

2012 Greater Victoria Arts And Culture Sector Economic Activity Study

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EXECUTIVE SUMMARY

This report documents a study of the economic activity of the Greater Victoria arts and culture sector in 2012 completed by Dr. Brock Smith of the Peter B. Gustavson School of Business at the University of Victoria at the request of the Victoria Foundation, the CRD Arts Development Service, and other arts and culture sector stakeholders.

The study uses an approach developed for the Ontario Arts Council by Infrometrica Limited for assessing the economic impact of arts organizations and cultural events and was adapted for the purpose of assessing the economic activity of the entire industry by including all industry expenditures. This approach was also used in a similar study of the Greater Victoria arts and culture sector in 2010.

Two measures are reported. *Total economic activity* is the economic activity related to all of the expenditures of part-time artists and hobbyists, full-time artists and arts businesses, and arts and culture organizations in Greater Victoria, regardless of where those expenditures took place, plus the pre and post expenditures of arts patrons attending performing arts events in Greater Victoria. *Local economic activity* captures the arts sector economic activity supported by expenditures made only in Greater Victoria, plus the pre and post expenditures of arts patrons attending performing arts events in Greater Victoria. It does not include expenditures made outside of Greater Victoria by Greater Victoria artists, arts businesses, and arts and culture organizations.

Data for the econometric modeling was generated by a Greater Victoria Arts And Culture Economic Activity Survey which was administered electronically from December 15, 2012 to February 26, 2013. Snowballing techniques generated usable responses from 32 individual part-time artists, 27 full-time artists or arts businesses, and 47 arts and culture organizations, many of whom took several hours to assemble the data. These participation results are superficially similar to those experienced in 2010 (26, 30, and 42 respondents, respectively), but the 2012 results reflect a different mix of participants than in 2010. The implications of this are discussed in the body of this report.

Study results combine a conservative extrapolation of this data to the Greater Victoria arts and culture sector as a whole with the results of an Arts-Culture Participant Survey, where 482 arts patrons were intercepted at performing arts events in December of 2012 and March of 2013 to provide data on their pre event, anticipated post event, and annual pre and post arts and culture event expenditures.

The *total economic activity* generated by the Greater Victoria arts and culture sector in 2012 was \$177 million in net income (GDP) activity, supporting the equivalent of more than 4,347 person years of employment, and almost \$17 million in property tax revenue (Table 1). This compares to the 2010 results of \$170 million in net income (GDP) activity, 5,400 person years of

employment, and \$21 million in property tax revenue. The lower person years of employment and property tax revenue figures in 2012 reflect a different mix of arts and culture respondents, where there were more single proprietor arts businesses represented and fewer mid-sized arts organizations represented in 2012. Of the \$177 million in net income (GDP) activity, \$68 million is attributable to the pre and post event spending of performing arts patrons in Greater Victoria.

The *local economic activity* generated by the Greater Victoria arts and culture sector in 2012 was almost \$140 million in net income (GDP) activity, supporting the equivalent of more than 3,640 person years of employment, and \$14 million in property tax revenue (Table 1). This compares to the 2010 results of \$126 Million in net income (GDP) activity, 4,600 person years of employment, and almost \$18 million in property tax revenue.

These figures should be interpreted as general economic activity supported by the direct spending, indirect spending (multiplier effects), and induced spending (subsequent spending by arts and culture sector employees and contractors), not specific income levels, jobs, or tax revenues.

Table 1

Greater Victoria Arts Sector Economic Activity		2012	
With Performing Arts Patron Pre/Post Activity Spending And Expenditures Extrapolated from the Sample to Greater Victoria			
	Total Arts Sector Economic Activity*	Local Arts Sector Economic Activity**	
Net Income Activity (GDP)	\$177.3 Million	\$139.8 Million	
Net Employment Activity (Person Years)	4,347	3,640	
Net Property Tax Activity	\$16.8 Million	\$14.1 Million	
Note	* This is the total economic activity (in Greater Victoria and outside Greater Victoria) of Individuals, businesses, and organizations involved in the Greater Victoria arts and culture sector. ** Economic activity only in Greater Victoria. The lower Net Employment Activity and Net Property Tax Activity in 2012 compared to 2010 reflects a difference in the study participants in those two years. In 2012 respondents reported, on average, greater expenditures but fewer employees and contractors.		

SCOPE & OBJECTIVES

This report documents a study of the economic activity of the Greater Victoria arts and culture sector in 2012. The study was completed by Dr. Brock Smith of the Peter B. Gustavson School of Business at the University of Victoria at the request of the Victoria Foundation, the CRD Arts Development Service, and other arts and culture sector stakeholders.

