

**Assessment of Economic Impact of the  
Arts in Ireland**

*Arts and Culture Scoping Research Project*

**Submitted to**

**The Arts Council**

**By**

**Indecon International Economic Consultants**

**Indecon**

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**November 2009**

# 1 Executive Summary

## **Introduction and Background**

This report is submitted to the Arts Council by Indecon International Economic Consultants and concerns an independent evaluation of the economic impact of the arts in Ireland. The background to the study is the Arts Council's wish to establish a rigorous and credible evidence-based assessment of the economic impact of the arts as an input to policy. While the economic consequences are not and should not be the main rationale for support of the arts, an understanding of the economic impacts is an important component of the value of the arts. This report presents an independent economic evaluation of the arts in Ireland with a particular focus on:

- Job creation and employment;
- Economic benefit of the arts;
- The impact of arts investment on cultural tourism
- The relationship between the arts and the creative industries and their significance for the smart economy; and
- The contribution of the arts in re-building Ireland's international reputation.

The analysis in this report presents a detailed review of the economic impact of the arts on the Irish economy. The key highlights from our assessment are summarised in the following table.

Summary of Economic Impact of Arts and Cultural Sectors

Economic Impact of Arts Council Funding Recipients	
<b>Turnover</b>	€192mn
<b>Expenditure</b>	
<i>Direct expenditure</i>	€187.4mn
<i>Total expenditure impact</i>	€240.8mn
<b>Employment</b>	
<i>Direct employment</i>	2,042 jobs
<i>Total employment</i>	3,034 jobs
<b>Tax Revenue</b>	€53.7mn
Economic Impact of Wider Arts Sector	
<b>Gross Value Added</b>	€782mn
<b>Expenditure</b>	
<i>Direct expenditure</i>	€1,390mn
<i>Total expenditure impact</i>	€1,779mn
<b>Employment</b>	
<i>Direct employment</i>	16,689 jobs
<i>Total employment</i>	26,519 jobs
<b>Tax Revenue</b>	€382mn
Economic Impact of Creative Industries	
<b>Gross Value Added</b>	€5,479mn
<b>Employment</b>	
<i>Direct employment</i>	60,855 jobs
<i>Total employment</i>	95,649 jobs

Overview of International Research and Policy Context

This evaluation included an examination by Indecon of international research on the impact of the arts and culture on economic activity as well as a review of the current EU and national policy context for investment in the arts.

### **Overview of International Research**

There is extensive research internationally concerning the role of the arts, cultural and related sectors for economic growth and development. Some of this work is of variable quality and some research studies have not been based on rigorous independent evidence. The key highlights from some of the more valid international studies are as follows:

- ❑ The European Commission study “The Economy of Culture in Europe” indicated that the cultural and creative sectors generated a turnover of more than €654bn, contributed 2.6% to the overall level of European GDP and grew at a faster pace than the overall European economy;
- ❑ The EU study also highlighted the fact that despite perception of the sector as “that of individual artists, heavily subsidised public organisations and a cottage industry that is destined to succumb when confronted with market realities”, it is as competitive as other industry sectors specifically in terms of profitability and productivity (The Economy of Culture in Europe, 2006, p.103);
- ❑ The latest UK Economic Statistics Bulletin for the Creative Industries indicates that the creative and cultural industries accounted for 6.4% of UK Gross Value Added (GVA), exported services of £16bn (equating to 4.3% of all goods and services exported) and supported employment totalled just under 2 million jobs. This comprised over 1.1 million jobs in the creative industries and over 800,000 further creative jobs within businesses outside these industries;
- ❑ Regarding the creative economy in Germany, recent research has highlighted the fact that the GVA achieved by the creative industries in Germany accounted for €58bn and account for approximately 2.6% of German GDP.

### **Policy Context**

As part of this assessment of the overall economic contribution of the arts in the Irish economy, it is instructive to review the current domestic and EU policy context as well as reviewing key international studies in the field. Regarding the overall policy context, the EU Cultural Programme highlights the role of the cultural sector as both an employer and economic contributor in its own right but also as a driver of wider economic development. The Lisbon Strategy also highlights the importance of the cultural sectors in terms of growth and development. Irish government policy as outlined in the Arts Act of 2003 and through its funding of the Arts Council also promotes the arts in terms of their value and wider benefits.

### **Assessment of the Economic Impact of the Arts**

It has long been acknowledged that the arts and cultural activities make a significant contribution to the quality of life and societal cohesion. In recent years, there is recognition that the arts and cultural sectors are also contributors to economic activity. However, there is a danger that spurious exaggerated claims for the economic contribution of the arts which are not based on evidence could undermine the real contribution of the sector. As part of this study we have independently assessed the overall impact of the arts on the Irish economy. Our analysis indicates that while some estimates of the economic impact of elements of the arts sector or low quality economic studies of particular organisations have overestimated the contribution, the new evidence in this report suggests that the arts are a significant economic sector and their economic impact may be larger than generally perceived by economists and policymakers.

Our focus has been on a number of key economic variables including expenditure, gross value added (GVA), employment and tax revenue. Our assessment considers three economic sectors and reviews the impact on the economy of each of these groupings. Firstly, we review the impact of Arts Council supported organisations on the wider economy and provide estimates of the total number of jobs that are supported by Arts Council funded organisations. Secondly, we review the economic impact of the wider arts sector, and thirdly we present statistics regarding the economic impact of the arts and related creative industries on the Irish economy.

### **Economic Impact of Arts Council Funding Recipients**

The Arts Council provides support to many organisations and individuals across the art forms. This financial support has an economic impact in the wider economy, supporting not only the directly funded organisations and individuals but also businesses and jobs in other sectors.

