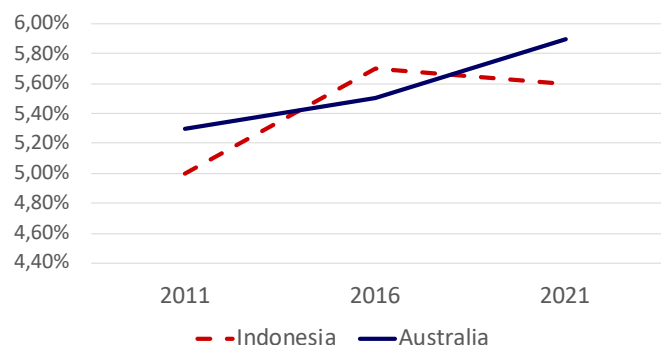


Source: Kemenparekraf, BCARR

## The creative industries workforce

In both Australia and Indonesia, the CCI workforce is growing in absolute numbers and as a proportion of the total workforce. From 2011 to 2021, CCI jobs in Australia rose from 5.5 per cent to 5.9 per cent of total jobs, with knowledge-based and digital creative service industries (such as software and architecture) the largest employing sectors. Indonesia has experienced a similar rate of growth, from 5 per cent of the total workforce to 5.6 per cent.

## Creative Industry jobs as % of total workforce, Australia and Indonesia, 2011 - 2021



Source: Kemenparekraf/Baparekraf and BPS, Canberra University, ABS

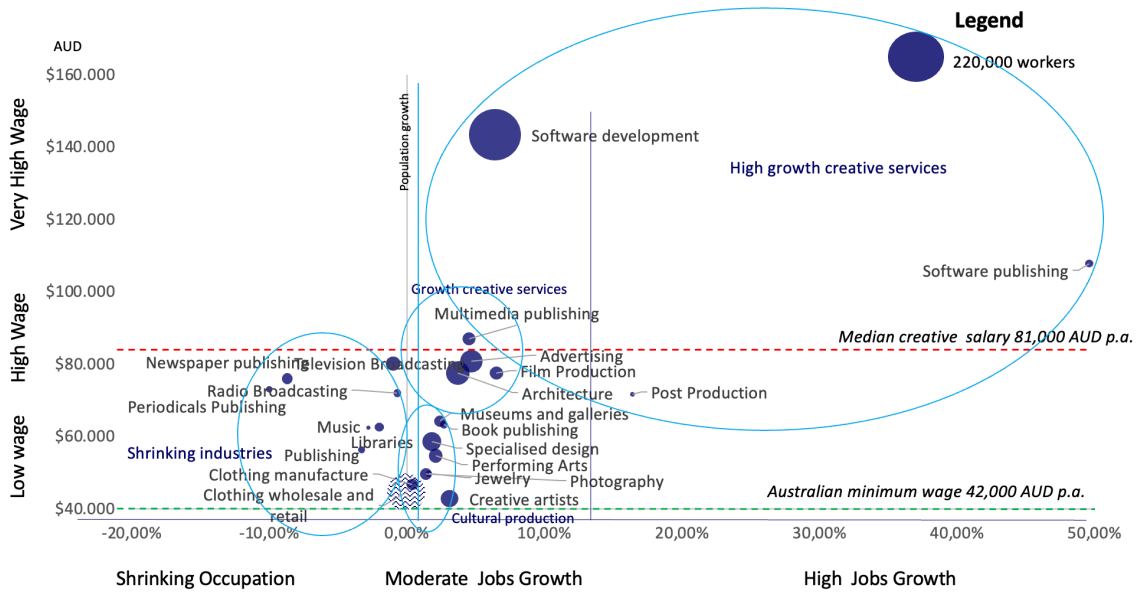
<sup>13</sup> Care should be taken with direct comparisons of the relative size and contribution of creative industries across countries due to differences in definitions of what sectors are and are not included.

<sup>14</sup> Kemenparekraf/Baparekraf and BPS



However, beneath the overall growth, employment in print media, recorded music, television and radio has declined in real terms, while architecture, advertising, film and postproduction, multimedia, and software development and publishing are creating jobs at a much faster rate. At AUD81,000, the median annual creative salary is nearly twice the minimum wage, driven largely by wages in software, advertising, architecture multimedia, TV, film, and post-production. In contrast, salaries for cultural production (including clothing manufacture and creative artists) are closer to the minimum wage.