The study uses an approach developed for the Ontario Arts Council by Informetrica Limited for assessing the economic impact of arts organizations and cultural events and was adapted for the purpose of assessing the economic activity of the entire industry by including all industry expenditures. The same methodology was used for the 2010 study of the economic activity of the Greater Victoria arts and culture sector.

The objective of the study is to identify and quantify the total contribution of the arts and culture sector to the local economy. Two measures are reported. Total economic activity is the economic activity related to all of the expenditures part-time artists and hobbyists, full-time artists and arts businesses, and arts and culture organizations in Greater Victoria, regardless of where those expenditures took place. This figure also includes the economic activity related to the pre and post event spending by patrons of performing arts events in Greater Victoria.

Local economic activity is the economic activity of all the same arts and culture sector participants but captures only the expenditures made in Greater Victoria, and not expenditures made by Greater Victoria artists, arts businesses, and arts and culture organizations outside of Greater Victoria. As such, this second measure is an indicator of the economic value of the arts and culture sector to the Greater Victoria economy.

Both of these measures include: direct expenditures (direct effects) made by the artists, arts businesses, and arts organizations; indirect effects that reflect the economic stimulus of subsequent “rounds” of spending in the local economy resulting from the direct spending (money spent on goods and services from local suppliers is used by those suppliers to purchase other goods and services, and so on in a multiplier effect); and induced effects, which capture the spending by employees and contractors of the artists, arts businesses, and arts organizations and by the owners and employees of indirectly involved businesses, which also stimulate the economy through successive rounds or multiplier effects.

The economic activity generated by the pre and post event spending of arts and culture patrons (ancillary spending) is also captured, and is reported both separately and in the economic activity totals.

The study does not assess economic impact, which would only capture expenditures supported by revenue generated from patrons outside of Greater Victoria. The study also does not assess social or cultural impacts, which in themselves are considerable, nor does it assess environmental impacts.

METHODOLOGY

Data for the econometric modeling was generated by a Greater Victoria Arts & Culture Economic Activity Survey which was administered electronically from December 15, 2012 to February 26, 2013. Participants were solicited with an original email and two reminder emails distributed via databases of the CRD Arts Development Service, ProArt Alliance, Tourism Victoria, the Greater Victoria Development Agency, and the Victoria Foundation, with requests for subsequent snowball forwarding of the emails to members of arts organizations.

The study also utilized some secondary sources, such as BC Statistics, for the needed inputs of average weekly wage, and property tax expenditure per full-time equivalent job in Greater Victoria.

Respondents were asked to self-identify as being in one of three groups: Part-time artists who are engaged in artistic or cultural activities which are not the main source of their family income; Full-time artists, arts businesses or commercial enterprises (for profit) who sell performing arts, visual arts, literary arts, heritage arts, media arts, or other arts related products, services, or experiences; or a manager in an arts and culture organization, group, association, institution, heritage centre, museum, or art gallery. Arts businesses respondents were generally full-time artists and visual arts businesses but also included rehearsal studios, music companies (bands and DJ's), and sound and lighting companies. Arts organizations ranged from small community arts councils and art clubs to larger organizations like the Art Gallery of Greater Victoria.

Economic data for the 2012 calendar year or 2012 fiscal year (depending on the type of organization) was provided by 32 part-time artists, 27 full-time artists or arts businesses, and 47 arts and culture organizations, many of whom took several hours to assemble the data and to whom we give considerable thanks. This report would not be possible without their effort and important contribution. All of these were usable responses. This compares to the 2010 figures of 43 part-time artists and hobbyists, 48 full-time artists or arts businesses, and 49 arts and culture organizations, of which 26, 30, and 42 responses, respectively, were usable.

Fewer performing arts businesses are represented in the 2012 sample than in 2010, resulting in a lower number of employees and contractors represented in this data (performing arts organizations tend to have a higher proportion of employees or contractors and wage expenditures as a proportion of revenues). Thus, while the overall expenditure figures are similar to 2010, resulting in similar industry GDP net income, projections of industry employment and property tax support are significantly lower in 2012 than in 2010. Because there were fewer arts business respondents in 2012 (27 vs 48), the ones that did respond are over-represented when extrapolating to the 315 arts businesses in the CRD arts database. Consequently, the extrapolated arts business figures are reduced by 40% (reflecting the sample size differences). This produced results similar to those in 2010 and results proportionally similar to the relative contributions of the arts businesses and arts and culture organizations to the total GDP activity in 2010.