#### ***Turnover/Revenue Impact***

Income earned and turnover of Arts Council supported organisations has an impact on the economy in terms of their ability to purchase goods and services, support employment and continue programmes of investment. The main findings regarding turnover of Arts Council supported organisations are as follows:

- ❑ Total commitments from the Arts Council to individuals and organisations increased to €76m in 2008. The majority of commitments were made to organisations; this funding amounted to €66m in 2008 with the remainder being allocated to individual grant recipients;
- ❑ The total estimated turnover of Arts Council supported organisations for 2008 amounted to €192m;
- ❑ Overall, Arts Council funding represented approximately 40% of total revenue for supported organisations.

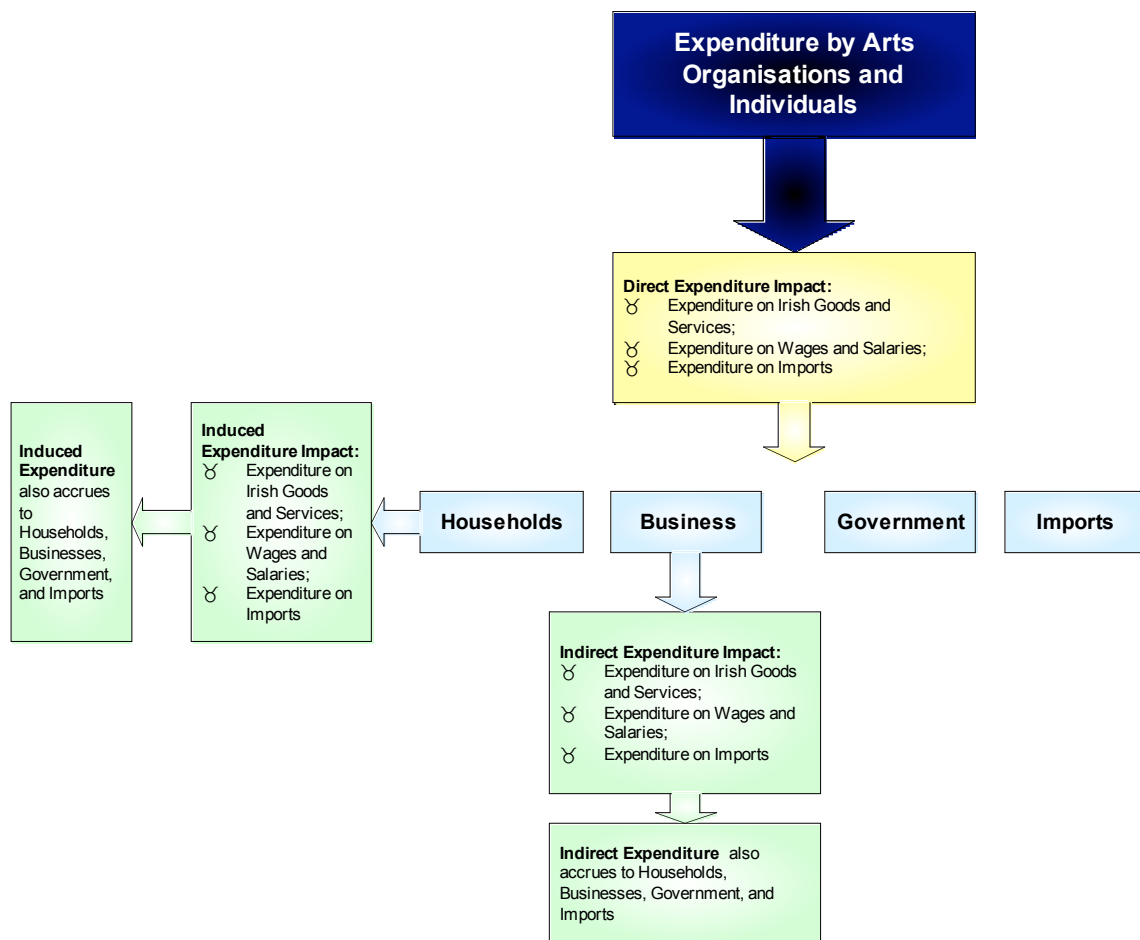
#### ***Expenditure Impact***

The expenditure of organisations and individuals supported by the Arts Council has an impact on the Irish economy. Of particular relevance are purchases of goods and services and expenditure on wages and salaries. These expenditures impact overall economic activity through a number of expenditure channels. These include the following:

- ❑ Direct effects; and
- ❑ Indirect and induced effects.

The figure below presents an overview of the linkages between initial expenditure and the various channels of economic activity.

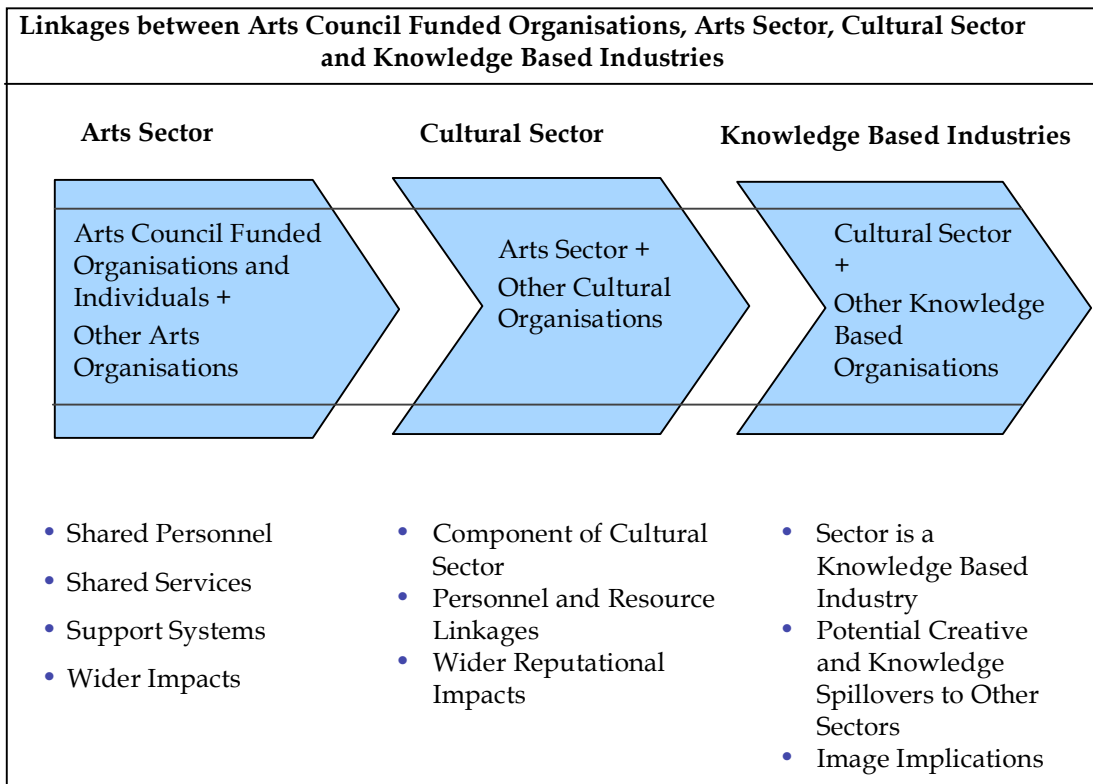
**Channels of Economic Impact of Expenditure on the Arts**