**Australia–Creative Industry, Workers, Wages and Growth, 2021**



Source: Canberra University, ABS

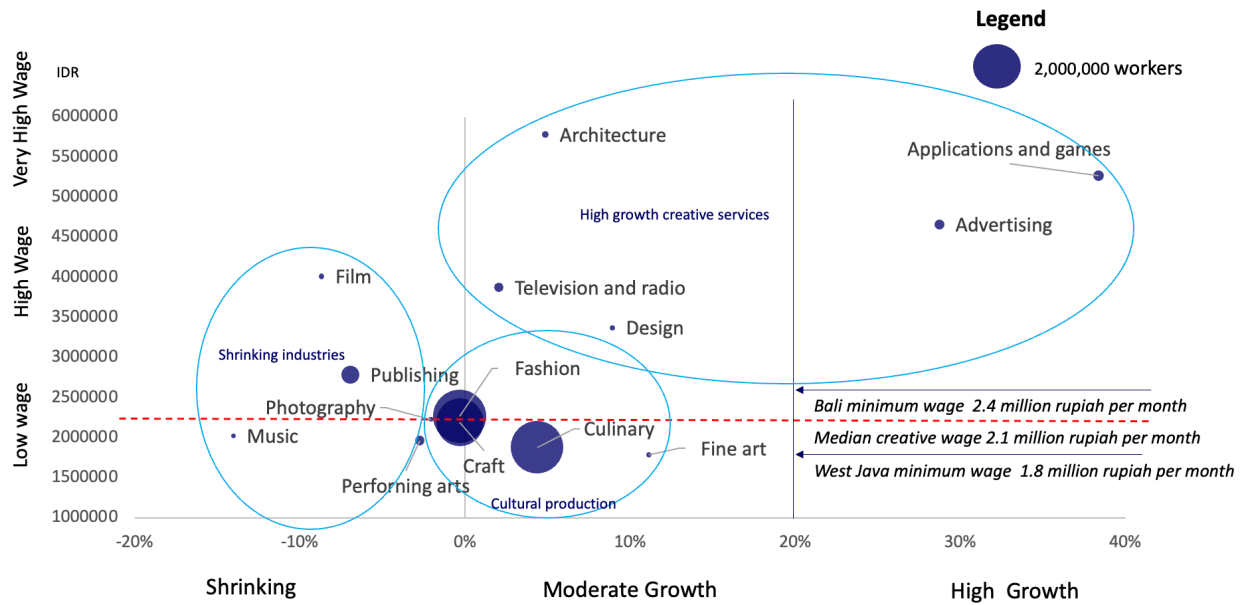
In Indonesia, most people still work in CCI that involve the creation of physical goods (fashion, crafts and culinary).<sup>15</sup> Jobs in publishing, music and performing arts are shrinking relative to population, whereas jobs in creative occupations such as applications and games, advertising, architecture, and fine art are growing faster.

The median annual creative salary, at 2.1 million rupiah per month (AUD2,500 per annum) clusters between the minimum wages of West Java and Bali, allowing Indonesia to remain at a very cost competitive position relative to the Australian minimum wage. Applications and games, and advertising, are the fastest growing and best-paid segments.



<sup>15</sup> Both Australia and Indonesia have high quality culinary industries (restaurants, cafes and bars) that cater to domestic populations. However, since trade in food and beverage is more properly considered as a part of the food and beverage manufacturing/processing industry, detailed discussion of the culinary and/or the food and beverage sector is not included in this report.

## Indonesian Creative Industries, Workers, Wages and Growth, 2021



Source: Kemenparekraf/Baparekraf and BPS

## Geographic divide: Jobs are concentrated in urban areas

Jobs in CCIs are predominantly located in Java (especially in West Java around Jakarta) which, with the exception of Jakarta, benefit from lower labour costs. Industries with the highest proportion of urban jobs are film, applications and games, advertising and design. However, traditional cultural sectors – such as music, craft and performing arts – still have a large proportion of the workforce located in regional and rural areas. This is consistent with a recent Prospera study that analysed more than 131,000 information technology (IT) jobs and found that these are more geographically concentrated compared with other industries (such as manufacturing). Jakarta constituted almost two thirds of total job postings in IT. However, this may change as new technologies improve connectivity, allowing for more opportunities outside of Java.

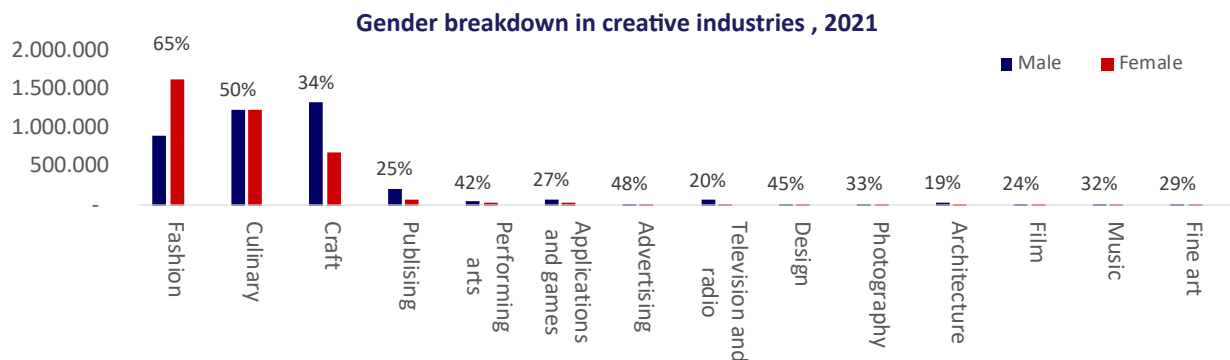
### Proportion of urban and rural jobs in CCIs



Source: Kemenparekraf/Baparekraf and BPS

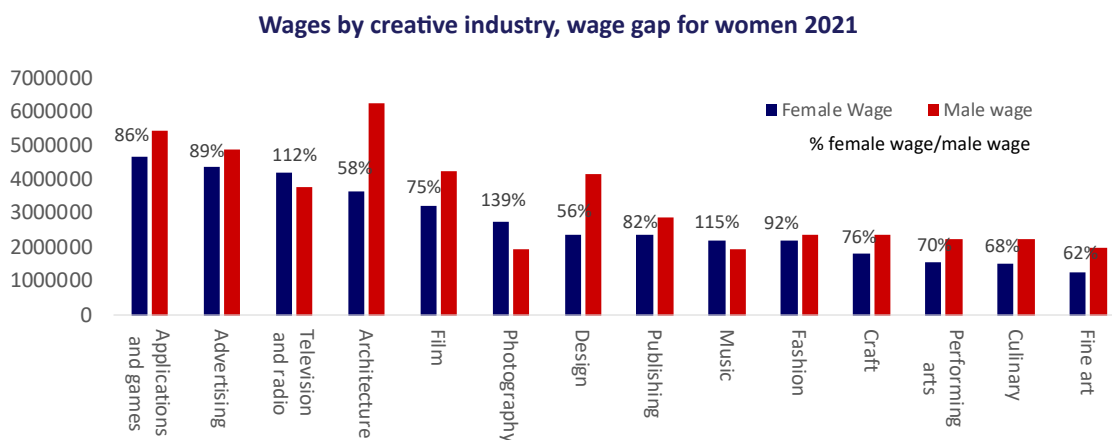
## GESI: Women are overrepresented in lower paid jobs

