

**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

www.indecon.ie

November 2009

Contents

Page

1	Executive Summary	i
2	Introduction	1
2.1	Introduction	1
2.2	Terms of Reference	1
2.3	Overview of Methodological Approach	2
2.4	Structure of the Report	2
2.5	Acknowledgements and Disclaimer	3
3	Assessment of Economic Impact of the Arts	4
3.1	Introduction	4
3.2	Economic Impact of Arts Council Supported Organisations and Individuals	4
3.3	Economic Impact of Wider Arts Sector	27
3.4	Economic Impact of Creative Industries	35
3.5	Economic Impact in Focus – Case Studies of Selected Organisations	40
3.6	Conclusions	55
4	The Arts and Cultural Tourism	59
4.1	Introduction	59
4.2	Cultural Tourism in Ireland	59
4.3	Cultural Tourism and the Arts	65
4.4	Conclusions	78
5	The Arts and the Smart Economy	80
5.1	Introduction	80
5.2	Arts and the Creative Industries	80
5.3	Conclusions	86

Contents

Page

6 Ireland's Image and Reputation - The Role of the Arts	89
6.1 Current Reputational Challenges	89
6.2 The Arts and International Reputations	91
6.3 Conclusions	93
Annex 1 Policy Context and Economic Overview of Arts and Culture	96
Introduction	97
International Overview of Economic Impact of Arts and Culture	97
Current Policy Context	115
Summary of Key Findings	118

Tables & Figures

Page

Table 3-1: Total Turnover/Income for Arts Council Supported Organisations	6
Table 3-2: Overview of Turnover and Grant Aid by Art form	10
Table 3-3: Multipliers for Indecon Modelling	15
Table 3-4: Expenditure on Wages and Salaries by Arts Council Supported Organisations	16
Table 3-5: Expenditure on Goods and Services by Arts Council Supported Organisations	17
Table 3-6: Other Expenditure by Arts Council Supported Organisations	17
Table 3-7: Total Expenditure by Arts Council Supported Organisations	18
Table 3-8: Economic Impact of Arts Council Supported Organisations	18
Table 3-9: Economic Impact of Arts Council Supported Individuals	19
Table 3-10: Overall Economic Impact of Arts Council Supported Organisations and Individuals	20
Table 3-11: Direct Employment by Arts Council Supported Organisations	20
Table 3-12: Direct Employment for Arts Council Supported Organisations by Art form	21
Table 3-13: Indirect and Induced Employment for Arts Council Supported Organisations	23
Table 3-14: Direct, Indirect and Induced Employment for Arts Council Supported Organisations	23
Table 3-15: Overview of Effective Direct Tax Take from Arts	25
Table 3-16: Overview of Indirect Tax Take from Arts	26
Table 3-17: Application of VAT Rates for Events	26
Table 3-18: Overview of Indirect Tax Take from Arts	27
Table 3-19 - Gross Value Added in the Wider Arts Sector - €m	28

Tables & Figures

Page

Table 3-20: Expenditure in the Wider Arts Sector – €m.	29
Table 3-21: Expenditure in the Wider Arts Sector – €,000	30
Table 3-22: Employment in the Wider Arts Sector – Total number of jobs	31
Table 3-23: Employment in the Wider Arts Sector – Total number of jobs	31
Table 3-24: Overview of Effective Direct Tax Take from Arts – €m	32
Table 3-25: Overview of Indirect Tax Take from Arts	32
Table 3-26: Overview of Total Tax Take from Wider Arts Sector	33
Table 3-27: Capital Formation for Enterprises in Film and Video Activities – (2002 & 2006) – €m	34
Table 3-28: Capital Formation for Enterprises in Operation of Arts Facilities Sector – (2002 & 2006) – €m	34
Table 3-29: Capital Formation for Enterprises in Publishing – (2002 & 2006) – €m	35
Table 3-30: Gross Value Added in the Creative Industries – €,000	36
Table 3-31: Employment in the Creative Industries – Total number of jobs	38
Table 3-32: Employment in the Creative Industries – Total number of jobs	38
Table 3-33: Total Revenue at the Gate Theatre – €m	41
Table 3-34: Total Expenditure at the Gate Theatre – €m	42
Table 3-35: Audience Numbers at the Gate	43
Table 3-36: Total Revenue at the Earagail Arts Festival	46
Table 3-37: Employment at the Earagail Festival	46
Table 3-38: Audience Numbers at the Earagail Festival	47
Table 3-39: Overview of Genres in which The O’Brien Press is Active	47

Tables & Figures

Page

Table 3-40: Percentage of Total Revenue from Foreign Markets	50
Table 3-41: Product Innovation at The O'Brien Press	51
Table 3-42: Total Revenue at The ICO*	53
Table 3-43: Employment at The ICO	54
Table 3-44: Expenditure at The ICO	54
Table 3-45: No of Performances at The ICO	54
Table 3-46: Audience Numbers at The ICO	55
Table 4-1: Market Origin of Visitors Participating in Cultural/Historical Activity - % of Total	64
Table 4-2: Market Origin of Visitors Participating in Cultural/Historical Activity as Percentage of Total Visitors from Each Geographical Region - % of Total	64
Table 4-3: Top 10 Visitor Attractions into Ireland 2003 - 2007 - Number of Visits per Attraction	71
Table 4-4: Art Visitor Attractions 2003 - 2007 - Number of Visits per Attraction	73
Figure 2.1: Schematic Summary of Approach to Assessment	2
Figure 3.1: Total Commitments to Individuals and Organisation by Arts Council 2006 - 2008	5
Figure 3.2: Overview of Turnover/Income and Grant Aid of selected Arts Council Supported Organisations - 2006 - 2007	6
Figure 3.3 Income/Turnover by Category - 2007	7
Figure 3-4: Non-Arts Council Income/Turnover by Category - 2007	8
Figure 3.5: Arts Council Funding as a percentage of Total Turnover - 2006 & 2007	11

Tables & Figures

Page

Figure 3.6 - Overview of Main Economic Impacts of Expenditures for Supported Organisations and Individuals in the Arts Sector	12
Figure 3.7: Channels of Economic Impact of Expenditure	13
Figure 3.8 - Split of Revenue by Source at The Gate Theatre	41
Figure 3.9: Split of Expenditure by Source at the Gate Theatre	42
Figure 3.10: Employment at the Gate Theatre	43
Figure 3.11: Split of Revenue by Source at The O'Brien Press	48
Figure 3.12: Split of Expenditure by Source at The O'Brien Press	49
Figure 3.13: Employment at The O'Brien Press	50
Figure 4.1: Number of Overseas Tourists visiting places of Cultural or Historical Interest	60
Figure 4.2: Number of Overseas Tourists engaging in Cultural Pursuits	60
Figure 4.3: Percentage of Total Overseas Visitors who visited a Cultural/historical Attraction	61
Figure 4.4: Expenditure of Overseas Tourists visiting places of Cultural or Historical Interest	62
Figure 4.5: Expenditure of Overseas Tourists visiting places of Cultural or Historical Interest	63
Figure 4.6 Profile of Expenditure of Overseas Tourists visiting places of Cultural or Historical Interest - 2008	63
Figure 4.7: Overseas Tourists visiting Museums and Art Galleries	66
Figure 4.8: % of All Cultural/Historical Visitors that Attended a Museum or Gallery	67
Figure 4.9: Overseas Tourists attending Festivals and Events	68
Figure 4.10: Expenditure of Overseas Tourists visiting Museums and Art Galleries and attending Festivals and Events	69

Tables & Figures

Page

Figure 4.11: Profile of Expenditure of Overseas Tourists visiting Museums and Art Galleries and attending Festivals and Events - 2008	70
Figure 4.12: Overview of Tourist Satisfaction with Museums and Galleries - % of Holiday Makers	71
Figure 4.13: % of Total Visits to Top 10 Attractions Accounted for by Arts Facilities	72
Figure 4.14: % of Total Visits to Attractions Accounted for by Arts Facilities	74
Figure 4.15: Importance of Themes by Demographic Market	77
Figure 4.16: Importance of Themes by Country of Origin	78
Figure 5.1: Linkages between Cultural and Economic Creativity	83

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

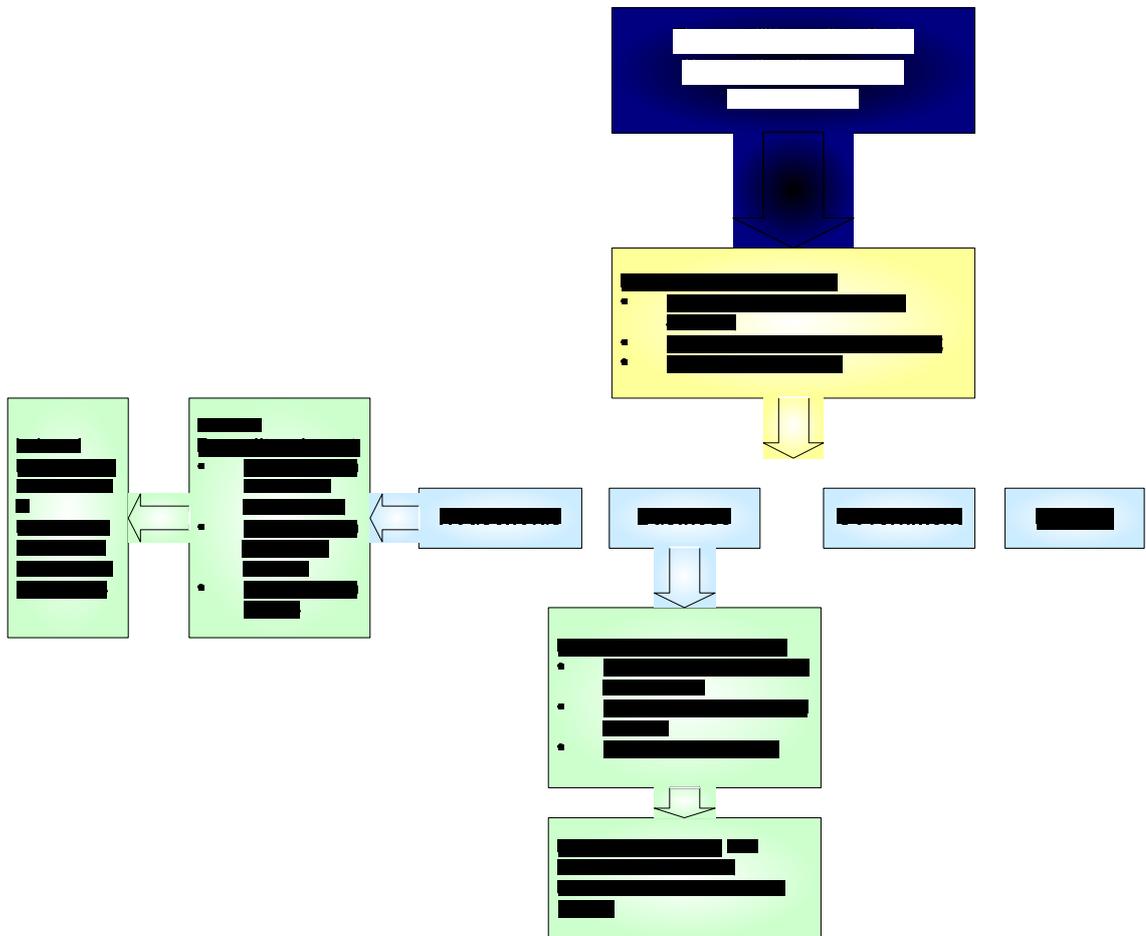
Expenditure Impact

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.