Source: Indecon

This diagram outlines how direct expenditures accrue to the main economic sectors in the economy, namely households, firms and the government. Some of the impact leaks out of the economy in the form of imports and we have taken this into account in our evaluation.

In the figure below we outline the linkages between Arts Council funded organisations, the arts and cultural sectors and knowledge based industries. Arts Council funded organisations are a component of the arts sector and in many cases share some personnel with wider arts sector. Funded organisations and individuals also share services and expertise with the wider sector and provide support systems for the sector. The cultural sector comprises a much wider group of activities, of which the arts sector is one component. There are, however, personnel and resource linkages between sub sectors within the cultural industry. The arts are also of importance in achieving wider reputational benefits for the sector.



Source: Indecon

For our assessment of the impact of the arts, we begin by estimating the impact of the expenditure of Arts Council supported organisations and individuals on the Irish economy. The table overleaf presents the key highlights from our assessment.

**Economic Impact of Arts Council Supported Organisations and Individuals**

<b>Impact</b>	<b>2008 (€m)</b>
Expenditure by Supported Organisations: of which	<b>177.4</b>
<i>Wages and Salaries</i>	43.3
<i>Expenditure on Goods and Services</i>	65.4
<i>Other Expenditure</i>	68.6
Additional Impact of Individual Funding Recipients	<b>10.0</b>
<b>Total Direct Impact</b>	<b>187.4</b>
<i>Multiplier - Indirect and Induced effects</i>	0.28
<b>Total Indirect and Induced Impact</b>	<b>53.3</b>
<b>Direct, Indirect and Induced Impact of Expenditure</b>	<b>240.8</b>

Source: Indecon economic impact modelling results

The total direct impact of expenditure by Arts Council supported organisations is estimated to have been nearly €187.5m in 2008. Total indirect and induced impacts amounted €53.4m in 2008. The total impact of Arts Council supported organisations and individuals was €240.8m in 2008.

**Average and Aggregate Economic Impact of Arts Council Supported Organisations and Individuals**

<b>Impact</b>	<b>2008 (€m)</b>
<b>Direct, Indirect and Induced Impact of Expenditure</b>	<b>240.8</b>

Source: Indecon economic impact modelling results

### Employment

One of the important economic aspects of the arts in Ireland is the number of jobs that the sector supports within the economy. This is particularly salient in the current climate where there are significant employment losses taking place in key sectors such as construction, retailing, manufacturing and other services. Within this context, we review the employment provided in organisations that are supported by the Arts Council. The table below outlines total employment by art form.

#### Direct Employment for Arts Council Supported Organisations by Art form

	Employment
Literature	67
Venues including theatre and music venues	791
Arts Participation	21
Circus	11
Dance	77
Festivals	43
Film	35
Music	75
Opera	22
Theatre	468
Trad Arts	30
Visual Arts	63
Other Areas	57
50% of Awards to Individuals	282
<b>Total</b>	<b>2042</b>

Source: Indecon analysis of Arts Council internal data

Our estimates indicate that there were a total of 1,760 jobs in Arts Council supported organisations. These figures, however, do not include awards to individuals and in 2007, 564 individual artists were assisted under such schemes. However, in order to ensure that there is no double counting and to take account of part time employment, only 50% of this group are included in our estimates giving a total employment of 2,042. Using employment multipliers suggests that there are an additional 992 indirect and induced jobs supported by Arts Council organisations. If account is taken of wider induced employment, Arts Council supported organisations support 3,034 jobs in the Irish economy.

#### Direct, Indirect and Induced Employment for Arts Council Supported Organisations

Employment	
Direct Employment	2,042
Additional Indirect and Induced employment	992
<b>Total Direct, Indirect and Induced supported Employment</b>	<b>3,034</b>

Source: Indecon analysis

### Exchequer Impact

A consideration from a public policy viewpoint is the exchequer impact of expenditure by organisations and individuals active in the arts. The activities of arts organisations, similar to all other organisations, will generate revenues for the exchequer through a range of taxation channels. These channels include:

- Direct tax receipts from income earned such as PAYE/income tax payments on wages and salaries and PRSI payments on wages and salaries; and
- Indirect tax receipts such as VAT and excise duty payments.