Women make up 48 per cent of the overall CCIs workforce in Indonesia but are more highly represented in lower-paid industries such as the fashion and culinary industries. They make up less than a third of the workforce in higher wage industries like architecture, applications and games, film, television and radio and publishing. In contrast to the gender gap trend in most higher wage industries, women make up close to half the workforce in advertising (which includes digital marketing) and design.



Source: Kemenparekraf/Baparekraf and BPS

Even within the more highly paid creative segments, women experience a wage gap. The highest gaps are in architecture, design, and fine art. Applications and games, and advertising (including digital marketing) pay the highest wages for women, but a wage gap still exists.



Source: Kemenparekraf/Baparekraf and BPS

Creative and cultural industries are also an important source of jobs for people living with disabilities.<sup>16</sup> Although nationwide data on employment of people with disability within creative industries is not available, location-specific studies have confirmed this is the case. A study on employment in creative industries in Yogyakarta<sup>17</sup> found a great deal of variation in employment rates of people with disability by district. For example, craft, clothing and leather creative industries in Bantul and Gunung Kidul were much more likely to employ people with disability. This suggests there may be an experience curve, with some businesses more able to employ people with disability than others, and that learning from successful employers of people with disability would be of value to creative industries.

<sup>16</sup> <https://www.kemenparekraf.go.id/rumah-difabel/Pemberdayaan-Difabel-di-Industri-Parekraf>

<sup>17</sup> [https://www.researchgate.net/publication/335945312\\_Analysis\\_of\\_Potential\\_Creative\\_Industry\\_for\\_People\\_with\\_Disabilities\\_in\\_Special\\_Region\\_of\\_D\\_I\\_Yogyakarta](https://www.researchgate.net/publication/335945312_Analysis_of_Potential_Creative_Industry_for_People_with_Disabilities_in_Special_Region_of_D_I_Yogyakarta)

# Sector spotlights and opportunities

## Digital creative industries

Digital creative industries are growing significantly, due to the increasing popularity of smartphones and other mobile devices, and growing demand for digital content, such as music, movies, games, apps and fintech. The potential growth in these industries has been recognised by private equity financiers. In Indonesia, private capital investment in technology reached about AUD13 billion by 2021.<sup>18</sup> In 2022, the value of Australian venture capital investment in start-ups was AUD8.6 billion,<sup>19</sup> from just AUD111 million in 2013 (annual growth rate of about 60%). Although venture capital investment is growing, globally investment remains male-dominated, with gender diversity in venture capital stagnating. For example, in Europe and the United States less than 2% of venture capital money is invested in female start-ups.<sup>20</sup>

As the fastest growing creative industries across both Indonesia and Australia, digital creatives present substantial business opportunity. Indonesia and Australia's competitive advantages in digital creative industries complement each other and mean the two countries are well-placed for successful collaboration.

Indonesia's competitive advantages include:

- **A large and growing workforce.** Indonesia has a growing workforce of over 137 million people<sup>21</sup>, including almost 900,000 in the ICT sector<sup>22</sup>. However, the number of science, technology, engineering, and mathematics (STEM) graduates in Indonesia is quite low compared to other nations, at 0.8 per 100 graduates and penetration of vocational graduates into industry is low.<sup>23</sup> This opens huge opportunities for Australia to upskill the growing workforce to meet industry requirements.
- **Affordable labour costs.** The average monthly wage for application and games developers in Indonesia is IDR5.4 million (AUD520), substantially less than the average Australian creative industry monthly wage of AUD6750.
- **A rapidly expanding consumer market for digital products.** For example, e-commerce in Indonesia is estimated to be worth over USD59 billion and expected to grow 17% annually into 2025. Thirty-two percent of people are expecting to increase their use of e-commerce services. The use of online media is also estimated to be worth USD6.4 billion and is expected to grow annually by 19%.<sup>24</sup>
- **Favourable business environment supported by Government incentives.** The Indonesian government has recognised the IT based creative economy, including the video games industry, as a priority sector for investment allowing 100% foreign investment, tax breaks and tax holidays.<sup>25</sup>

18 [https://services.google.com/fh/files/misc/e\\_economy\\_sea\\_2022\\_report.pdf?utm\\_source=bain&utm\\_medium=website&utm\\_campaign=2022](https://services.google.com/fh/files/misc/e_economy_sea_2022_report.pdf?utm_source=bain&utm_medium=website&utm_campaign=2022)

19 See for example: <https://www.forbes.com.au/news/investing/us6bn-year-for-australian-vc-investment-in-2022/>  
<https://www.forbes.com/sites/jjlim/2014/06/10/is-australias-venture-capital-industry-doomed/?sh=ba012b720a3e>

20 <https://www.forbes.com/sites/geristengel/2022/01/31/the-state-of-venture-capital-investments-in-female-founders-change-is-in-the-wind/?sh=3f0514c41f45>