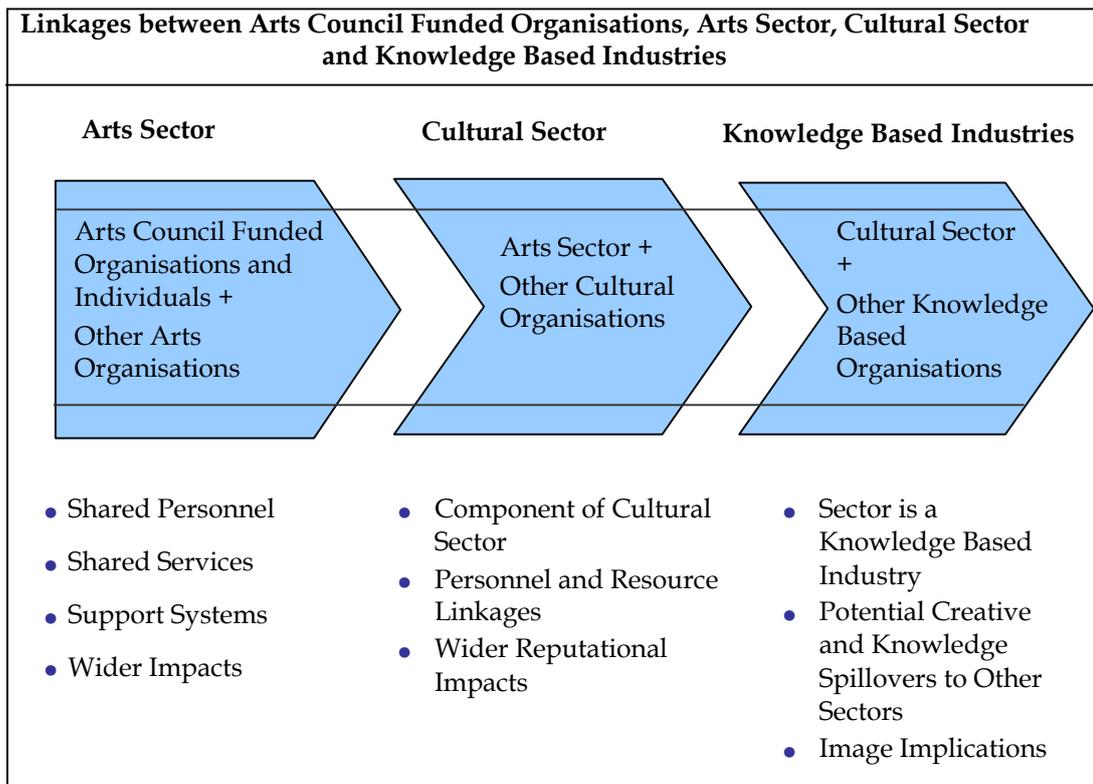
Channels of Economic Impact of Expenditure on the Arts



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

Impact	2008 (€m)
Expenditure by Supported Organisations: of which	177.4
<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	10.0
Total Direct Impact	187.4
<i>Multiplier - Indirect and Induced effects</i>	0.28
Total Indirect and Induced Impact	53.3
Direct, Indirect and Induced Impact of Expenditure	240.8

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

Impact	2008 (€m)
Direct, Indirect and Induced Impact of Expenditure	240.8

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
Total	2042

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
Total Direct, Indirect and Induced supported Employment	3,034

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.¹

Overview of Total Tax Take from Arts Council Assisted Organisations

	2008
Total Direct Tax Take	10.4
Indirect Tax Take	43.3
Total Tax Take	53.7

Source: Indecon modelling

The 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.

¹ '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
Total Wider Arts Sector	782

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

Executive Summary

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
Total Direct Wider Arts Sector	1,390
<i>Multiplier</i>	1.28
Total Direct, Indirect, and Induced Impact	1,779

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.

Direct Employment in the Wider Arts Sector - Total number of jobs	
Sector	Number of Jobs
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
Total Wider Arts Sector	16,689

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

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

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
Total tax take	382.0

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*². We have therefore included the following sectors in our definition of the creative industries:

- Film and video
- Publishing
- Advertising

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

- ❑ Software
- ❑ Radio and television
- ❑ Other creative industries: of which
 - Library, archives, museums, and other cultural activities
 - Operation of arts facilities
 - Artistic and literary creation and interpretation
 - Other creative industries³

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

Sector	€m
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
Total Creative Industries	5,479

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.

³ 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.

Employment in the Creative Industries - Total number of jobs

	Number of Jobs
Direct employment	60,855
<i>Multiplier</i>	1.6
Indirect and induced	34,794
Direct, Indirect and Induced employment	95,649

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.

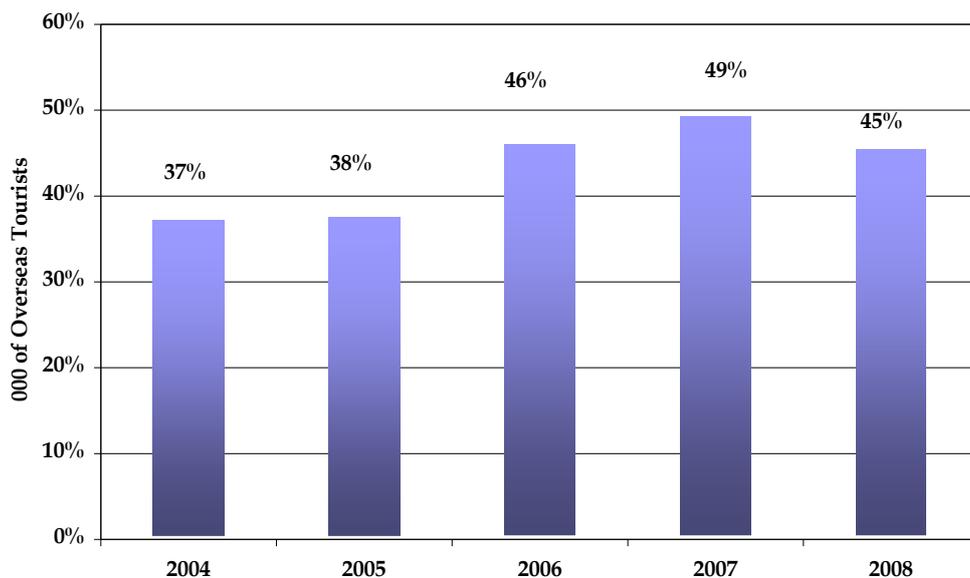
The Arts and Cultural Tourism

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

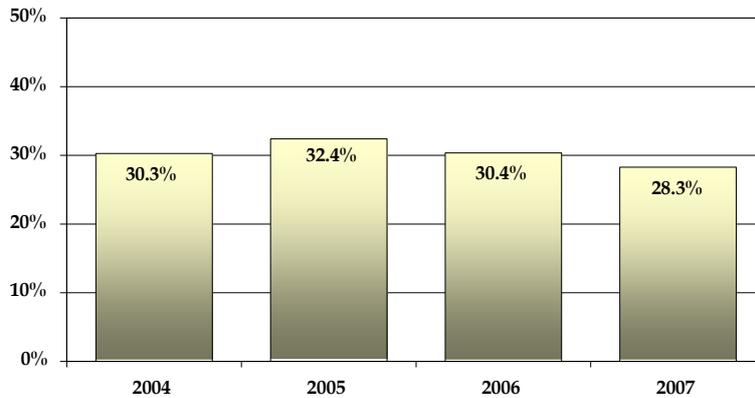
The role of the arts for cultural tourism was highlighted by the 2005 Task Force on Cultural Tourism, which defined the sector as including the following activities:

- 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.

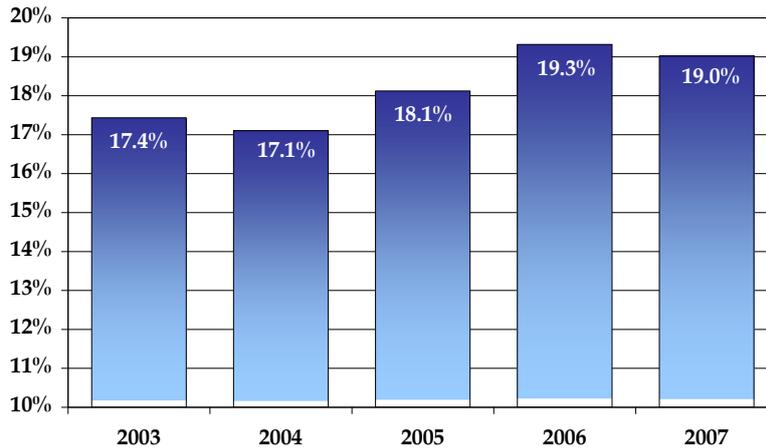
% of Total Visits to Top 10 Attractions Accounted for by Arts Facilities



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.

% of Total Visits to Attractions Accounted for by Arts Facilities



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:

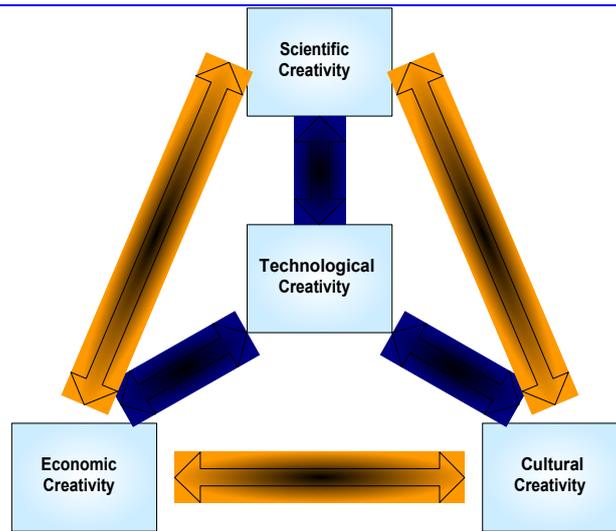
- The cultural and creative sector is one of the fastest growing in the world, driving the digital and knowledge economy and satiating enhanced consumer demand for creative content;
- The arts, cultural and creative industries are contributors both in terms of value added and also in terms of providers 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 economy⁴. 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

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

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 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 country⁵. 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.

⁵ NESCC, 2009, “Ireland’s Five Part Crisis: An Integrated National Response!”, www.nesc.ie

The National Competitiveness Council also highlights the role of Ireland's reputation in restoring competitiveness⁶. 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)⁷ argues that Ireland's reputation as a literary nation with a rich cultural heritage has been maintained throughout the 20th 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.