For the purposes of this assessment, we have not included corporation tax due to the high number of organisations within the arts and related sectors which are operated on a not-for-profit basis. We believe this is a reasonable and prudent assumption to make within this context. Below we present estimates of the total exchequer benefit of Arts Council funded organisations and individuals, but it should be recognised that deadweight and displacement impacts apply to the arts sector as to all other forms of economic activity.<sup>1</sup>

#### Overview of Total Tax Take from Arts Council Assisted Organisations

	2008
Total Direct Tax Take	10.4
Indirect Tax Take	43.3
<b>Total Tax Take</b>	<b>53.7</b>

Source: Indecon modelling

They key highlights from our assessment are as follows:

- Our estimate of the total indirect tax revenue earned by the exchequer by Arts Council supported organisations and individuals amounted to €43.3m in 2008. The estimates take account of the fact that average income tax rates are a low percentage of total income;
- In our estimates we are assuming zero VAT on all revenues although this may underestimate the tax take in selected cases.
- Our estimate of the total tax revenue earned by the exchequer by Arts Council supported organisations and individuals amounted to €53.7m in 2008.

<sup>1</sup> 'Deadweight' in this case refers to the extent to which an outcome would have incurred without the activity, while 'displacement' refers to the likelihood of causing the displacement of other economic activity. See Gray, A. W., A Guide to Evaluation Methods. EU Structural Funds and Other Public Sector Initiatives. Published by Gill and Macmillan, 1995.

## Economic Impact of Wider Arts Sector

Having estimated the economic impact of Arts Council supported organisations and individuals, we also assess the contribution of the wider arts sector to the Irish economy. We consider both Arts Council funding recipients and others not funded directly by the Arts Council. Our analysis presents key economic impact variables including GVA, expenditure, employment, and exchequer revenue.

To derive figures for the wider arts sector it was necessary to define which sectors are included in the assessment. Following our review of international best practice and data availability, our estimates include the following in our definition of the wider arts sector:

- Arts Council funding recipients;
- Film and video;
- Literature and publishing;
- Library, archives, museums, and other cultural activities;
- Operation of arts facilities; and
- Artistic and literary creation and interpretation.

### Gross Value Added

Gross Value Added (GVA) is one of the most widely used and reported indicators of economic activity. It is defined as the difference between the value of goods and services produced for any given sector and the cost of intermediate inputs and consumption used in the production process. In other words, GVA is the difference between output and intermediate consumption or the difference between the value of goods and services produced and the cost of raw materials and other inputs. Gross domestic product or GDP is a related national measure of the total economy and is the sum of the value added of all sectors or all activities in the economy. As part of this study, we have derived an estimate for GVA for the wider arts sector and each of the constituent sub sectors as outlined above.

### Gross Value Added in the Wider Arts Sector - €m

Sector	€m
Arts Council supported organisations (excluding literature, film and venues)*	73
Film and Video	71
Literature and Publishing	437
Library, Archives, Museums, and other Cultural Activities	75
Arts Facilities including Theatres and Music Venues	60
Artistic and literary creation and interpretation	65
<b>Total Wider Arts Sector</b>	<b>782</b>

Source: Indecon analysis of CSO Annual Services Inquiry, Census of Industrial Production and Census of Population as well as internal Arts Council data

\*Arts Council supported organisations in literature film and venues are excluded from this estimate as they are included elsewhere in the figures and it is important to avoid double counting.

The key findings from our assessment are as follows:

- The total GVA of the wider arts sector to the national economy was estimated to be approximately €782m and the sector accounted for 0.5% of total national GVA;
- The largest sub-sector in terms of its contribution to arts GVA is publishing and literature of which accounted for €437m in 2006. Film and video contributed €71m in GVA, while libraries, archives, museums and other cultural activities contributed €75m; and
- Other sectors of significance include the operation of arts facilities, which contributed €60m in GVA, and artistic and literary creation and interpretation, which contributed €65m.

### Expenditure

Expenditure is an important variable in terms of the economic impact of an economic sector on the economy. We now present estimates for total expenditure for the wider arts sector. The expenditure of this sector impacts on the economy through the same channels as for Arts Council supported organisations; that is direct, indirect and induced expenditure impacts. Our estimates are presented in the table below.

#### Expenditure in the Wider Arts Sector - €m.

Sector	€m
Arts Council supported employment (excluding literature, film and venues)	113
Film and video	124
Literature and publishing	661
Library, archives, museums, and other cultural activities	213
Arts facilities including theatre and music venues	92
Artistic and literary creation and interpretation	186
<b>Total Direct Wider Arts Sector</b>	<b>1,390</b>
<b>Multiplier</b>	<b>1.28</b>
<b>Total Direct, Indirect, and Induced Impact</b>	<b>1,779</b>

Source: Indecon analysis of CSO Annual Services Inquiry, Census of Industrial Production and Census of Population as well as internal Arts Council data

Key highlights include:

- The total expenditure by the wider arts sector in the economy was estimated to be approximately €1.4bn in 2006. Total direct, indirect and induced expenditure amounted to nearly €1.8m;
- The largest sub-sector in terms of expenditure was publishing and literature which accounted for €661m in 2006. Film and video spent a total of €124m in 2006, while expenditure by libraries, archives, museums and other cultural activities amounted to €213m.

### Employment

We have estimated total employment supported in the wider arts sector and the associated sub-sectors. This is presented in the table below.

<b>Direct Employment in the Wider Arts Sector - Total number of jobs</b>	
<b>Sector</b>	<b>Number of Jobs</b>
Arts Council supported employment (excluding literature, film and venues)	1,149
Film and video	2,202
Literature and publishing	4,343
Library, archives, museums, and other cultural activities	3,884
Arts facilities including music and theatre venues	1,734
Artistic and literary creation and interpretation including music	3,377
<b>Total Wider Arts Sector</b>	<b>16,689</b>

*Source: Indecon analysis of CSO Annual Services Inquiry, Census of Industrial Production and Census of Population as well as internal Arts Council data*

Our estimate of the total number of jobs in the wider arts sector is 16,689. Using a multiplier value derived from our review of international best practice, we estimate the total number of indirect and induced jobs as 9,830. This brings the total number of jobs supported by the wider arts sector to 26,519.