Three sets of figures are presented in the report. The first scenario captures the economic activity of only the respondents who provided their economic data. The second scenario assumes that the respondents who provided their economic data are substantively similar to the respondents who did not, and provides the economic activity adjusted to the total number of respondents. The third scenario extrapolates the full sample findings to those of the Greater Victoria arts and culture sector by assuming that:

1) the 32 part-time artists or hobbyists in the sample are similar in their economic activity to an assumed 250 part-time artists or hobbyists in Greater Victoria (the actual number is likely much greater but there is currently no list or count of their numbers – the 2006 Statistics Canada census results indicate that 1.1% of the population of BC are engaged in an artistic occupation (higher in some parts of Greater Victoria) but this includes full-time and part-time artists not just part-time artists. The 250 figure was chosen so as not to extrapolate beyond 10 times the actual response figures).

2) the 27 full-time artists or arts businesses that provided economic data are similar in their economic activity to the 315 artists and arts businesses identified in the CRD Arts Development Service database, once the figures have been adjusted down 40% as explained above to account for respondent differences in 2012 relative to 2010.

3) that the 47 arts and culture organizations that responded represent 80% of the arts and culture organization economic activity, following the rationale that most of the largest arts and culture organizations participated in the study, and that the other 139 arts and culture organizations in the CRD Arts Development Service database contribute an additional 20% to the economic activity and impact in the region (following the 80:20 rule logic that the largest organizations likely contribute 80% of the economic activity). The extrapolated results are thought by the author to be a conservative measure of the economic activity of the arts and culture sector in Greater Victoria because the CRD Arts Development Service database does not capture all of the artists and arts businesses in Greater Victoria.

Other key inputs to economic analysis are: a) the weekly average earnings for local workers, b) the average property tax payments of workers in the local economy, and c) the size of the local population, which were determined or calculated from secondary sources (BC Statistics and Statistics Canada).

To calculate the economic activity effects of pre and post event expenditures by arts and culture patrons an arts and culture participant survey was implemented in December of 2012 and March of 2013. Four hundred and eighty-two (482) arts and culture patrons were randomly intercepted at seven venues chosen randomly from a list of all arts and culture events in Greater Victoria in the months of December and March. These included: the Royal Theatre, the Belfry Theatre, the Phoenix Theatre, Legacy Gallery, Norway House, McPherson Playhouse, and UVic's Farquahar Auditorium.

Participants were asked to report, on behalf of their household members attending the event, their pre event expenditures, an estimate of their post event expenditures, and the number of people in their household attending the event. They were also asked to report the number of free and paid arts and culture events they attended in the past year and their annual pre and post event expenditures. These expenditures included event related meals, transportation, accommodation (if visitors came to Victoria primarily for the event), and other event related shopping. On average, arts and culture patrons spent \$17.65 per person per event on pre and post event expenditures in 2012 (compared to \$15.43 in 2010). Because this figure relates to pre and post expenditures of mainly performing arts patrons (and some visual arts patrons), and to be conservative in the results, this figure was only used in conjunction with the number of patrons (customers) reported by arts businesses (and full-time artists) and arts organizations who reported that their main activity was in performing arts.

The pre and post event expenditures of part-time artists' patrons were not included in the economic analysis because of the administrative challenge of intercepting patrons at small events and activities.

RESULTS

The *total economic activity* generated by the Greater Victoria arts and culture sector in 2012 was \$177 million in net income (GDP) activity, supporting the equivalent of more than 4,347 person years of employment, and almost \$17 million in property tax revenue (Table 1). These are the rounded, extrapolated results (sample results extrapolated to the Greater Victoria arts and culture sector as a whole) and include the economic activity of the performing arts patrons. This compares to the 2010 results of \$170 million in net income (GDP) activity, 5,400 person years of employment, and \$21 million in property tax revenue. The lower person years of employment and property tax revenue figures in 2012 reflect a different mix of arts and culture respondents, where there were more single proprietor arts businesses represented and fewer mid-sized arts organizations represented in 2012.

Of these 2012 totals, the pre and post event spending by performing arts patrons generated \$68 million in net income (GDP) activity, supporting the equivalent of more than 1,669 person years of employment, and \$6.4 million in property tax revenue. The detailed results are summarized in Table 2. These are consistent with the 2010 results. While the economic modeling produces specific values, these should be recognized as approximations, and hence the rounded numbers are more appropriate for reporting purposes. Original respondent results are the economic activity figures of the actual respondents. Adjusted to sample results are the results where the reporting of the original respondent is used as being representative of artists, arts businesses, and arts organizations who did not provide complete financial data in the original sample. The extrapolated results extend the adjusted sample results to the population of artists, arts businesses, and arts organizations in Greater Victoria, as described in the Methodology section of this report.