⁶ National Competitiveness Council, 2009, "Getting Fit Again: The Short Term Priority to Restore Competitiveness", www.nesc.ie

⁷ 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.

2 Introduction

2.1 Introduction

This report is submitted to the Arts Council by Indecon International Economic and concerns an independent assessment of the economic impact of the arts in the Irish economy.

2.2 Terms of Reference

The background to the study is the Arts Council's current strategic Partnership for the Arts 2006 - 2010, which has five main goals. The first is to affirm and promote the value of the arts in society. The Arts Council understands the value of the arts as resting on three main grounds. The first is the intrinsic value of the arts; the second is the social and community benefit of the arts; the third is the economic dividend that results from arts activity and from public investment in the arts. Accordingly the Council has decided to commission research in that field.

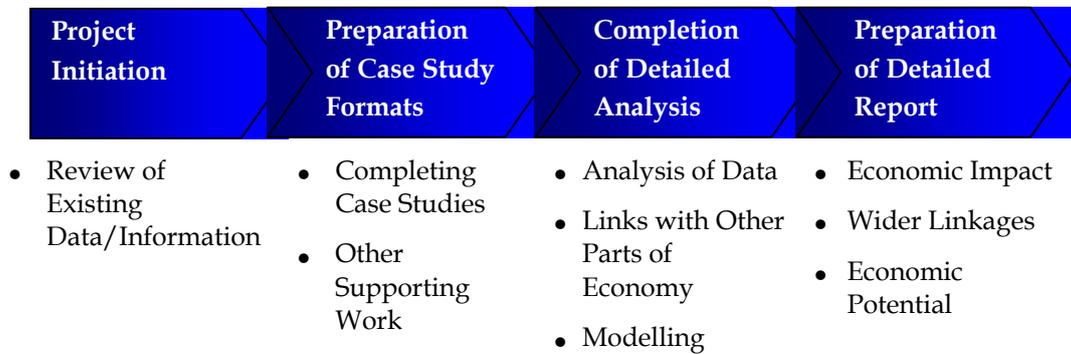
Six key areas considered in this report include the following:

1. Contribution to job creation:
2. National benefit of investing in the arts:
3. Local benefit of investing in the arts.
4. The relationship between the arts and the creative industries and their significance for the Smart Economy.
5. The impact of arts investment on cultural tourism.
6. The importance of the arts in re-building Ireland's international reputation.

2.3 Overview of Methodological Approach

The schematic below outlines Indecon's methodological approach to this assessment.

Figure 2.1: Schematic Summary of Approach to Assessment



Source: Indecon

2.4 Structure of the Report

The report is structured as follows. In Section 3 we present our assessment of the overall economic impact of the arts in Ireland. Section 4 highlights the role of the arts for cultural tourist activities. Section 5 considers the potential linkages between the arts and the Smart Economy and also emphasises the potential role of the arts as a method of fostering creativity and innovation in the wider economy. Section 6 analyses the role of the arts in Ireland's international image. In Annex 1 an analysis of the policy context and international research on the arts and culture sector is presented.

2.5 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, The 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

3 Assessment of Economic Impact of the Arts

3.1 Introduction

It has long been acknowledged that the arts and cultural activities make a contribution to the quality of life and social cohesion. In recent years, there is recognition that the arts and cultural sectors are also contributors to economic activity. In this section, we present our assessment of the overall impact of the arts on the Irish economy. We focus on a number of key economic variables including expenditure, gross value added (GVA), employment and tax revenue. Our assessment considers the expenditure impact of Arts Council supported organisations on the wider economy and also provides estimates of the total number of jobs that are supported directly in Arts Council funded organisations and indirectly through their interaction with the wider economy. We also derive new estimates of the total impact of the wider arts sector and the creative industries on the Irish economy.

3.2 Economic Impact of Arts Council Supported Organisations and Individuals

3.2.1 Introduction

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. In this section we assess the impact of the Arts Council funded organisations on the Irish economy.

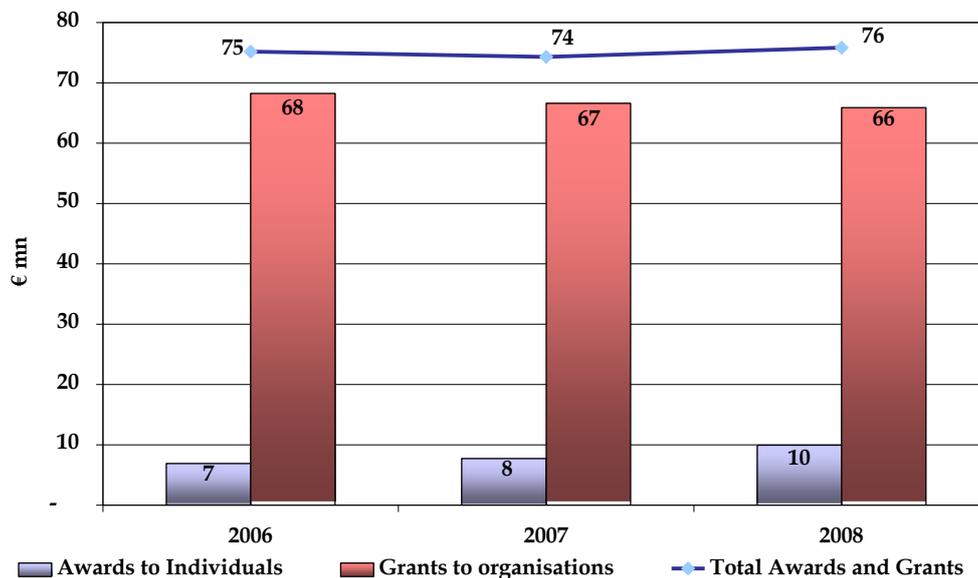
3.2.2 Turnover/Income

In assessing the economic impact of the arts in Ireland, we firstly consider the revenue/turnover accruing to organisations supported by the Arts Council.

Total Arts Council Commitments

To provide a context for our evaluation of the economic impact of Arts Council supported organisations, it is instructive to consider the overall size of the financial commitments made by the Arts Council. This is outlined in Figure 3.1 below.

Figure 3.1: Total Commitments to Individuals and Organisation by Arts Council 2006 - 2008



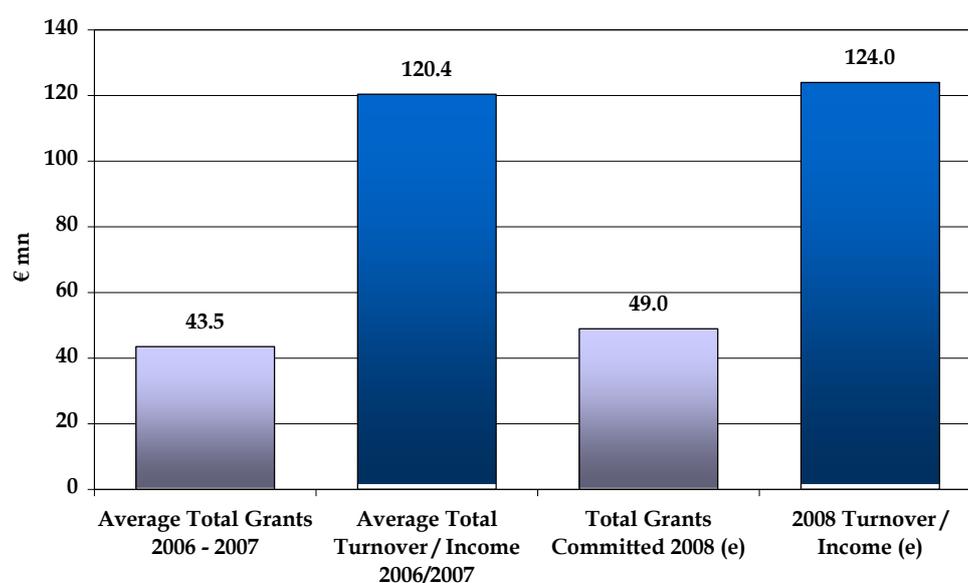
Source: Indecon analysis of Arts Council Internal Data

Total commitments from the Arts Council to individuals and organisations increased from €75m in 2006 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.

Turnover/Income of Supported Organisations

Figure 3.2 outlines the total grant income of a selected sample of organisations and the associated turnover of the same organisations for which data was available. We consider this data below but also use this to estimate total turnover for all Arts Council supported organisations. For statistical robustness, and due to sample differences, we have taken the average data for 2006 and 2007 and used this to extrapolate an estimated figure for 2008 data using national inflation statistics.

Figure 3.2: Overview of Turnover/Income and Grant Aid of selected Arts Council Supported Organisations - 2006 - 2007



Source: Indecon analysis of Arts Council Internal data

The total turnover of these selected organisations was circa €120m on average between 2006 and 2007, of which grant income was €43.5m. Our extrapolated estimate for 2008 was €124m in turnover/income with a total Arts Council grant of €49m.

Our methodology uses a scaling factor which is the ratio of total grant income committed by the Arts Council to the total grant income in the sample of organisations.

Table 3-1: Total Turnover/Income for Arts Council Supported Organisations

	Average Total Grants 2006 - 2007	Average Total Turnover/Income 2006/2007	Total Grants Committed 2008 (e)	2008 Turnover/Income (e)
Committed Grants to Selected Organisations	43.5	120.4	49.0	124.0
Scaling factor	1.5	1.5	1.5	1.5
Total Commitments and Turnover Estimates	67.4	186.5	75.8	192.0

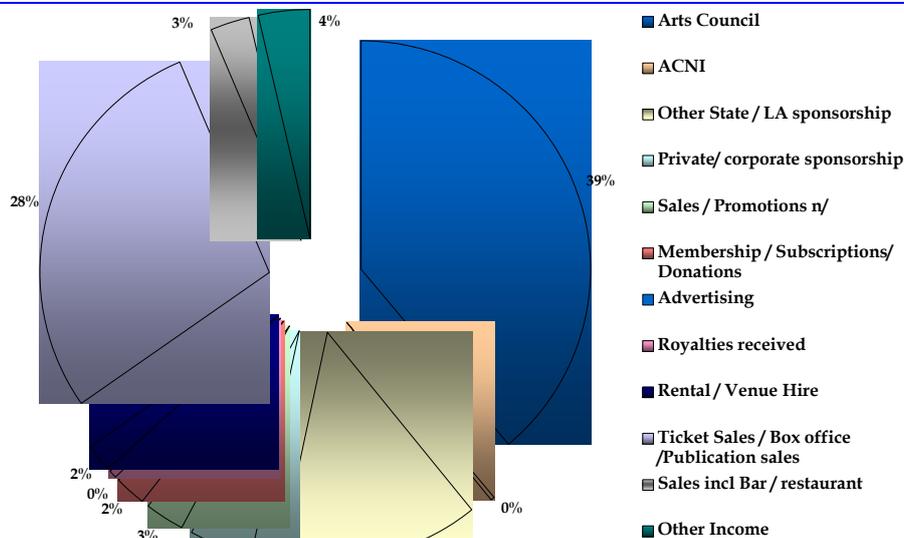
Source: Indecon analysis of Arts Council data

The total estimated turnover of all organisations was circa €186.5m on average between 2006 and 2007, of which grant income was €67.4m. Our extrapolated estimate for 2008 was €192m in turnover/income with a total Arts Council grant of €75.8m.