### Direct, Indirect and Induced Employment in the Wider Arts Sector

<b>Total number of jobs</b>	
<b>Employment</b>	<b>Number of Jobs</b>
Direct employment	16,689
Indirect and Induced	9,830
<b>Direct, indirect and induced employment</b>	<b>26,519</b>

*Source: Indecon analysis of CSO Annual Services Inquiry, Census of Industrial Production and Census of Population as well as internal Arts Council data*

### Exchequer Contribution

As was the case for Arts Council supported organisations, we have developed estimates for the overall tax revenue earned by the exchequer from the wider Arts sector. This includes estimates of total direct and indirect tax. These are presented in the table below.

Overview of Total Tax Take from Wider Arts Sector	
Tax Component	(€m)
Direct tax take	61.8
Indirect tax take	320.2
<b>Total tax take</b>	<b>382.0</b>

Source: Indecon modelling

Our estimate of the total indirect tax revenue earned by the exchequer from the wider arts sector amounted to €382m in 2006. The direct Exchequer Revenue from the cultural and creative sectors is likely to be much higher, but estimation of this is outside the scope of this study.

### Economic Impact of Creative Industries

The final sector which we review in terms of its economic impact is that of the wider creative industries. These industries include many more activities than the traditional definition of the Arts. They have, in recent years, been seen internationally as drivers for economic growth and development. As was highlighted earlier, a recent EU study indicates that the creative industries accounted for 2.6% of EU GDP and were among the fastest growing and most innovative sectors over the period. These sectors may play a role in the future prosperity of the Irish economy as we shift to a more knowledge-based, services-oriented economic platform. There are various alternative definitions of creative industries including those used by KEA in their 2006 report on *The Economy of Culture in Europe* for the European Commission and the definition used determines the estimates of the economic and employment impact. While designing our template for the definition of the creative economy in Ireland we have, where feasible, followed the outline used in the UK and published in its annual *Creative Industries Economic Estimates Statistical Bulletin*<sup>2</sup>. We have therefore included the following sectors in our definition of the creative industries:

- Film and video
- Publishing
- Advertising
- Software
- Radio and television
- Other creative industries: of which
  - Library, archives, museums, and other cultural activities
  - Operation of arts facilities

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<sup>2</sup> Creative Industries Economic Estimates Statistical Bulletin (2009), Department of Culture, Media, and Sport.

- Artistic and literary creation and interpretation
- Other creative industries<sup>3</sup>

These sectors are broadly in line with the UK definition of the creative industries. For the above sectors and the overall creative industry as a whole, we present estimates of the key economic aggregates of GVA and employment.

### **Gross Value Added**

The table below outlines the total GVA for each sub-sector of the creative industries as well as our estimate of the total level of GVA for the Irish creative industry as a whole. Our estimate indicates that total GVA amounted to nearly €5.5bn, which was approximately 3.5% of the total economy in that year. The sub-sector with the highest contribution overall was software, at just over €3.3bn and 2.1% of the national economy-wide total. Other creative sectors therefore accounted for circa 1.4% of the total GVA in the economy. The publishing sector accounted for approximately €440m in GVA and the advertising sector accounted for just over €400m in GVA.

#### **Gross Value Added in the Creative Industries**

<b>Sector</b>	<b>€m</b>
Film and video	71
Publishing	437
Advertising	406
Software	3,317
Radio and television	347
Other creative industries: of which	902
<i>Library, archives, museums, and other cultural activities</i>	75
<i>Operation of arts facilities</i>	60
<i>Artistic and literary creation and interpretation</i>	65
<i>Other creative industries*</i>	701
<b>Total Creative Industries</b>	<b>5,479</b>

Source: Indecon analysis of CSO Annual Services Inquiry, Census of Industrial Production and Census of Population

\* This includes music and the visual and performing arts, arts and antiques, advertising and fashion design but excludes crafts and design. It was calculated using a scaling method from the UK Creative Industries data.

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<sup>3</sup> This includes music and the visual and performing arts, arts and antiques, advertising and fashion design but excludes crafts and design. It was calculated using a scaling method from the UK Creative Industries data.

### Employment

We now estimate the total gross number of indirect and induced jobs supported by the creative industries in the Irish economy. Total direct employment was, as outlined above, 60,855. The number of indirect and induced jobs supported was 34,794. This gives a total direct, indirect and induced employment total of 95,649 jobs supported by the Arts and creative industries as broadly defined.

<b>Employment in the Creative Industries - Total number of jobs</b>	
	<b>Number of Jobs</b>
Direct employment	60,855
<i>Multiplier</i>	1.6
Indirect and induced	34,794
<b>Direct, Indirect and Induced employment</b>	<b>95,649</b>

*Source: Indecon analysis of CSO Annual Services Inquiry, Census of Industrial Production and Census of Population as well as internal Arts Council data*

There are a number of aspects of employment in the creative industries that are significant and are of potential importance in terms of the development of the knowledge economy. These points are highlighted in the recent EG DG Education and Culture publication "The Economy of Culture in Europe". The report states that employment in these sectors has a number of characteristics including an inherent flexibility, project-based work and short periods of intense work. The sector is also characterised by small self employed businesses with higher levels of educational attainment.

The European Commission's report suggests that these characteristics may foreshadow tomorrow's jobs market: more flexible, project led and requiring mobility and high qualifications.