21 <https://data.worldbank.org/indicator/SL.TLFTOTL.IN?locations=ID>

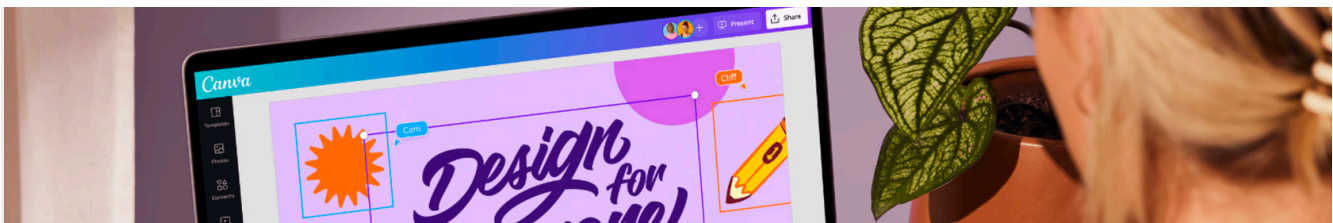
22 <https://www.adb.org/sites/default/files/publication/700891/adbi-wp1258.pdf>

23 Gayatri, G. Jaya, I.G.N.M. Rumata, V.M. (2023) The Indonesian Digital Workforce Gaps in 2021–2025. *Sustainability*, 15, 754. See <https://www.mdpi.com/2071-1050/15/1/754>

24 Google, Temasek and Bain and Company (2022), 'e-Economy SEA 2022', accessible at: [https://services.google.com/fh/files/misc/e\\_economy\\_sea\\_2022\\_report.pdf](https://services.google.com/fh/files/misc/e_economy_sea_2022_report.pdf)

Australia's competitive advantages in digital creative industries include:

- **Strong research and development capability.** Australia has a strong track record of innovation in digital creative industries and is home to world-leading digital research centres such as the ARC Centre of Excellence for Creative Industries and Innovation.
- **Award-winning game production experience.** Over 74% of Australian gaming studios produce original IP, including some of the world's most popular and award-winning games. One example is Untitled Goose Game which sold over one million copies in its first 3 months.<sup>26</sup>
- **A highly skilled workforce.** Australia has a highly skilled workforce in the digital creative industries, with globally recognised universities offering courses in computer science, game design, and animation. Digital studios also work directly with formal education providers to update modules and develop new courses.
- **Favourable business environment supported by Government incentives.** For example, the Digital Games Tax Offset (DGTO) includes a 30% refundable tax offset for eligible businesses.



### Box 1. A winning bet: supporting high-growth digital creative industries

A high-profile success story of an Australian tech company leveraging Indonesia's growing consumer and business need for creative technology, is Canva. Launched as a design start-up in Sydney in 2013, Canva is an online design and visual communication platform that allows users to create professional looking designs for social media, presentations and physical communication products. In 2016, Canva launched an Indonesian-language version of its platform and established Indonesian based operations. Indonesia is now one of Canva's largest markets, with over 10 million users.

Canva's success in Indonesia was largely due to establishing a local presence and an Indonesian language-version of its product; a large consumer demand for a product of this type; and a business model that made the app accessible for a large portion of the population. Canva has demonstrated how innovative technology developed in Australia can lead to significant business success by accessing the growing Indonesian market.

Building on the learnings from Canva's success, and the comparative advantages of Australian and Indonesian digital creative industries, initiatives to support increased trade in digital creative industries should include:

- **Opportunities for the Australian technical vocational education and training (TVET) sector to build the skills base Indonesia needs to meet growing sector demand.** Australia's digital workforce is one of the most educated and skilled in the world, with Australia home to well-regarded training institutions and colleges that specialise in digital industries, such as digital art and video game programming. Indonesia also has one of the world's fastest growing

<sup>25</sup> <http://www.cekindo.com/blog/indonesia-positive-investment-list> <https://www.cekindo.com/blog/indonesia-gaming-market>

<sup>26</sup> [https://www.globalaustralia.gov.au/sites/default/files/2022-08/level\\_up\\_agttagi\\_a4\\_booklet\\_lowres.pdf](https://www.globalaustralia.gov.au/sites/default/files/2022-08/level_up_agttagi_a4_booklet_lowres.pdf)

digital services industries and digital skills are the most in-demand skill set in the country, with 50,000 jobs requiring digital skills advertised in the six months to June 2022.<sup>27</sup> This digital skills gap presents an opportunity for Australian TVET providers to build a presence in Indonesia and build the skills of its growing workforce.

- **Digital work experience and remote digital skills exchange.** Creative industries are intrinsically tied to the talent and skills of people working in the industry. Building on initiatives such as the *Australia-Indonesia Skills Development Exchange Pilot*, businesses could create more remote work experience opportunities that would improve skills development, increase inter-country networking, and develop the cross-cultural skills required for success in trade.
- **Encouraging Indonesian and Australian business co-operation and utilisation of Indonesia's growing digital workforce.** Australia and Indonesia's complementary competitive advantages create huge potential benefits from joint or cooperative ventures. These could include Australian start-ups using Indonesia's IT workforce and taking advantage of Indonesia's relatively lower wages, or Indonesian start-ups accessing venture funding or expertise from Australia.
- **Continuing to create a business environment favourable to innovation.** Australia and Indonesia have recognised the substantial economic and cultural contributions that digital creative industries make. But the upfront costs of start-ups can be prohibitive, particularly in emerging industries. By providing incentives like tax offsets (such as the DGTO), governments can encourage investment in research and development that benefits the broader economy.

## Applications and games

Digital gaming is experiencing rapid growth across both Australia and Indonesia, and both countries have a history of global success in this industry. The Australian gaming industry is worth an estimated AUD3.1 billion annually. In 2021 Australian video games producers generated AUD226.5 million in revenues (83% from exports)<sup>28</sup> and employed 3,228 (full-time equivalent) people (of whom 23% were female).<sup>29</sup> The industry is supported by Government initiatives, including the Digital Games Tax Offset (DGTO), which came into effect in 2022 and allows studios to claim 30 per cent of eligible expenditures. Additional offsets are also available through state-based programs, with South Australia, Victoria and New South Wales offering an additional 10 per cent and Queensland offering 15 per cent.