Breakdown of income/turnover by source

We now review the sources of income/turnover for the selected sample of Arts Council organisations for 2007 (See Figure 3.3). It can be seen that 39% of revenue came from Arts Council funding streams. The second highest category was ticket/box office/publication sales which accounted for 26% of total income.

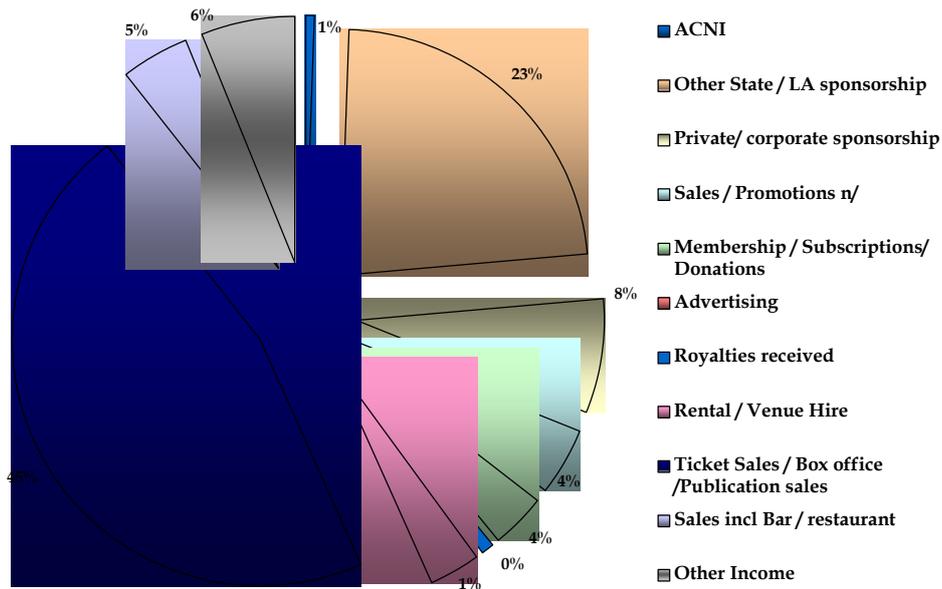
Figure 3.3 Income/Turnover by Category - 2007



Source: Indecon analysis of Arts Council Internal Data

It is instructive to consider the relative importance of these income streams if we exclude the Arts Council grants. This is outlined in Figure 3-4. As we noted before, the majority of other income came from either ticket/box office/publication sales (45% of non-Arts Council funding), while a further 23% of non-Arts Council funding came from other state or local authority support. Private/corporate sponsorship accounts for a further 8% of non-Arts Council funding.

Figure 3-4: Non-Arts Council Income/Turnover by Category - 2007



Source: Indecon analysis of Arts Council Internal data

Overview of turnover/grant aid by art-form

It is of interest to review the total commitments and income by art-form. This is outlined in Table 3-2. The art-form with the highest overall turnover is venues. The venues accounted for 30% of total reported turnover. The second highest art-form in terms of turnover was theatres, which accounted for 27% of total turnover. The festivals category was the next highest in terms of turnover, followed by music and film; these accounted for 7%, 6% and 6% of turnover respectively. Literature activity accounted for 6% of turnover and 4% of grants, and opera accounted for 5% of total turnover.

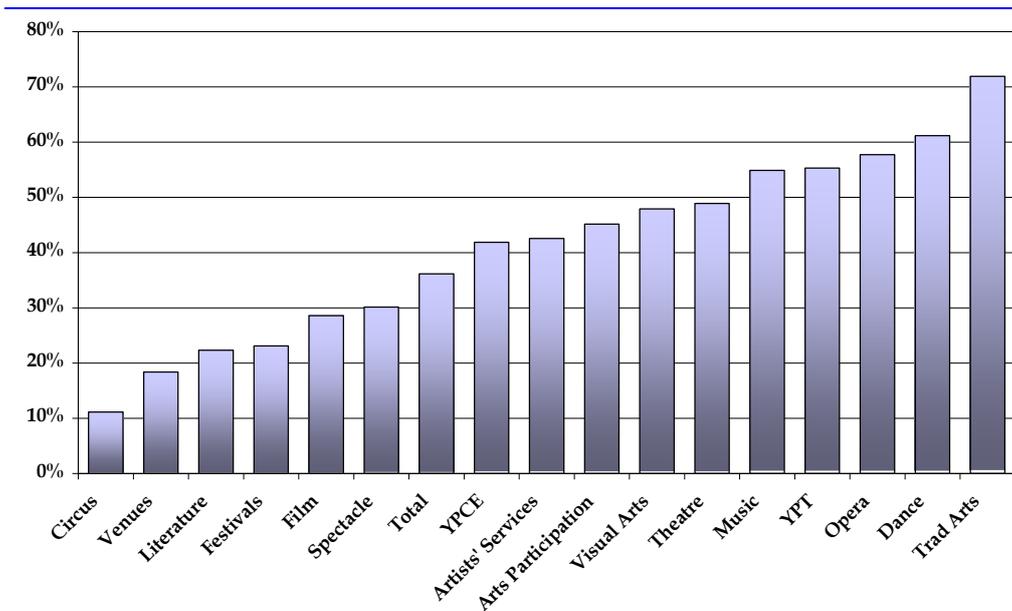
Table 3-2: Overview of Turnover and Grant Aid by Art form

	Average Grant 06/07	% of Total	Average Turnover 06/07	% of Total
Venues	6,691,353	15%	36,391,307	30%
Theatre	16,087,875	37%	32,891,115	27%
Festivals	2,035,766	5%	8,807,799	7%
Music	4,289,665	10%	7,814,468	6%
Film	1,998,646	5%	6,994,186	6%
Literature	1,559,700	4%	6,983,290	6%
Opera	3,361,031	8%	5,822,935	5%
Dance	2,939,294	7%	4,803,829	4%
Arts Participation	971,978	2%	2,151,965	2%
Visual Arts	946,383	2%	1,975,389	2%
Trad Arts	1,107,705	3%	1,540,385	1%
Spectacle	443,409	1%	1,471,640	1%
YPCE	510,760	1%	1,219,998	1%
Artists' Services	257,978	1%	606,162	1%
YPT	277,700	1%	501,988	0%
Circus	47,500	0%	426,200	0%
Total	43,526,739	100%	120,402,652	100%

Source: Indecon analysis of Arts Council data

It is also interesting to consider the percentage of total income accounted for by Arts Council grants for each art form. The art forms that are most dependent on the Arts Council grants are Traditional Arts (over 70% of funding comes from the Arts Council grants), dance, opera, YPT and music (all over 50%). The art forms with the lowest dependence on Arts Council grants are circus, venues (just under 20%), literature, festivals and film activities.

Figure 3.5: Arts Council Funding as a percentage of Total Turnover - 2006 & 2007

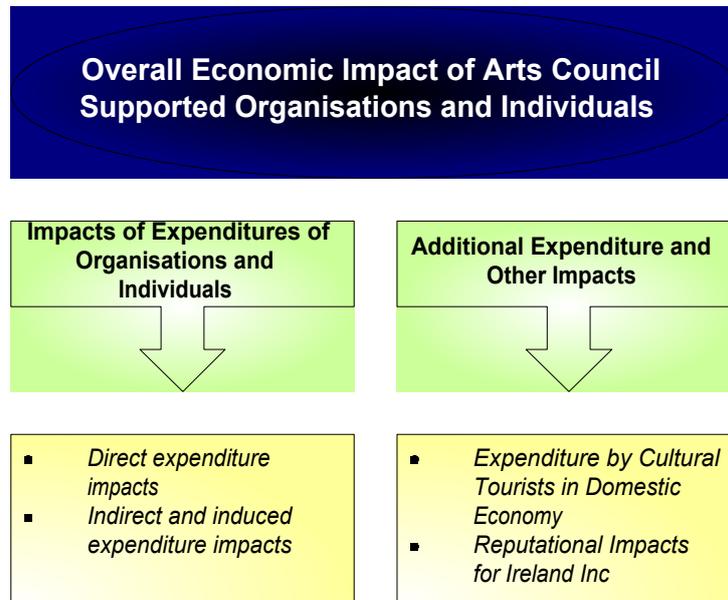


Source: Indecon analysis of Arts Council Internal Data

3.2.3 Expenditure

The overall impact of the Arts sector and related activities on the Irish economy can be directly related to the expenditure of the supported organisations and individuals on goods and services. The schematic below presents an overview of the main economic impacts of arts and related activities. These can be broken down into two main streams as outlined below; one relating to the expenditure impact of supported organisations and individuals and the second relating to audience expenditure, and expenditure by cultural tourists who come to Ireland and purchases arts and cultural goods and services.

Figure 3.6 - Overview of Main Economic Impacts of Expenditures for Supported Organisations and Individuals in the Arts Sector



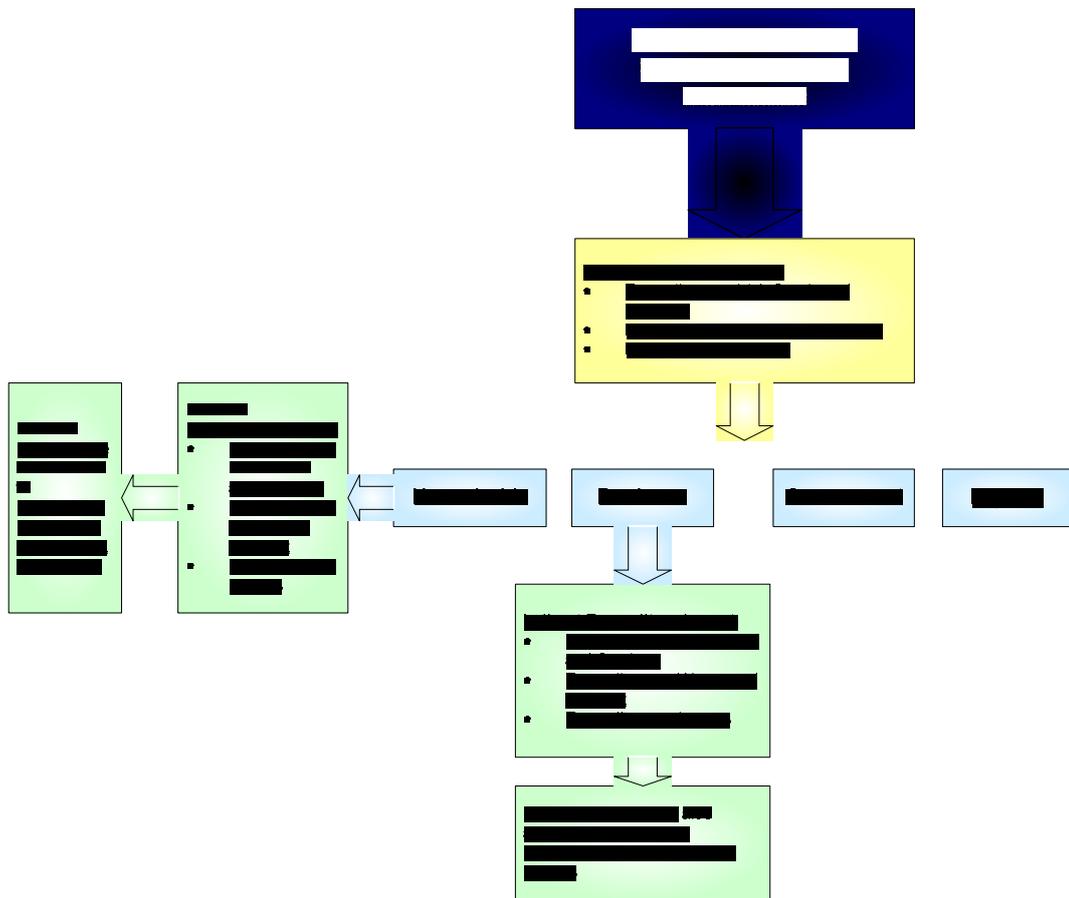
Source: Indecon

The expenditure of these organisations and individuals i.e. on the purchases of other goods and services or expenditure on wages and salaries, impacts on overall economic activity through a number of expenditure channels. These are as follows:

- Direct effects; and
- Indirect and induced effects.

Figure 3.7 presents an overview of the linkages between initial expenditure and the various channels of economic activity.

Figure 3.7: Channels of Economic Impact of Expenditure



Source: Indecon

Direct expenditure

Direct expenditure relates to the expenditure on goods and services of organisations and individuals active in arts and arts-related activities in Ireland. This expenditure accrues to households in the form of wages, businesses in the form of revenue and the government in the form of tax revenue and the remainder leaks out of the economy in the form of imports. These leakages are a net reduction in overall economic activity and are potentially significant given the size and relative openness of a small trading economy like Ireland's. These have been taken account of in our estimates of the economic impact of the arts.

Indirect and induced expenditure

Indirect expenditure occurs as the sector makes purchases of goods and services inputs, which, in turn, leads to iterations of expenditure which accrue to households, firms and the government in the form of wages, revenue and tax respectively. A portion of this expenditure also leaks out of the economy in the form of imports. The final expenditure node is that of induced expenditure. This relates to the spending of household income that comes about as a response of wages and salaries earned from the initial expenditure. This expenditure in turn accrues to households, businesses, and the government and some leaks out as imports. The overall economic impact of the arts on the Irish economy is that of direct, indirect and induced effects of expenditure.

Assessment of Economic Impacts of the Arts

To compute the overall economic impact of Arts Council supported organisations and individuals on the Irish economy, we apply a multiplier factor to the direct expenditure estimates to capture the indirect and induced impacts as outlined above. This multiplier is concerned with how national income changes as a result of a change in an injection in a given area of the economy⁸. The formula below outlines the calculation of a typical multiplier:

$$1/[1-(MPC)+MPM+MPT],$$

where MPC is the marginal propensity to consume, MPM is the marginal propensity to import and MPT is the marginal propensity to tax. This formula takes into consideration how additional expenditure will impact on national income given the consumption propensity of an additional leakage, and current tax structure and leakages through imports. It must be noted that there are significant difficulties and challenges with using a multiplier approach in terms the overall impact of a sector on the Irish economy. These concerns were highlighted by Durkan:

“It is commonplace that every sector contributes heavily to the economy - much more than its initial value added; that every sector is responsible for much greater employment than its own direct employment; that every sector is making a contribution to public revenue greater than the direct expenditure on the sector by the State, and so on. It is for these reasons that economic impact studies must be treated with caution. The fundamental weaknesses in these studies derive from the assumption that in the absence of the sector, those involved in the activity would be doing nothing. This is implausible. Economic impact studies also suffer from the attempts to estimate the net budgetary effects of public expenditure in the area.... State expenditure can be justified in relation to market failure. The issue is the extent of market failure and the degree to which it should be corrected; it is not a valid argument to determine State expenditure in terms of the net budgetary implications. If this were the case it would be sufficient to find that sector with the greatest net budgetary impact and concentrate Government expenditure in that area. Economic impact studies are concerned with estimating the linkages on the production side between a sector and other sectors in

⁸ Indecon, 2006, “Economic Impact of the State Commercial Seaports on the Irish Economy”.

the economy. All sectors exhibit these linkages to one degree or another.”⁹

When analysing the estimated overall impacts of the Arts Council supported organisations and individuals on the Irish economy, it must be cautioned that these estimates do not state that if these expenditures were to disappear from the economy, that total national income would be reduced by this amount. It is most likely that in the absence of the arts expenditures, the economic activity would at least in part shift to alternative products and services.

Selection of multiplier value

In calculating the above multiplier value to estimate the overall economic contribution of the Arts Council supported organisations, we draw on both national and international sources to inform our parameter value estimation. Similar studies for this sector internationally have used a multiplier value of 1.5 to compute the economic impact of the sector¹⁰. We believe, however, that some previous estimates of multiplier values have resulted in an overestimation of the impact of the arts in Ireland and have not fully taken account of the nature of a small open economy.

In this assessment, we have followed a prudent approach and have thus selected a multiplier value of 1.28 to determine the value of indirect and induced impacts. The value we use for the marginal propensity to consume is consistent with available evidence on the Irish economy. The marginal propensity to tax multiplier value corresponds to the addition of the average effective rate of tax levied on each additional euro of income from the revenue commission’s annual statistical report and the average indirect tax multiplier across all sectors from the CSO input output table. The import multiplier also draws on the CSO Input Output table and is the average import multiplier across all sectors.

Table 3-3: Multipliers for Indecon Modelling

Category	Multiplier Value
MPC	0.75
MPT	0.18
MPM	0.34
Multiplier Value	1.28

Source: Indecon

⁹ See *The Economics of the Arts in Ireland*, Durkan, J., 1994

¹⁰ Shellard, D., 2004, *Economic Impact Study of UK The Arts Council UK*. And Shellard, D., 2009, *An Economic Impact Study of the Abbey Theatre, Dublin*.

Assessment of direct impact of arts organisations

In this subsection we estimate the total direct impact of the Arts Council supported activity in terms of expenditures in the Irish economy. The main expenditure items that we consider for this are:

- Expenditure on wages and salaries;
- Purchases of goods and services; and
- Other expenditure.

Each of these is outlined below. In order to provide the most up-to-date estimates of the impact on the Irish economy, we have developed estimate values for 2008 based on the average expenditures in 2006/2007 of organisations. Our initial data related to a selected sample of Arts Council supported organisations.

Expenditure on wages and salaries

For the purpose of this assessment, Indecon obtained data from the Arts Council regarding the expenditure of supported organisations. Table 3-4 below outlines the total expenditure on wages and salaries for a selected set of Arts Council supported organisations as well as our estimates for the expenditure of all Arts Council supported organisations. This equated to a rolling year-on-year average of €42m between 2006 and 2007. Our estimate for 2008 utilises average wage inflation between business and distribution sectors and the public sector as outlined by the CSO. The estimated total expenditure on wages and salaries in 2008 was €43m. The high levels of expenditure on wages and salaries result in comparatively high levels of economic contribution at a local level in arts organisations.

Table 3-4: Expenditure on Wages and Salaries by Arts Council Supported Organisations

	Average 2006/2007	2008 (e)
Wages and Salaries - selected organisations	27	28
<i>Scaling factor</i>	1.5	1.5
Wages and Salaries - all supported organisations	42	43

Source: Indecon analysis of Arts Council data, CSO Inflation figures

Purchases of goods and salaries

The second main expenditure stream that we consider relates to purchases of goods and salaries. Table 3-5 below outlines the total expenditure goods and services for a selected set of Arts Council supported organisations as well as our estimates for the expenditure of all Arts Council supported organisations. This equated to a rolling year-on-year average of €63m between 2006 and 2007. Our estimate for 2008 utilises the annual average consumer price index. The estimated total expenditure on goods and services in 2008 was €65m.

Table 3-5: Expenditure on Goods and Services by Arts Council Supported Organisations

	Average	
	2006/2007	2008 (e)
Expenditure on Goods and Services - selected organisations	41	42
<i>Scaling factor</i>	1.5	1.5
Expenditure on Goods and Services - all supported organisations	63	65

Source: Indecon analysis of Arts Council data, CSO Inflation figures

Other expenditure

Finally we consider all other expenditures for Arts Council supported organisations. These expenditures include production and programme costs, touring costs, staff training, awards, artistic and director's fees and other cost items. In total this expenditure accounted for €66m over the period 2006/2007. Total expenditure in 2008 is estimated to amount to €69m.

Table 3-6: Other Expenditure by Arts Council Supported Organisations

	Average	
	2006/2007	2008 (e)
Other expenditure - selected organisations	43	44
<i>Scaling factor</i>	1.5	1.5
Other expenditure - all supported organisations	66	69

Source: Indecon analysis of Arts Council data, CSO Inflation figures

Total direct expenditure impact

Combining expenditure on wages and salaries, goods and services and all other expenditures provides total direct expenditure by Arts Council supported organisations. This equated to an average of €171m over 2006/07 and we estimate it to be in the region of €177m in 2008.

Table 3-7: Total Expenditure by Arts Council Supported Organisations

	Average 2006/2007	2008 (e)
<i>Total expenditure - selected organisations</i>	110	115
Total expenditure - all supported organisations	171	177

Source: Indecon analysis of Arts Council data, CSO Inflation figures

Total economic impact of arts organisations

Having considered total direct expenditure in the economy, we now estimate the total economic impact of Arts Council supported organisations by estimating the indirect and induced effects. In our analysis the indirect and induced multiplier is estimated to be 0.28.

Table 3-8: Economic Impact of Arts Council Supported Organisations

Impact	Average 2006/2007	2008
<i>Wages and Salaries</i>	42.2	43.3
<i>Expenditure on Goods and Services</i>	62.9	65.4
<i>Other Expenditure</i>	65.9	68.6
Total Direct Impact	171.0	177.4
<i>Multiplier - Indirect and Induced effects</i>	0.28	0.28
Total Indirect and Induced Impact	48.7	50.5
Direct, Indirect and Induced Impact of Expenditure	219.7	228.0

Source: Indecon economic impact modelling results

The total indirect and induced impact is estimated to have been circa €49m in 2006/07 and circa €51m in 2008. Combining total direct, indirect and induced expenditure impacts of Arts Council supported organisations, the total impact was expenditure of €220m on average between 2006 and 2007 and €228m in 2008. This highlights the significant impact that these organisations have on the wider economy as a purchaser of Irish goods and services and in the wages and salaries paid to employees.