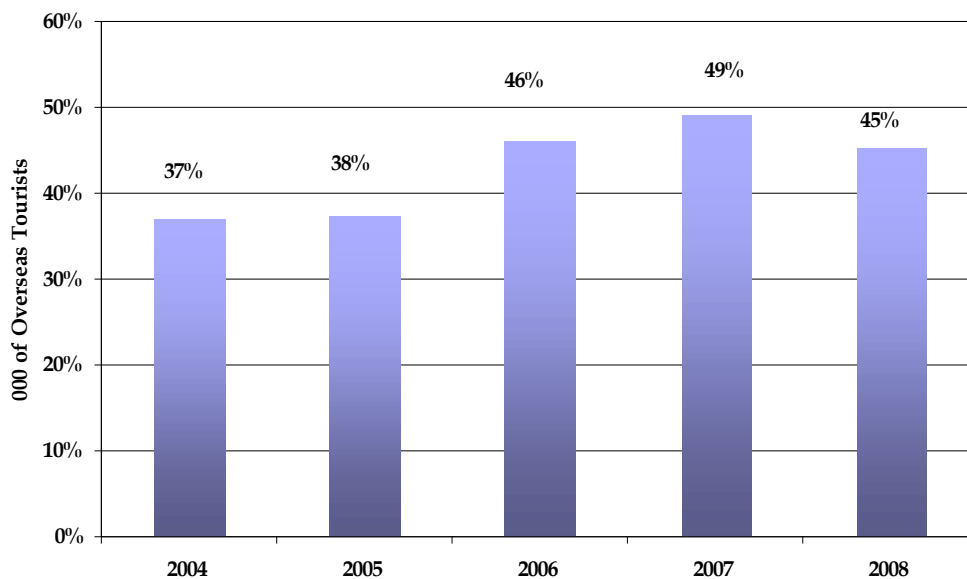
### The Arts and Cultural Tourism

Tourism is an important labour-intensive sector for the Irish economy both in terms of its regional dispersion and impact and also as a source of foreign exchange revenue earned from the spending of out of state visitors in the Irish domestic economy. Engaging in cultural activities and the attraction of our artistic and literary heritage are some of the motivations for tourists who come to Ireland. Ireland has a reputation as a nation with a deep cultural tradition and heritage, and a core part of this tradition comes from our linkages with the arts, from literature and music to theatre and dance. Within this context, we have reviewed the role played by the arts in contributing to cultural tourism in Ireland as well as reviewing in brief the overall cultural tourism sector. This linkage is one of the important vehicles by which the arts and cultural sector result in local as well as national benefits.

The key findings of our analysis are as follows:

- In 2008, approximately 3.3m overseas tourists visited places of historical/cultural interest in Ireland;
- The percentage of total overseas visitors who visited a cultural attraction or who took in a cultural/historical attraction was 47% on average over the period 2006 – 2008. This highlights the importance of cultural and historical attractions to overseas tourists in Ireland (see chart below);
- In terms of the origin of persons who participated in cultural/historical activity in 2007, the majority came from mainland Europe and Britain. There were also substantial numbers from the US. These tourists are an important source of foreign exchange revenue for the Irish economy.

#### Percentage of Total Overseas Visitors who visited a Cultural/Historical Attraction



Source: Fáilte Ireland Survey of Overseas Travellers and CSO Tourism and Travel data

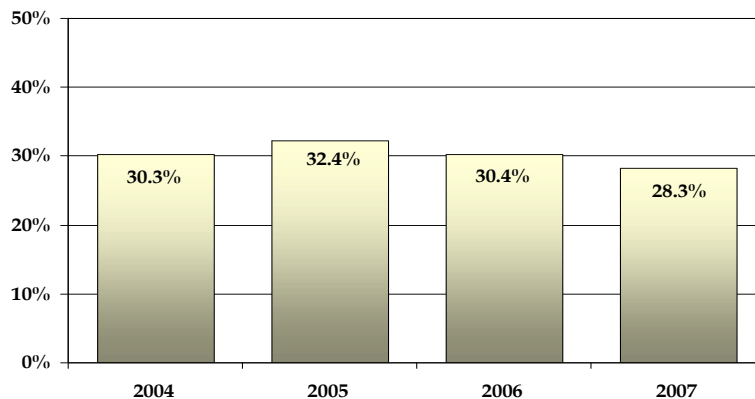
The role of the arts for cultural tourism was highlighted by the 2005 Task Force on Cultural Tourism, which defined the sector as including the following activities:

- Temporary and permanent shows in museums and galleries (contemporary or heritage);
- Arts festivals, summer schools and other arts shows and events;
- Live performing arts in theatres, arts centres, concert halls and other venues;
- Arts/crafts workshops and studios;
- Irish language and traditional arts schools, fleadh and feiseanna; and
- Archaeological and architectural heritage sites and monuments.

This definition of cultural tourism for Ireland specifically highlights the importance of the arts as a driver of success in this tourism market. As part of this study, we have reviewed available data concerning arts-related activities and cultural tourism. Key highlights from assessment of the impact of the arts on cultural tourism are as follows:

- The total number of tourists visiting museums and art galleries increased over the period from 1.72m in 2006 to 1.9m in 2008;
- The share of total visitors who visited art galleries or museums as part of their holiday package increased marginally over the period considered from 47% to 51%;
- In total, 392,000 persons attended festivals and events in 2006, 397,000 in 2007 and 343,000 in 2008;
- Visits to art facilities accounted for approximately 30% of total visitations to the top 10 attractions in the Fáilte Ireland listings in each year between 2004 and 2007.