The *local economic activity* generated by the Greater Victoria arts and culture sector in 2012 was almost \$140 million in net income (GDP) activity, supporting the equivalent of more than 3,640 person years of employment, and \$14 million in property tax revenue (Table 1). This compares to the 2010 results of \$126 Million in net income (GDP) activity, 4,600 person years of employment, and almost \$18 million in property tax revenue. The employment and subsequent property tax revenue differences between 2012 and 2010 are a result of sample difference, as described in the Methodology section. The 2012 results likely underestimate these figures while the 2010 results likely overestimate these figures.

These figures should be interpreted as general economic activity supported by the direct spending, indirect spending (multiplier effects), and induced spending (subsequent spending by arts and culture sector employees and contractors), not specific income levels, jobs, or tax revenues.

The detailed results are summarized in Table 3.

Table 2: Greater Victoria Arts Sector: Total Economic Activity

2012 GREATER VICTORIA ARTS AND CULTURE SECTOR ECONOMIC ACTIVITY STUDY

Greater Victoria Arts Sector:				
Total Economic Activity*				
			2012	
	Original Respondents	Adjusted to Sample	Extrapolated to Greater Victoria	
Net Income Impact (GDP)				
From Arts-Culture Industry	\$48,734,779	\$52,400,098	\$108,943,424	
From Arts Patron Pre/Post Spending	\$23,526,259	\$24,264,900	\$68,402,306	
Total Net Income Impact (GDP)	\$72,261,038	\$76,664,998	\$177,345,730	
Net Employment Impact (Person Years)				
From Arts-Culture Industry	1072	1200	2679	
From Arts Patron Pre/Post Spending	574	592	1669	
Total Employment Impact (Person Years)	1646	1792	4347	
Net Property Tax Impact				
From Arts-Culture Industry	\$4,142,325	\$4,637,244	\$10,353,092	
From Arts Patron Pre/Post Spending	\$2,218,213	\$2,287,857	\$6,449,427	
Total Property Tax Impact	\$6,360,538	\$6,925,101	\$16,802,519	
* This is the total economic activity (in Greater Victoria and outside of Greater Victoria) for individuals, businesses, and organizations involved in the Greater Victoria arts and culture sector.				

Table 3: Greater Victoria Arts Sector: Local Economic Activity

Greater Victoria Arts Sector: Local Economic Activity*			
			2012
	Original Respondents	Adjusted to Sample	Extrapolated to Greater Victoria
Net Income Impact (GDP)			
From Arts-Culture Industry	33,588,047	36,253,769	72,464,405
From Arts Patron Pre/Post Spending	23,526,259	24,264,900	68,402,306
Total Net Income Impact (GDP)	57,114,305	60,518,669	140,866,711
Net Employment Impact (Person Years)			
From Arts-Culture Industry	768	875	1972
From Arts Patron Pre/Post Spending	574	592	1669
Total Employment Impact (Person Years)	1341	1467	3640
Net Property Tax Impact			
From Arts-Culture Industry	\$2,966,430	\$3,383,011	\$7,620,995
From Arts Patron Pre/Post Spending	\$2,218,213	\$2,287,857	\$6,449,427
Total Property Tax Impact	\$5,184,643	\$5,670,868	\$14,070,422
* This is the economic activity in Greater Victoria only, of the individuals, businesses, and organizations involved in the Greater Victoria arts and culture sector.			

Table 4: Extrapolated Economic Activity of Individual Part-Time Artists

Individual Part-Time Artists			
Extrapolated to an assumed 250 part-time artists			
	Direct & Indirect Effect	Induced Effect	Total Impact
Total Economic Activity			
Net Income Impact GDP)	\$826,732	\$851,534	\$1,678,266
Net Employment Impact (Person Years)	17	21	38
Net Tax Impact (Property Taxes)	\$66,028	\$80,288	\$146,316
Local Economic Activity			
Net Income Impact GDP)	\$596,883	\$614,790	\$1,211,673
Net Employment Impact (Person Years)	11	15	26
Net Property Tax Impact	\$43,821	\$57,966	\$101,787

Table 5: Extrapolated Economic Activity of Full-Time Artists and Arts Businesses

Arts Businesses & Full Time Artists			
Extrapolated to 60% of 315 Arts Businesses in CRD Data Base Arts Patron Data Not Included			
	Direct & Indirect Effect	Induced Effect	Total Impact
Total Economic Activity			
Net Income Impact GDP)	\$26,548,588	\$27,345,045	\$53,893,633
Net Employment Impact (Person Years)	790	667	1457
Net Tax Impact (Property Taxes)	\$3,053,261	\$2,578,274	\$5,631,535
Local Economic Activity			
Net Income Impact GDP)	\$16,607,802	\$17,106,036	\$33,713,838
Net Employment Impact (Person Years)	668	417	1085
Net Property Tax Impact	\$2,581,371	\$1,612,872	\$4,194,242