Economic impact of grants supported individuals

As well as supported organisations, the expenditure of individuals who receive Arts Council grants also has an impact on the economy. We estimate the total impact using Arts Council grants as proxies for overall expenditure. Therefore assuming that grant income is spent there will be indirect and induced impacts arising. These are estimated using the same multiplier values as those presented above and are presented in the table below.

Table 3-9: Economic Impact of Arts Council Supported Individuals

Impact	Average 2006/2007	2008
Total Grants (Direct Impact)	7.3	10.0
<i>Multiplier - Indirect and Induced effects</i>	0.28	0.28
Total Indirect and Induced Impact	2.1	2.8
Direct, Indirect and Induced Impact of Expenditure	9.4	12.8

Source: Indecon economic impact modelling results

The total indirect and induced impact is estimated to have been circa €2.1m in 2006/07 and circa €2.8m in 2008. Therefore combining total direct, indirect and induced expenditure impacts of Arts Council supported individuals, the total impact was €9.4m on average between 2006 and 2007 and €12.8m in 2008.

Overall economic impact of supported organisations and individuals

We now consider the overall economic impact of supported of organisations and individuals. The total direct impact of expenditure amounted to €178.3m on average over the period 2006 and 2007 and is estimated to have been nearly €187.5m in 2008. Total indirect and induced impacts amounted to €53.4m in 2008. The total impact, of Arts Council supported organisations and individuals, is estimated to be €240.8m in 2008. This is outlined in Table

3-10.

Table 3-10: Overall Economic Impact of Arts Council Supported Organisations and Individuals

Impact	Average 2006/2007	2008
Total Direct Impact	178.3	187.4
Total Indirect and Induced Impact	50.8	53.4
Direct, Indirect and Induced Impact of Expenditure	229.1	240.8

Source: Indecon economic impact modelling results

These expenditure figures indicate the contribution of Arts Council supported organisations and individuals on the Irish economy.

3.2.4 Employment

One of the key issues for the Arts in Ireland is the number of jobs that it supports within the economy. This is particularly salient in the current climate. Within this context, we review the employment provided by those organisations that are supported by the Arts Council. We firstly review the employment that is provided directly in Arts Council-supported organisations as well as estimate the additional indirect and induced employment impacts that arise from the expenditure of these organisations within the economy.

Direct employment

Table 3-11 outlines the direct employment of a selected sample of Arts Council supported organisations as well as our estimates for employment for all Arts Council supported organisations. The total level of employment supported by a selected sample of Arts Council organisations was 1,121 jobs. To estimate the total employment supported by all Arts Council supported organisations, we used a factor to derive an indicative total employment level. Our estimate suggests that there were a total of around 1,760 jobs in Arts Council supported organisations.

Table 3-11: Direct Employment by Arts Council Supported Organisations

Employment Form	Value
Employment in selected sample	1,121
Estimated total direct employment	1,760

Source: Indecon analysis of Arts Council data

These figures 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.

Direct employment by art form

Table 3-12 outlines the total direct employment of Arts Council supported organisations by art form. The majority of employees are in the Venues and Theatre sectors. These account for 73% of the total employment.

Table 3-12: Direct Employment for Arts Council Supported Organisations by Art form

	Employment 2006/2007
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
Total	2042

Source: Indecon analysis of Arts Council internal data

Indirect and induced employment

Having reviewed the total number of persons directly employed by organisations supported by the Arts Council, we present estimates for those persons that are in employment due to the additional expenditure.

Our estimate of the indirect and induced employment follows best practice in applying an employment multiplier value to direct employment to assess the overall employment supported. Within this context, we have conducted a review of international literature regarding coefficient values for employment multipliers both in the wider economy and more specifically for the Arts sector. The key findings are as follows:

- A study entitled “Estimating the Economic Impact of Local Cultural Organisations: The Charlotte Arts and Science Council Example” by Connaughton, Madson and McGregor (2008)¹¹ used a total average employment multiplier of 1.4 indicating an indirect and induced multiplier of 0.4.
- Research on the “Economic Impact of the Cultural Sector in Scotland” by Dunlop, Galloway, Hamilton, and Scullion (2004)¹² used a total employment multiplier across all arts and cultural activities of 1.83 indicating an indirect and induced multiplier of 0.83.¹³
- Research at the state level in the US for Iowa used a value of 1.4 for the total employment multiplier; this indicates an induced and indirect multiplier of 0.4¹⁴; and
- Additional research at a national level for Belgium indicates an employment multiplier value of 1.5¹⁵. This does not include induced effects so could therefore underestimate the overall impact.

Given our review of international research and our own assessment of the employment structure within the Irish economy, we believe that an indirect and induced multiplier of 1.6 would be appropriate for this evaluation. This value represents the average of the main international assessments and in our view is a prudent value for the overall impact of arts employment. The table below outlines the indirect and induced employment supported by Arts Council funded organisations.

¹¹ Full reference: Connaughton, J.E., Madsen, R.A., and McGregor, R.R (2008), “Estimating the Economic Impact of Local Cultural Organisations: The Charlotte Arts and Science Council Example”, *Journal of Business and Economics Research*, Volume 6, Number 7.

¹² Dunlop, S., Galloway, S., Hamilton, C., and Scullion, A. (2004) “Economic Impact of the Cultural Sector in Scotland”, www.scotecon.net

¹³ See <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/Input-Output>

¹⁴ See The Economic Impact of the Arts in Iowa - A Demonstration Project of Selected Counties - Northwestern University of Iowa (2008).

¹⁵ Van den Cruyce, B. & Wera, J. (2007) , “Qualitative Multipliers for Belgium” *Federal Planning Bureau Working Paper Series*, www.plan.be.

Table 3-13: Indirect and Induced Employment for Arts Council Supported Organisations

Employment	Value
Direct Employment	2,042
Additional indirect and induced employment	992

Source: Indecon analysis

Our analysis indicates that there are an additional 992 indirect and induced jobs supported by Arts Council organisations.

Total employment supported

Combining our estimates of direct, indirect and induced employment for Arts Council supported organisations indicates a total estimated jobs figure of 3,034.

Table 3-14: Direct, Indirect and Induced Employment for Arts Council Supported Organisations

Employment	Value
Direct Employment	2,042
Additional indirect and induced employment	992
Total Direct, Indirect and Induced supported Employment	3,034

Source: Indecon analysis

3.2.5 Exchequer Contribution

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 generate revenues for the exchequer through a range of taxation channels. These channels include:

- PAYE/income tax payments on wages and salaries;
- PRSI payments on wages and salaries; and
- 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.

In this assessment, we have focused on the exchequer contribution of Arts Council supported organisations and individuals and in the next section we also provide an estimate of the total exchequer contribution of the wider arts-related sector. Below we present tentative estimates of the total exchequer benefit of Arts Council supported organisations.

Assessment of direct tax benefits

Direct government revenue relates to the tax take accruing through taxes on wages and salaries and also corporation tax on company profits. Developing robust assessment of direct tax revenue for the Irish economy is difficult given the absence of sectoral breakdowns of income and corporation tax receipts at a national level. However, we have developed a methodology which allows indicative estimates to be calculated. As there are a high number of organisations in the arts sector which are not-for-profit, we do not believe it is instructive or statistically robust to derive a total corporation tax figure for the sector. We therefore focus on calculating income tax estimates.

To develop an estimate of the effective direct tax take to the exchequer from the Arts Council supported organisations and individuals, our methodology is as follows:

- We first take the total expenditure impact as developed above;
- We apply to this figure a multiplier value for compensation to employees from the latest CSO input-output tables. The value we take is for sector 92 – recreational, cultural and sporting activities which is the closest sector in the tables to the arts. The multiplier value is 0.42;
- This provides us with an indicative estimate of the total wages and salaries earned by employees in the economy as a consequence of direct, indirect and induced expenditure by arts Council supported organisations;
- The final step was to obtain the effective tax rate for the closest income band to the average salary of organisations supported by the arts Council. These effective tax rates are published by the Revenue Commissioners in their *Annual Statistical Report*. In this case the average effective tax rate was 8.27%. This may seem relatively low but it reflects the fact that the effective tax rates in Ireland for lower earners have been significantly reduced in recent years due to government policies to remove low earners from the tax net. (While this has increased in the last Budget, given the features of the arts sector we believe that utilising this low estimate is appropriate); and

- We then apply this 8.27% rate to the our indicative estimate of the total wages and salaries earned by employees in the economy as a consequence of direct, indirect and induced expenditure by arts Council supported organisations.

The values are present in Table 3-15.

Table 3-15: Overview of Effective Direct Tax Take from Arts

	Average 2006/2007	2008
Total expenditure impact	229.1	240.8
Sector 92 CoE* Multiplier	0.42	0.42
Compensation to Employees	119	125
Effective Tax Rate	8.27%	8.27%
Total Effective Tax Estimate	9.9	10.4

Source: Indecon modelling

*CoE relates to Compensation to Employees. This value is constant and is taken from the CSO 2005 input output tables. See www.cso.ie for more details on these.

Our estimate of the total effective tax income earned by the exchequer by Arts supported organisations and individuals amounted to €9.9m on average between 2006 and 2007. This increased to €10.4m in 2008.

Assessment of indirect benefits

Having estimated the direct tax element relating to the expenditure by Arts organisations, we now develop an assessment of the total indirect taxes accruing from the expenditure of Arts Council supported organisations and individuals. The taxes that this assessment attempts to capture include:

- Taxes on products, including:
 - o Value Added Tax;
 - o Taxes and duties on imports;
 - o Other taxes on products including excise duties and levies.
- Other taxes on production, including:
 - o Regulatory fees; and
 - o Non-product overhead taxes such as rates and motor tax levied by local authorities.

The methodology used to produce these estimates uses a similar procedure to that outlined above to estimate direct tax. We apply a multiplier value to total expenditure giving an estimate of the total revenue contribution of indirect taxes. This is presented in the table overleaf.

Table 3-16: Overview of Indirect Tax Take from Arts

	Average 2006/2007	2008
Total expenditure impact	229.1	240.8
Multiplier for product taxes	0.16	0.16
Multiplier for other production taxes	0.02	0.02
Total Multiplier	0.18	0.18
Indirect Tax Take	41.2	43.3

Source: Indecon modelling

Our estimate of the total indirect tax revenue earned by the exchequer by Arts supported organisations and individuals amounted to €41.2m on average between 2006 and 2007. This increased to €43.3m in 2008.

Additional tax from revenue

As well as the revenue from direct and indirect taxes related to expenditure, there may be an additional revenue stream accrues to the state from arts activity in the form of VAT on selected income streams in the sector. This is the tax revenue from the consumption of arts activities. This is determined by the VAT treatment of events and related activities. A summary overview of these rates is presented below. It is also influenced by whether the arts organisations are VAT registered or not.