**% of Total Visits to Top 10 Attractions Accounted for by Arts Facilities**



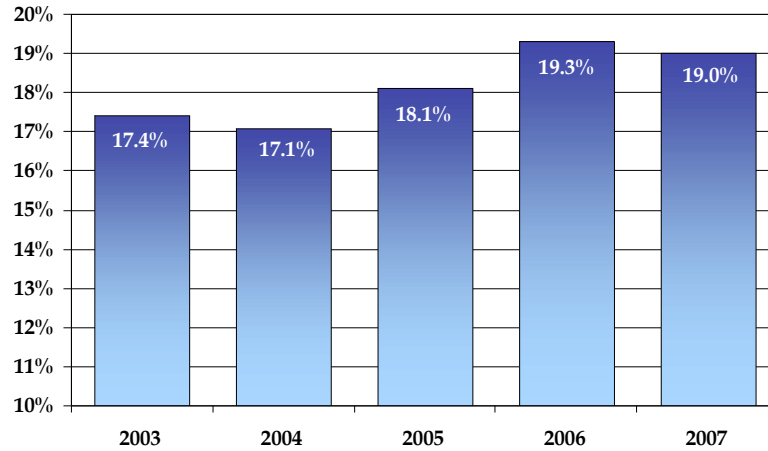
Source: Indecon analysis of Fáilte Ireland Visitor Attractions data

- Considering visits to all arts and related attractions as a percentage of all attractions in the Fáilte Ireland listing, we can see that these accounted for approximately 20% of visits in each year between 2002 and 2007.

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**% of Total Visits to Attractions Accounted for by Arts Facilities**

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Source: Indecon analysis of Fáilte Ireland Visitor Attractions data

A review of visitor attraction numbers reinforces the role of the Arts for cultural tourism in Ireland and points to the fact that the continued development of the tourism industry can be fostered in tandem with a focus on arts activities and facilities. This is also evident from recent survey work by Fáilte Ireland. The main findings were:

- When respondents were considered by origin, in all categories, traditional Irish culture is the most important of all themes. In regard to the arts, traditional Irish culture would include dance, Irish music and traditional Irish literature. Contemporary Irish culture, which includes art, architecture and music, is the second most important for visitors from Germany and the United Kingdom but not as important for Irish and visitors from France. It is the least important for the US.
- When survey respondents were considered by demographic group, in all categories, traditional Irish culture is either the second most important or most important of all themes. This is not to suggest that visiting cultural attractions represented the primary determinant of tourists' motivation for visiting Ireland.

Festivals are also an important source of both domestic and international attendance ranging from major festivals such as St. Patrick's Day to high attention music concerts and specialist events such as Fleadh Cheoil, Wexford Opera, Dublin International Film Festival, Cork Jazz Festival, Spraoi and numerous other regional and national events.

### **The Arts and the Smart Economy**

There has been significant focus in recent years on the importance of new knowledge-based service industries and many of these industries have been championed as the drivers of future economic growth. The future development and prosperity of the Irish economy hinges on a return to a sustainable export-led growth path. As part of this economic realignment, the continued development of internationally traded services is likely to be of importance. This will require a significant focus on innovation and on new high value-added industries such as ICT and biotechnology. A component of innovation-led growth is the creative capacity of the economy. This is outlined in current policy in the context of the development of the “*Smart Economy*”. The emphasis of the leveraging of the arts, cultural and creative sectors within the context of the Smart Economy vision relates to the impact of these activities on the workforce’s ability to innovate, adapt and create. The policy highlights the following key points:

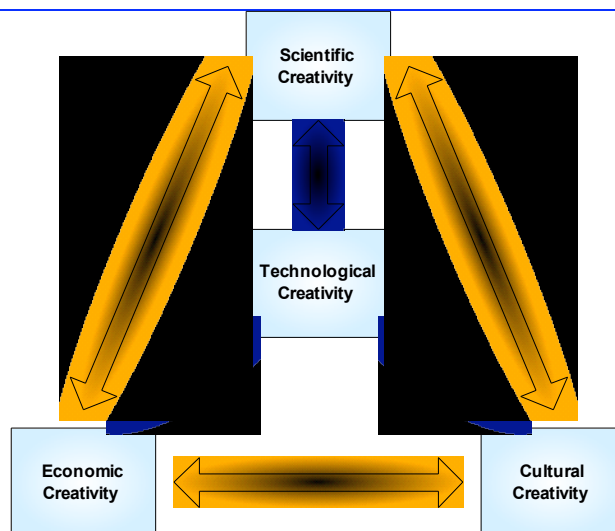
- The cultural and creative sector is one of the fastest growing in the world, driving the digital and knowledge economy and satiating enhanced consumer demand for creative content;
- The arts, cultural and creative industries are contributors both in terms of value added and also in terms of providers of employment; and
- The sector is one of the highest investors in research and development, especially in human capital.

It is clear that a strong knowledge-based economy must leverage the innovation and creativity of its workforce. Within this context, the arts have a potential role to play both in terms of their ability to stimulate creativity directly through the creative industries and their spillover impact on other economic sectors, although it is important not to overestimate the direct linkages.

#### *Culture, Creativity and Innovation*

To better understand the links between cultural and artistic activity and economic development and innovation, a diagram, from a report commissioned by EC DG Education and Culture, highlights the linkages between cultural and economic innovation and brings into focus their interdependence. In this context creativity is defined as “a process of interactions and spill-over effects between different innovation processes”, (EC DG Education and Culture).

### Linkages between Cultural and Economic Creativity



Source: EC DG Education and Culture, 2006, *The Economy of Culture in Europe*.

In tracing the impact of the Arts on economic creativity and technological development, the above diagram highlights the channels in which cultural activities may feed into economic and technological progress.

Most economists are agreed that innovation is a principal determinant of long-run economic performance and prosperity as well as a key influence on the functioning and performance of individuals and markets (NESTA, 2008). A recent policy document released by Forfás entitled “Innovation in Ireland” focused on the fact that innovation had traditionally been the remit of technological advances in the manufacturing industry. However, moving the focus of innovation policy to services can have particular advantage for Ireland. The creative industries are potential sources of innovation.