In 2021, the Indonesian gaming market was the 16th largest in the world, valued at USD1.92 billion and employing around 10,000 people. It is expected to grow to USD3.29 billion by 2025. The Indonesian government has recognised the IT based creative economy, including the video games industry, as a priority sector for investment, allowing 100% foreign investment, tax breaks and tax holidays.<sup>30</sup>

27 According to data generated by Prospera, an economic governance program based in Indonesia and funded by the Australian Government. See <https://prospera.or.id>

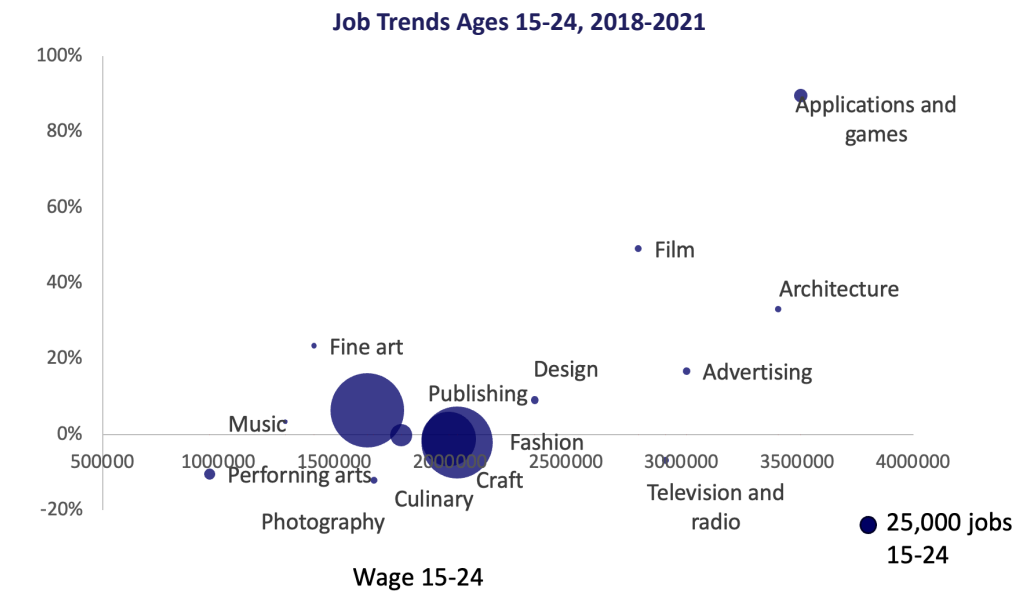
28 <https://www.dfat.gov.au/about-us/publications/trade-investment/business-envoy/business-envoy-february-2022/booming-australian-digital-games-industry>

29 [https://www.globalaustralia.gov.au/sites/default/files/2022-08/level\\_up\\_agttagi\\_a4\\_booklet\\_lowres.pdf](https://www.globalaustralia.gov.au/sites/default/files/2022-08/level_up_agttagi_a4_booklet_lowres.pdf)

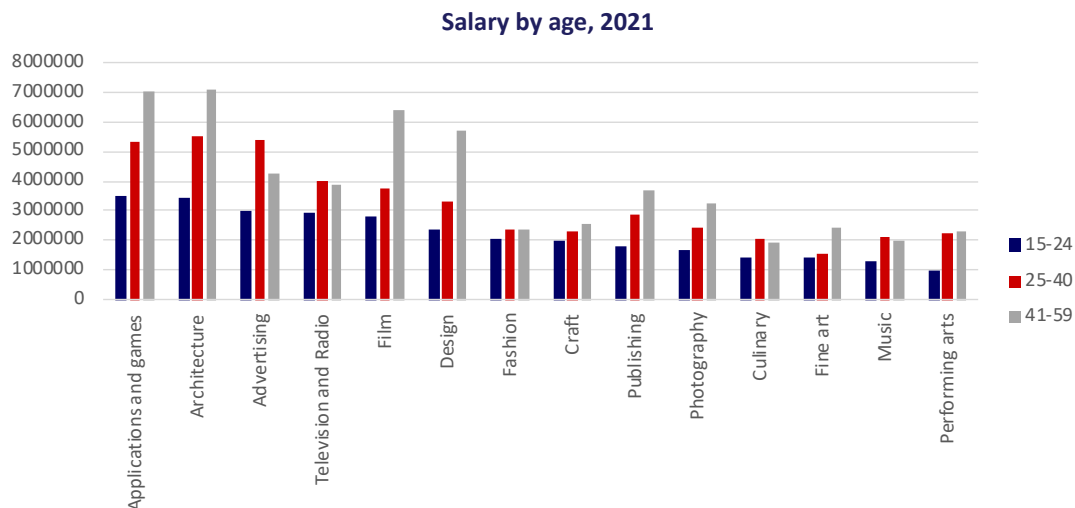
30 <http://www.cekindo.com/blog/indonesia-positive-investment-list> <https://www.cekindo.com/blog/indonesia-gaming-market>

Application and game development offers incredible employment opportunities for Indonesia’s growing, and increasingly tech-savvy, population. Indonesia has one of the largest populations of young adults in Asia, with 46 million people (16% of the population) aged between 15 to 24 years old.

New jobs for young women and men are increasingly being created in fast growing knowledge economy segments, such as applications and games, advertising, and film and architecture, although these are still small in overall size, and with the exception of advertising, male dominated. Of these, applications and games have by far the highest growth as well as the highest salaries. It is important to note that most CCI jobs remain in culinary, crafts and fashion, but the availability of jobs in these industries has stagnated.