Table 3-17: Application of VAT Rates for Events

Examples of the services and charges associated with events	Only small cold snacks, confectionary or soft drinks can be consumed. The VAT Rate applicable
Ticket Prices	Exempt
Ticket Booking Fees	Exempt
Ticket Agent's Commission	Exempt
Catering	13.5%
Concessions*	21.5%

Source: Revenue Commissioners, www.revenue.ie

*Where the promoter or premises-provider charges traders for the right to sell goods and services at the venue

In our estimates we have assumed a zero VAT contribution from revenue of arts organisations as ticket prices are VAT exempt and many arts organisations are not VAT registered.

Total tax revenue accruing from Arts Council supported organisations and individuals

Combining our estimates of the total income tax take and indirect tax take from Arts Council-supported organisations and individuals; we obtain the results outlined in the table below.

Table 3-18: Overview of Indirect Tax Take from Arts

	Average 2006/2007	2008
Total direct tax take	9.9	10.4
Indirect Tax Take	41.2	43.3
Total Tax Take	51.1	53.7

Source: Indecon modelling

Our estimate of the total tax revenue earned by the exchequer by Arts Council-supported organisations and individuals, is estimated to amount to €53.7m in 2008.

3.3 Economic Impact of Wider Arts Sector

3.3.1 Introduction

In this sub section we develop estimates regarding the economic impact of the wider arts sector on the Irish economy. This assessment considers both Arts Council funding recipients as well as activity from non-funded core arts economic sectors. We review key economic impact variables including GVA, expenditure, employment, exchequer revenue and, where data is available, we consider capital investment. To derive figures for the wider arts sector it was necessary to define which sectors were to be included in the assessment. Following our review of international best practice and our own view of the constituent sectors within the broader arts grouping, we have decided to include the following in our definition of the wider arts sector:

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

We have aggregated the data from these sectors so as to provide estimates of key variables for the wider arts sector. These estimates are presented in the sub sections below.

3.3.2 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 in an economy and the cost of intermediate inputs and consumption used in the production process. It is used by numerous national statistical sources and is reported for the majority of sectors by the CSO. As part of this study, we have derived an estimate for gross value added for the wider arts sector and each of the constituent sub sectors as outlined above. The results are presented in Table 3-19.

Table 3-19 – Gross Value Added in the Wider Arts Sector – €m

Sector	€m 2006
Arts Council supported employment (excluding literature, film & venues)	73
Film and video	71
Literature and publishing	437
Library, archives, museums, and other cultural activities	75
Arts facilities including theatre and music venues	60
Artistic and literary creation and interpretation	65
Total Wider Arts Sector	782

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

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

3.3.3 Expenditure

One of the key metrics for measuring the economic impact of the arts sector is expenditure. As was outlined in the previous section, expenditure includes:

- ❑ Expenditure on wages and salaries; and
- ❑ Expenditure on goods and services in the economy.

This expenditure on goods and services includes the following items for sectors that we have considered:

- Materials and fuels;
- Purchases of goods for direct resale;
- Purchase of goods for intermediate consumption;
- Purchase of services, including:
 - Computer and related services;
 - Post and telecommunications;
 - Business services;
 - Water and waste charges;
 - Rent, insurance, travel and other general office costs;
 - Freight charges;
 - Recruitment costs;
 - Repair and maintenance services;
 - Royalties; and
 - Management fees.

Our estimates for sector expenditure and total expenditure for the Arts sector are presented in Table 3-20.

Table 3-20: Expenditure in the Wider Arts Sector – €m.

Sector	€m - 2006
Arts Council supported employment (excluding literature, film & 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
Total Wider Arts Sector	1,390

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

The total expenditure by the wider arts sector in the economy is estimated to be approximately €1.4bn in 2006. As was the case with GVA, the largest sub sector in terms of expenditure is 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. Other sectors of interest included the operation of arts facilities which spent €92m in the wider economy in 2006, and artistic and literary creation and interpretation where the estimated figure was €186m.

Indirect and induced expenditure impact

The direct expenditure in the wider arts sector has additional indirect and induced impacts in the economy. The table below outlines our estimates of these expenditure impacts for the wider arts sector. We use the same multiplier value as was used above.

Table 3-21: Expenditure in the Wider Arts Sector – €000

Sector	€000 - 2006
Direct Expenditure from Wider Arts Sector	1,389,935
Indirect and Induced Expenditure	389,182
Total Direct, Indirect and Induced Expenditure	1,779,117

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

Indirect and induced expenditure impacts of the wider arts sector on the Irish economy amounted to €389m in 2006 giving a total direct, indirect, and induced expenditure impact in the economy of €1.8bn in 2006.

3.3.4 Employment

In this sub-section we outline the total number of jobs supported in the wider arts sector as well as additional indirect and induced employment that the sector supports. It must be noted at the outset that the jobs figures presented are the total number of employees.

A feature of the arts sector is that employment has a very strong regional distribution as was demonstrated in the report for the Western Development Commission, Baseline Research on the Creative Industries in Western Region, WDC.

Total direct employment in wider arts sector

Total employment in the wider arts sector and associated sub-sectors is presented in Table 3-22.

Table 3-22: Employment in the Wider Arts Sector – Total number of jobs

Sector	Number of Jobs (2006)
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	3,377
Total Wider Arts Sector	16,689

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

We estimate that the total number of jobs in the wider arts sector was 16,689. This accounted for approximately 0.8% of the total jobs in the economy in that year. The majority of these were in literature and publishing (4,343), libraries, archives, museums, and other cultural activities (3,884) and artistic and literary creation and interpretation (3,377).

Indirect and induced employment

We now estimate the total indirect and induced employment in addition to the direct employment in the sector. 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.

Table 3-23: Employment in the Wider Arts Sector – Total number of jobs

Employment impact	No of Jobs (2006)
Direct employment	16,689
Multiplier	1.6
Indirect and Induced	9,830
Direct, Indirect and Induced employment	26,519

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

3.3.5 Exchequer Contribution

Assessment of direct tax benefits

In this section we outline our estimates of direct taxes that accrue from taxes on earned income and wages and salaries in the wider arts sector. Our estimates are presented in the Table 3-24.

Table 3-24: Overview of Effective Direct Tax Take from Arts - €m

	Average 2006/2007
Total expenditure impact	1,779
Sector 92 CoE* Multiplier	0.42
Compensation to Employees	747.2
Effective Tax Rate	8.27%
Total Effective Direct Tax Estimate`	61.8

Source: Indecon modelling

*CoE relates to Compensation to Employees. This value is constant and is taken from the CSO 2005 input output tables. See www.cso.ie for more details on these.

Our estimate of the total effective tax income earned by the exchequer from the wider arts sector amounted to €61.8m on average in 2006.

Assessment of indirect benefits

We now present our estimates for indirect tax revenue earned by the exchequer from the wider arts sector. These are presented in Table 3-25. The total indirect tax is estimated to be circa €320m in 2006.

Table 3-25: Overview of Indirect Tax Take from Arts

	2006
Total expenditure impact	1,779
Multiplier for product taxes	0.16
Multiplier for other production taxes	0.02
Total Multiplier	0.18
Indirect Tax Take	320.2

Source: Indecon modelling

Total tax take

Our estimate of the total indirect tax revenue earned by the exchequer by the wider arts sector amounted to €382m in 2006.

Table 3-26: Overview of Total Tax Take from Wider Arts Sector

Tax Component	2006
Direct Tax Take	61.8
Indirect Tax Take	320.2
Total Tax Take	382.0

Source: Indecon modelling

3.3.6 Capital Formation

A consideration for the assessment of the impact of the Arts in Ireland is the level of capital investment taking place directly by arts organisations and also within the wider arts, cultural and related sectors. Capital investment is relevant in terms of long term economic growth. It also has an impact of the quality of products and services provided and of the facilities for both domestic users and cultural tourists.

In this short sub-section, we review high level trends in capital formation in the wider arts sector for which data is available from the ASI and COIP. Capital investments from these data sources include the following investment items:

- Investment in land, existing buildings or existing structures;
- Construction and alteration of buildings;
- Transport equipment;
- Machinery and other equipment including computers and other specialist equipment; and
- Investment in intangible assets including R&D and software.

The data is only available for the sub-sectors identified below.

Film and video

Table 3-27 outlines net capital formation for the film and video activities sector in 2002 and 2006. Capital acquisitions have increased significantly since 2002 with a significant increase in 2006 to €19.6m. There has been a significant net capital formation for the sector over the period which increased from €1.6m in 2002 to €19m in 2006.

Table 3-27: Capital Formation for Enterprises in Film and Video Activities - (2002 & 2006) - €m

	2002	2006	% Change 02 - 06
Capital Acquisitions	1.6	19.6	1088
Capital Disposals	0.0	0.6	10050
Net Capital Formation	1.6	19.0	1055

Source: Indecon analysis of CSO Annual Services Inquiry Data

Operation of arts facilities

Table 3-28 outlines net capital formation for those firms engaged in the operation of arts facilities in 2002 and 2006. Capital acquisitions have increased rapidly since 2002 with a significant increase in 2006 to €36m. There has therefore been a significant net capital formation for the sector over the period which increased from €3.8m in 2002 to €34.1m in 2006.

Table 3-28: Capital Formation for Enterprises in Operation of Arts Facilities Sector - (2002 & 2006) - €m

	2002	2006	% Change 02 - 06
Capital Acquisitions	4.1	36.0	783
Capital Disposals	0.3	1.9	624
Net Capital Formation	3.8	34.1	793

Source: Indecon analysis of CSO Annual Services Inquiry Data

Publishing

Table 3-29 outlines net capital formation for those firms engaged in the publishing activities in 2002 and 2006. Capital acquisitions have increased from €18m in 2002 to €26m in 2006. There has therefore been a significant net capital formation for the sector over the period which increased from €14m in 2002 to €24m in 2006.

Table 3-29: Capital Formation for Enterprises in Publishing - (2002 & 2006) - €m

	2002	2006	% Change 02 - 06
Capital Acquisitions	18	26	48%
Capital Disposals	3	3	-19%
Net Capital Formation	14	24	64%

Source: Indecon analysis of CSO Annual Services Inquiry Data

The above figures are illustrative of the ongoing levels of capital investment in the arts sector. These investments have an economic impact in addition to the ongoing economic activities in the sector.

3.4 Economic Impact of Creative Industries

3.4.1 Introduction

The role of the cultural and creative industries is well documented internationally. In this section, we present estimates for key economic variables for the creative economy in Ireland. 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 their annual *Creative Industries Economic Estimates Statistical Bulletin*¹⁶, although some adjustments have been needed to take account of differences in data availability. 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
 - Artistic and literary creation and interpretation
 - Other creative industries¹⁷

¹⁶ Creative Industries Economic Estimates Statistical Bulletin (2009), Department of Culture, Media, and Sport.

¹⁷ This includes music and the visual and performing 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.

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.

3.4.2 Gross Value Added

Table 3-30 outlines the total GVA for each sub sector of the creative industry 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 in 2006 which was approximately 3.5% of the total economy GVA in that year. The sub sector with the highest contribution overall was software at just over €3.3bn. All other creative sectors are estimated to account for circa 1.4% of the total GVA in the economy. The publishing sector accounted for approximately €440m in GVA and the advertising sector was estimated to account for just over €400m in gross value added.