In addition to direct innovation from the artistic and creative industries, this sector has the potential to be a driver of innovation in the wider economy. Recent research in the UK has focused on the impact of the creative industries and the arts on driving innovation in the wider economy<sup>4</sup>. This research has highlighted the impact of the creative industries in driving knowledge spillovers. Spillovers imply that one firm’s productivity and innovation performance depend not only on its own attempts to innovate but also on the pool of knowledge produced by other firms (NESTA, 2008). This research highlights the role played by new ideas produced by people in R&D who use their creativity and knowledge to develop technologies and products. NESTA suggests that the arts and related activities can play a role in stimulating

<sup>4</sup> NESTA (2008), *Creating Innovation: Do the creative industries support innovation in the wider economy?* Research Report Series

original thought and creativity, which can act as a driver for innovation in the economy. Thus it is argued that the creative industries stimulate innovation in the wider economy in two specific ways:

- Forward supply chain linkages from the creative industries may support innovation in the wider economy by directly supplying artistic and creative inputs to the innovation process and by embodying transfers of knowledge and new ideas from creative technology;
- Purchases by the creative industries of intermediate goods and services produced in other industries (backward creative linkages) also provide another potential means for creative industries to support innovation in the wider economy.

This knowledge diffusion may be deliberate or through the fact that the creative firms actually require more innovative products themselves. Thus the research concludes that “firms’ purchases of creative inputs and sales to the creative industries allow them to access new resources, ideas, and knowledge which support innovation in their own business”. NESTA research highlights the potential role of the creative industries in driving innovation and suggests “that the creative industries may play a more important role in the UK’s ecology of innovation that has previously been recognised” (NESTA, 2008). Indecon’s view is that while it is difficult to measure the direct knowledge diffusion between the arts and cultural sectors and other parts of the knowledge economy, it is also clear that creative industries may play a role in national innovation.

### **The Arts and Ireland’s International Image**

Ireland is a small trading nation dependent on international trade to secure long term economic growth and prosperity. It is therefore imperative that our image and reputation abroad enhance our ability to foster trade linkages and encourage international investment. The current international difficulties, as well as readjustments in the domestic economy, have had a very severe impact on Ireland both in terms of reputation and economic activity. The National Economic and Social Council outline their views on the reasons for the current reputational challenges facing the country<sup>5</sup>. These include:

- ❑ The uncertainty about Ireland’s willingness to participate in major developments in the EU and its commitment to EU membership;
- ❑ The perception that Ireland’s public finances are vulnerable to default because of a combination of low growth, contingent liabilities to the banking system and the increasing ratio of debt to GDP.

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<sup>5</sup> NESCC, 2009, “Ireland’s Five Part Crisis: An Integrated National Response!”, [www.nesc.ie](http://www.nesc.ie)

The National Competitiveness Council also highlights the role of Ireland's reputation in restoring competitiveness<sup>6</sup>. They indicate the following actions that are required to help redevelop our international standing:

- ❑ Delivering on the key commitments contained in the Smart Economy agenda and the Supplementary Budget of April 2009 (which set out plans to restore the sustainability of the public finances);
- ❑ Enhancing the effectiveness of the regulatory environment. Regulatory failures both in Ireland and overseas highlight the need for effective, balanced and transparent regulation;
- ❑ Maintaining and strengthening our traditionally strong engagement with the EU is vital for the future success of Irish exporters and sustaining high levels of mobile foreign direct investment; and
- ❑ Continued emphasis on marketing Ireland overseas as an attractive location for investment, businesses and tourism will be necessary.

Within this context, the Arts may be able to play a role in helping to reaffirm and re-establish our international reputation both through its position in the cultural tourism sector and also in terms of bolstering our international standing.

Fanning (2009)<sup>7</sup> argues that Ireland's reputation as a literary nation with a rich cultural heritage has been maintained throughout the 20<sup>th</sup> century and it now represents an increasingly important national asset in relation to three of the most critical economic objectives facing the country, he emphasises the importance of a country's "brand" for the purposes of its economic enhancement and development. He notes the following main reasons for how a nation's brand image can impact on its economic performance:

- It can impact on performance through a nation's ability to attract overseas investment, as the overall impact of a country can play a role in the location decisions of international firms;
- The brand image can have an impact on a country's ability to attract overseas tourists; and
- The brand image can play a critical role in the development of export sales for domestic firms.

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<sup>6</sup> National Competitiveness Council, 2009, "Getting Fit Again: The Short Term Priority to Restore Competitiveness", [www.nesc.ie](http://www.nesc.ie)

<sup>7</sup> Fanning, John, Authors Private Research 2009

The IDA has leveraged Ireland's cultural and artistic heritage with a workforce-focused image of Ireland as a destination for direct investment going back to the very successful "Young Europeans" campaign in the early 1980s. In recent years, in the face of significant international competition and serious deterioration in Ireland's cost competitiveness, the IDA has sought to outline not only the educational quality of Ireland's workforce but its innate creativity and innovative culture. Fanning (2009) outlines the importance of their 2003 marketing campaign "Ireland: Knowledge is in Our Nature" which draws on our historical heritage as a bastion of knowledge on the west coast of Europe. IDA analysis suggests that:

Ireland has to compete differently not with labour surplus and low costs of ten years ago but with the brainpower skills and the creativity, flexibility and agility for which we have a well earned reputation. (IDA, 2003, p.81).

This focus may have linkages with the reputation for artistic activity and artistic and creative heritage.

#### **Acknowledgements and Disclaimer**

The completion of this report would not have been possible without the assistance and inputs provided by a number of organisations and individuals. We would like to acknowledge the support of Ivan O'Brien (Managing Director, O'Brien Press), Trish Hegarty (Inis Communications), John Kelly (Irish Chamber Orchestra) / and Michael Colgan, Gate Theatre. We would also like to particularly acknowledge the valuable inputs from the Arts Council personnel including Kevin Healy, Martin O'Sullivan and Seán Mac Cárthaigh. Thanks are also due to Pat Moylan, Maurice Foley, Aibhlín McCrann, Caroline Senior, Paul Johnson, John Crumlish, Mary Cloake, John Fanning and Jackie Gallagher. The usual disclaimer applies.

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