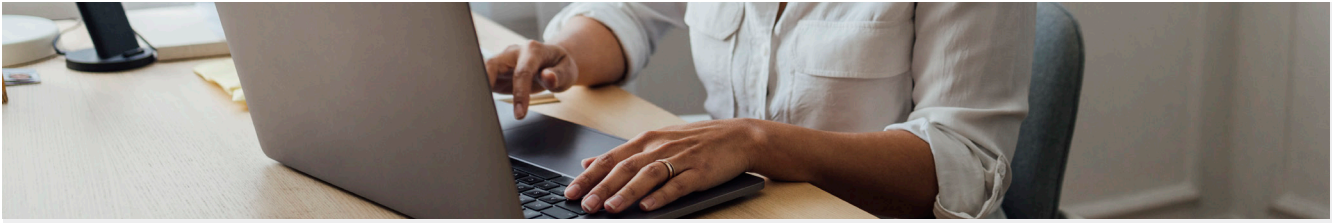


Source: Kemenparekraf/Baparekraf and BPS



Source: Kemenparekraf/Baparekraf and BPS

As a growing and dynamic sector, applications and games also offers significant opportunities for women. Although women in Indonesia are still underrepresented in the industry making up only 27% of the workforce and earning on average only 86% of the wages of men. This gender pay gap is a significant barrier to women’s economic empowerment in CCIs.



## Box 2. Gender digital divide

There is an important gender digital divide in Indonesia driven by digital and internet literacy and usage among women in Indonesia: it is estimated that women and girls in Indonesia use the internet 11% less than men and boys. Digital literacy rates also vary by gender, with 55% of men in Indonesia having at least a good level of digital literacy compared with only 48% of women.

Several organisations are working to address this. For example Girls in Tech Indonesia are committed to supporting Indonesian women in tech and building an inclusive workforce by funding and mentoring women start-ups; providing networking events and education bootcamps. Similarly, the Shehacks Indonesia hackathon program includes an incubation program, training and mentoring to Indonesian women interested in tech careers. Other organisations include Perempuan Maju Digital, sponsored by Meta, which supports women startup owners to advance their business ideas and Indonesia Women Information Technology Awareness (IWITA) established by the Indonesian Government to provide education and input into government regulation. The International Labor Organisation also implemented a Women in STEM Workforce Readiness and Development Programme in Indonesia from 2017-2021. The program focused on skills upgrading, job placement and mentoring with the aim of transitioning underprivileged female graduates and women in low-skilled jobs to quality STEM related employment as well as to promote female leadership, particularly in ICT.

## Traditional handicrafts

Indonesia is well known for its culture and tradition, which is evident in its traditional crafts, such as Batik, shadow puppets, wood carving, silver and rattan craft. This industry employs millions of Indonesians, including women and people in rural areas; draws tourists; and holds national importance for Indonesia's rich cultural heritage.

Traditional crafts in Indonesia contribute about AUD9.1 billion- 30 per cent of the value of Indonesian creative industry exports. This includes jewellery (contributing 31%), carving and furniture (17%) and non-traditional musical instruments (10%). In 2021, the Indonesian craft sector employed 2 million people, a figure that has remained relatively stable over the past 4 years. However, there are substantial gender inequalities within the Indonesian craft workforce, with workers being predominately male (only 34% are female). Women are also typically paid less, making on average 76% of the wage of males.

Technological innovation has the potential to improve employment opportunities for traditional craftswomen. One example of this is Du Anyam (Box 3), a social enterprise producing and distributing gifts and merchandise made by women artisans in regional areas.





### Box 3. Crossover of creatives: How innovation can support traditional handicrafts

Indonesia has a rich culture and history. Traditional Indonesian CClCs are worth more than just the dollar value of trade; they tell Indonesia's story through its identity, history, values, and beliefs. Mass production, changing consumer demand and innovation have brought challenges for creative industries. For example, digital media has disrupted print media, handicrafts are often produced on-masse and more recently, artificial intelligence has begun to create original content, music and art. However, technological advancements have also brought opportunities to revitalise traditional industries, allowing them to reach more and new consumers worldwide. An example of this is Du Anyam.

Founded in 2014, Du Anyam works with women weavers in rural areas to build their economic opportunities and promote Indonesian culture through producing high-quality handicrafts, such as wicker baskets, sandals, and home decor. These handicrafts are exported via an e-commerce platform to hotels and corporate clients across Australia, the United States and Europe (including a partnership with IKEA). Du Anyam's success has been recognised through multiple awards and achievements including the CECT Sustainability Award for best social enterprise in creative industry, and the B20 Sustainability 4.0 award. Cofounder Melia Winata has been listed on the Forbes 30 under 30 – Asia Social Entrepreneurs list.

In 2020, Du Anyam's challenges in working with crafters and enterprises that were not operating digitally led to the launch of Krealogi. Krealogi is a digital mobile supply chain platform aimed at helping Indonesian craftspeople improve their digital literacy and maximise business opportunities through using technology for supply chain optimisation, managing customer orders and inventory, etc. It helps Du Anyam to better share insights and successes and encourage the use of digital technologies.

Du Anyam is a great example of how small to medium traditional creative businesses can use digital innovation to grow and connect with new Australian markets and customers. This success can be scaled through industry level assistance in terms of:

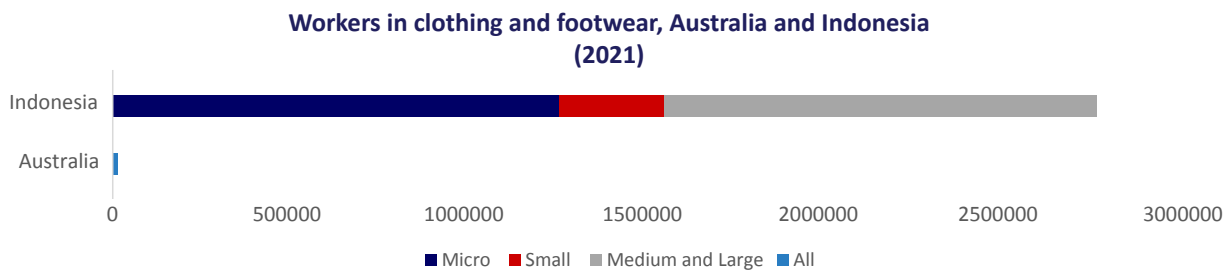
- **Skill and TVET development** – developing the digital and e-commerce skills of Indonesian traditional craftspeople and small and medium enterprises in traditional creative sectors, an area where Australian TVET providers can assist.
- **Coordinated networking** – connecting traditional creative businesses with successful Indonesian businesses and Australian business opportunities through networking events and online platforms.
- **Supply chain identification** – assisting Indonesian businesses to identify and develop opportunities with new Australian markets. One example could be meeting the growing

demand for sustainable and ethical products through creation of innovative and sustainable Indonesian textiles.

- **Online cultural showcases** – support for online cultural events targeted at an international audience, such as cultural or music events.

## Fashion

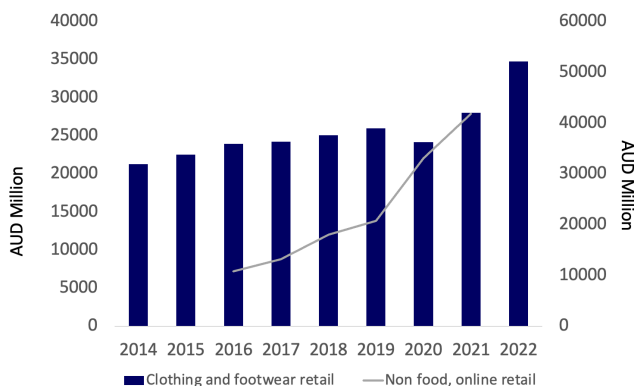
In Indonesia, micro businesses<sup>31</sup> make up just under 40 per cent of all fashion manufacturing roles. In Australia, the manufacture of clothing is a niche industry. This can be seen in the relative number of workers in the industry, with fashion manufacture in Australia employing a tiny fraction of those employed in Indonesia.



Source: Kemenparekraf/Baparekraf and BPS, ABS

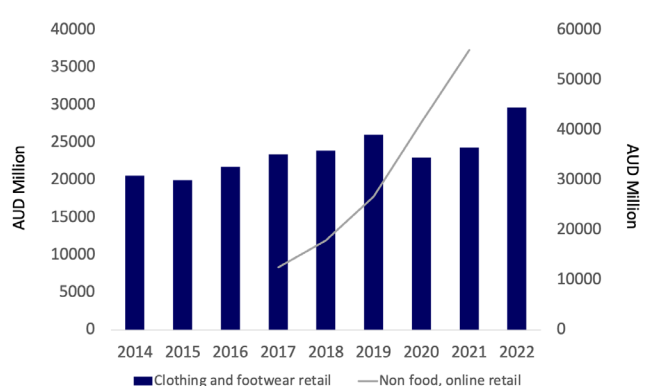
Between 2016 and 2022, Australian fashion retail turnover grew at around eight per cent per year, to AUD34 billion in 2022. The fashion industry is experiencing structural change as retail increasingly moves online (online retail in Indonesia is worth AUD10 billion<sup>32</sup>). Other emerging trends in consumer preferences – such as increasing demand for ethical and sustainable fashion – present great opportunities for inter-country collaboration.

**Clothing, footwear and personal accessories retail, Australia 2014-2022**



Source: ABS

**Clothing, footwear and personal accessories retail, Indonesia 2014-2022**



Source: Statistica

31 For example artisan tailoring businesses selling direct to local customers.

32 <https://ecommercedb.com/markets/id/fashion>

33 20-06\_9880\_Sustainability-in-CPR\_Final\_Web-1-2.pdf (cappgemini.com) 2022 sustainability consumer research: Sustainability and profitability | IBM



#### **Box 4. Making it sustainable: leveraging Indonesia's fashion advantage**

Growing concerns about climate change, sustainability, and the environment are impacting global consumer preferences. Consumers are changing their preferences, are willing to pay a premium for sustainable products, and are expecting more from companies in terms of sustainable and/or socially conscious products.<sup>33</sup> A 2020 nationally representative survey of 1000 Australians found that 9 out of 10 people are more likely to purchase products if they are ethical or sustainable. This trend opens a new area of growth for creative industries in sustainable textiles, as the fashion industry is a large contributor to global climate and waste challenges.

Australian manufacturers and fashion designers are building partnerships with Indonesian businesses and craftspeople to cater to these consumers. One example is RŪPAHAUS, an Australian-based ethical fashion company that collaborates with traditional local artisans in rural Indonesia to develop textiles, clothing and clay ware. As part of their supply chain, they ensure that all materials are environmentally responsible and sustainably sourced, including cotton manually farmed by local farmers in Sumatra, Java, and East Nusa Tenggara islands which are hand spun into weaving hanks and then distributed to traditional weavers.

Another example is Australian furniture house Reddie, who sources Indonesian materials and partners with Indonesian craftspeople to make design-led, ethically crafted, and sustainable furniture. Part of their Australia-Indonesian partnership includes a recent collaboration with Jakarta based start-up DJAMU which produces plastic yarn made from recycled materials (collected by the waste picker community in Jakarta) to create and sell an outdoor dining chair to the luxury and ethical segments of the Australian furniture market.

Many entrepreneurs are also taking inspiration from traditional creative industries in the development of more sustainable and ethical textiles. For example, textile label Sejauh Mata Memandang makes traditional Indonesian fabrics from recycled textiles sourced from both pre- and post- consumer waste.

MYCL, an innovative startup is producing eco-friendly vegan leather (Mylea™) made from mycelium, the root structure of mushrooms. Given that many small and medium Australian enterprises are increasingly producing fashion items from vegan and sustainable products and are looking to broaden their fabric offering and supply chain (for example, KYN, a Brisbane based handbag business producing ethical luxury vegan handbags), there is huge potential for collaboration between Australian designers and Indonesian producers of sustainable ethical textiles.

# What does this mean for governments and business?

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**Major opportunities exist to expand trade and investment between Indonesia and Australia's creative industries.** Whether exploring new ways to trade in traditional creative goods like textiles and handicrafts or tapping into the complementarities in rapidly expanding digital creative industries, there is great potential to broaden and deepen the economic partnership between Indonesia and Australia.

**For the governments of Australia and Indonesia, there is substantial room for industry support and promotion.** This includes:

- Coordinated networking events to connect Indonesian traditional creatives and producers of innovative new products (e.g., sustainable fabrics) with relevant Australian businesses.
- Promotion of intercountry digital work experience and remote digital skills exchange (particularly in digital creative industries)
- Continuing to create a business environment favourable to innovation in CCI's.
- Facilitation of online cultural showcases

**For business, there are tremendous opportunities for collaboration.** This includes:

- For Australian digital creative (including gaming) TVET providers, increasing their offering of tailored courses to Indonesia that: 1) develop the e-commerce skills of traditional craftspeople and; 2) help align the skills of the growing IT workforce with industry needs.
- For Australian gaming studios, making use of the large and cost-effective Indonesian IT workforce.
- For Australian fashion houses, utilising the unique and innovative sustainable fabrics produced by Indonesia.
- For all businesses, making CCI's more inclusive by actively encouraging and supporting the participation of women and people with disabilities. For example, the promotion of careers for women in gaming.

**Katalis can help you connect.** If you are an Indonesian or Australian business or TVET provider looking to enter the Australian or Indonesian market respectively, Katalis may be able to assist you.

For more information please visit: <https://iacepa-katalis.org/about-katalis/>

# Appendix A: What are creative industries?

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There is no universal definition of creative industries. While all human industry involves some creativity, creative industries can be conceptualised as industries where creativity is used to create economic value. A key distinction of creative industries is the focus on novel products or services that create intellectual property.<sup>34</sup>

There are many models and definitions of creative industries.<sup>35</sup> In 1998, the UK department for Digital, Culture Media and Sport (DCMS) introduced a definition that is a frequently referenced standard.<sup>36</sup> This was further nuanced by Nesta,<sup>37</sup> which developed a dynamic model of cultural and creative industries (CCIs)<sup>38</sup> that has been adapted to both the Australian and Indonesian contexts.

The Nesta model<sup>39</sup> assesses the level of creativity in occupational roles according to five criteria, to develop a list of *creative occupations*:

1. Novel process
2. Mechanistic resistant (i.e., specialised labour)
3. Non-repetitive or non-uniform function
4. Creative contribution to the value chain
5. Interpretation, not mere transformation

The *creative intensity* of an industry is then assessed, by reviewing the proportion of the workforce in that industry that is engaged in creative occupations. As the level of creative intensity in an industry can vary over time as technologies and business processes change, countries using this model will update their list of creative industries.

Many definitions of creative industries also distinguish between *cultural production* and *creative services*,<sup>40</sup> where cultural production refers to the creation of cultural goods and services – such as books, film, music or art – and creative services are those used in the production of goods and services, such as advertising, architecture or software development.

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34 [https://sgsep.com.au/assets/main/Valuing-Australias-Creative-Industries-Final-Report-December-2013\\_Email.pdf](https://sgsep.com.au/assets/main/Valuing-Australias-Creative-Industries-Final-Report-December-2013_Email.pdf)

35 For example, United Nations Conference on Trade and Development (UNCTAD) provides the following definitions: Creative goods: art crafts; audio-visuals; design; new media; performing arts; publishing; visual arts. Creative services: research and development licenses and services; software licenses and services; audio-visual licenses and services; information services; advertising, market research and architecture; cultural, recreational and heritages services. More detail at: [https://unctad.org/system/files/official-document/ditctsce2022d1\\_en.pdf](https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf)

36 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/203296/Classifying\\_and\\_Measuring\\_the\\_Creative\\_Industries\\_Consultation\\_Paper\\_April\\_2013-final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/203296/Classifying_and_Measuring_the_Creative_Industries_Consultation_Paper_April_2013-final.pdf)

37 [https://media.nesta.org.uk/documents/a\\_dynamic\\_mapping\\_of\\_the\\_creative\\_industries.pdf](https://media.nesta.org.uk/documents/a_dynamic_mapping_of_the_creative_industries.pdf)

38 Bakhshi et al., 2013; and Higgs & Lennon, 2014


39 [https://media.nesta.org.uk/documents/a\\_dynamic\\_mapping\\_of\\_the\\_creative\\_industries.pdf](https://media.nesta.org.uk/documents/a_dynamic_mapping_of_the_creative_industries.pdf)

40 For example, UNCTAD, Canberra University






*Katalis Market Insight*

# Creative Industries: Making the Case for Indonesia and Australia

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