Table 3-30: Gross Value Added in the Creative Industries – €,'000

Sector	2006
Film and Video	70,869
Publishing	437,107
Advertising	405,831
Software	3,316,756
Radio and television	346,711
Other Creative Industries: of which	902,156
<i>Library, archives, museums, and other cultural activities</i>	75,317
<i>Operation of arts facilities</i>	60,076
<i>Artistic and literary creation and interpretation</i>	65,486
<i>Other creative industries*</i>	701,278
Total Creative Industries	5,479,431

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 and antiques, advertising and fashion design but excludes crafts and design. It was calculated using a scaling method from the UK Creative Industries data.

3.4.3 Employment

Direct employment in creative industries

Total employment for the creative industry is outlined in Table 3-31. Our estimate indicates that the total number of jobs in the creative industries was 60,855 in 2006. This was approximately 3% of the total number of jobs in the economy. The sub sector with the highest contribution to employment overall was software at just over 23,802. The publishing sector supported 4,343 jobs, the advertising sector supported 5,173 and radio and television supported 5,070 jobs in the economy. Indecon would point out that there are various alternative definitions not only for the overall creative sector but also for sub-categories within this and this is an issue which merits ongoing consideration and data difficulties exist.

For example, in the software sector, CSO data is available from employment in software consulting and supply, while the Population Census provides data on software engineers. In our estimates we use data on the first of these definitions. Data was not, however, available for this sub sector for 2006 but we assumed that the increase in employment in this sector over period 2002 – 2006 was the same as applied in employment in computer and related activities sector. Similar estimation approaches were used in other sub-sectors.

In some sectors such as advertising, we took a more restricted definition of advertising which in our estimates we use a figure of 5,173, however, if we utilised the figure for marketing managers from the Census which would include advertising and PR managers, the employment estimate for 2006 would be 30,287 and not the 5,173 figure used. This indicates the need for caution in interpreting sub-categories of employment in the creative industries. The approach used has however been designed to utilise data from a range of sources to derive reasonable estimates for the overall scale of this sector.

Table 3-31: Employment in the Creative Industries – Total number of jobs

Sector	2006
Film and Video	2,202
Publishing	4,343
Advertising	5,173
Software	23,802
Radio and Television	5,070
Other Creative Industries: of which	20,266
<i>Library, archives, museums, and other cultural activities</i>	3,884
<i>Operation of arts facilities</i>	1,734
<i>Artistic and literary creation and interpretation</i>	3,377
<i>Other creative industries*</i>	11,271
Total Creative Industries	60,855

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

* this sector includes music, & visual and performing arts, architecture, art and antiques, crafts and design and fashion design. It was calculated using a scaling method from the UK Creative Industries data.

Direct, Indirect and induced employment in creative industries

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.

Table 3-32: Employment in the Creative Industries – Total number of jobs

	Employment (2006)
Direct employment	60,855
Multiplier	1.6
Indirect and Induced	34,794
Direct, Indirect and Induced employment	95,649

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

Other Characteristics of Employment in the Cultural Industries

There are a number of aspects of employment in the creative industries that are significant and of potential importance in terms of the development of the knowledge economy and are worth highlighting in this regard. These points are outlined in a recent EG DG Education and Culture publication entitled “The Economy of Culture in Europe”. The report states that employment in these sectors has the following characteristics:

- An inherent **flexibility** requirement – project based work , with short periods of intense work then inactivity – this is gaining importance as corporations and companies can adapt to the market demand
- A high level of part time and multiple job holders which characterises the inherent flexibility requirement;
- **Significant mobility** is a requirement;
- **It is a sector mainly comprising small businesses:** the sector is characterised with small businesses, micro-businesses and self employed/free-lancers;
- Artists are usually **self employed** – micro-entrepreneurs project based working methods to adjust job offers to market fluctuation;
- **High level of qualifications** – the level of educational attainment is higher in the cultural sector than in most other sectors of the economy. Cultural and creative occupations require a high level of qualification – not only artistic but management and technical skills too.

Thus employment is atypical in nature in the cultural and creative industries. 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.

3.5 Economic Impact in Focus – Case Studies of Selected Organisations

3.5.1 Introduction

In this section we focus on the micro level economic impact of arts organisations to highlight the important contribution of selected organisations both to the local economy in which they operate but also in relation to the wider economy and their role in developing Ireland's image and brand internationally. Our focus is on four specific art forms, namely:

- Theatre; and
- Publishing;
- Performing arts (Orchestra)
- Festivals.

Within each of these categories we have selected case study on specific organisations to focus on their impact and activities and to analyse their economic contribution.

These case studies highlight at a micro level some of the aspects of economic impact which were demonstrated in the wider economic estimates and such can be seen as illustrative of how individual arts organisations contribute to the Irish economy.

3.5.2 Theatre

Theatre has long been one of the most important Art forms in Ireland and in this section we examine the economic impact of the Gate Theatre.

There are a number of major theatre companies in Ireland which have a significant contribution. In particular, three of the largest theatre companies are The Abbey Theatre, the Gate Theatre and Druid, all of which have attracted visitors to Ireland and have toured significantly internationally. The Abbey Theatre recently commissioned a UK academic to complete its own economic impact review and in view of the significance of the Gate and its recent capital investment programme and its international activity, it was decided to consider a case study of the economic impact of the Gate Theatre. There are also a wide range of performance based theatre companies including Fishamble and others that are touring internationally which combined make theatre an important sector in terms of economic contribution. This is in addition to numerous other theatre companies such as the Project and regionally based theatre companies such as Red Kettle, and

key venues such as the Cork Opera Theatre and the recently refurbished Theatre Royal in Waterford. The impact of this sector also includes noteworthy events such as The Dublin Theatre Festival and the prestigious Wexford Opera Festival and various dance and opera companies.

Case study on the Gate Theatre

Overview of Economic Impact

Total revenue at the Gate was €4.7m in 2007. This increased to €5.7m in 2008 and is estimated to be €5.4m this year.

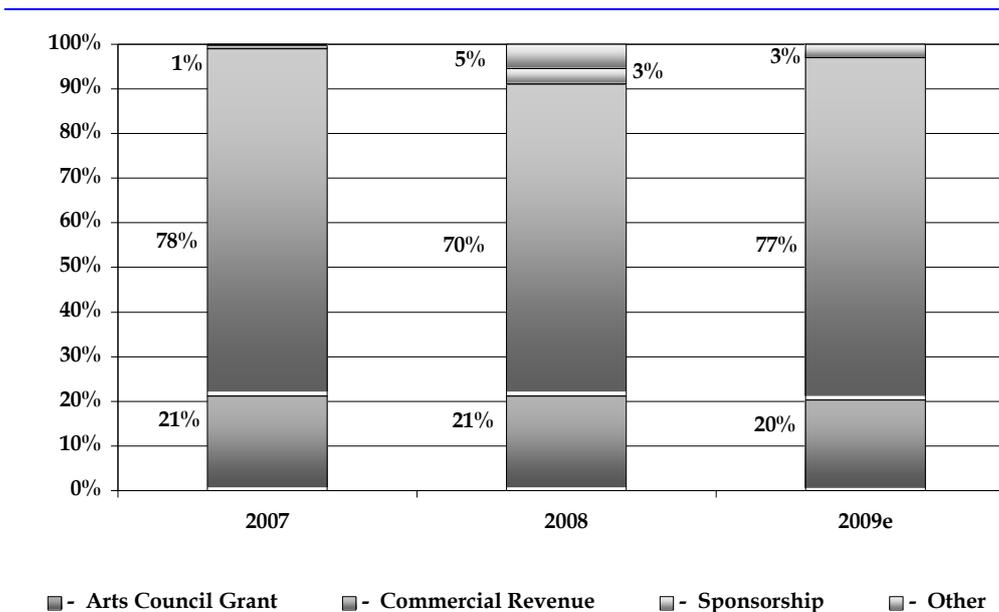
Table 3-33: Total Revenue at the Gate Theatre - €m

	2007	2008	2009 (e)
Total revenue	4.6	5.7	5.4

Source: Gate Theatre data

In terms of the split of revenue, the majority was earned through commercial activity while approximately 20% was from the Arts Council. The fact that such a large percentage of revenue comes from commercial income and sponsorship demonstrates the economic leverage from Arts Council funding.

Figure 3.8 - Split of Revenue by Source at The Gate Theatre



Source: Indecon analysis of The Gate Theatre Internal Data

Direct expenditure by the Gate is one of the channels through which the theatre contributes to the wider economy. Expenditure increased from €4.7m in 2007 to €5.8m in 2008 and is estimated to be around €5m this year.

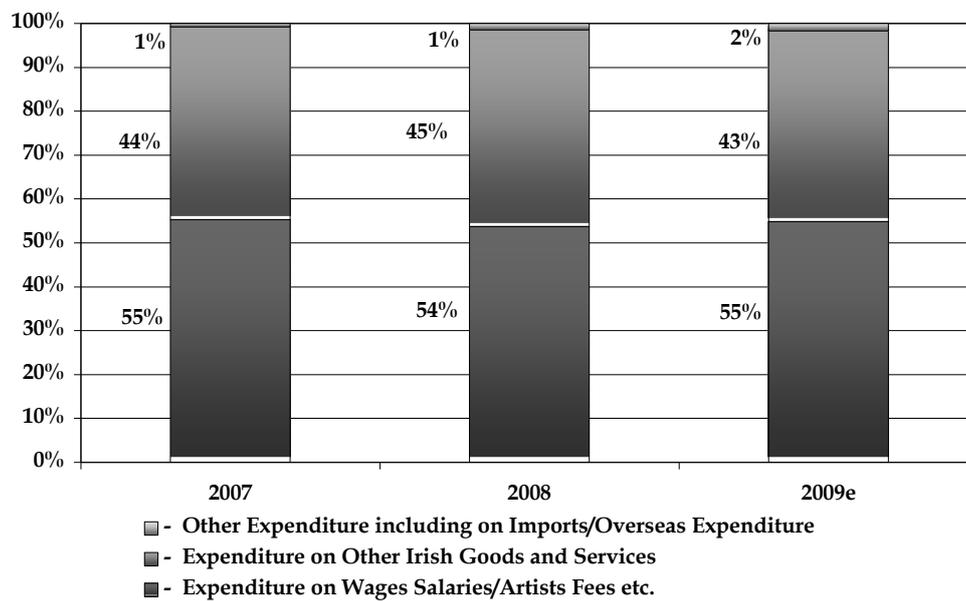
Table 3-34: Total Expenditure at the Gate Theatre - €m

	2007	2008	2009 (e)
Total expenditure	4.7	5.6	5

Source: Gate Theatre data

The majority of expenditure by the Gate is spent on wages and salaries or the purchase of other Irish goods and services. This highlights the important linkages of the theatre to the local economy.

Figure 3.9: Split of Expenditure by Source at the Gate Theatre

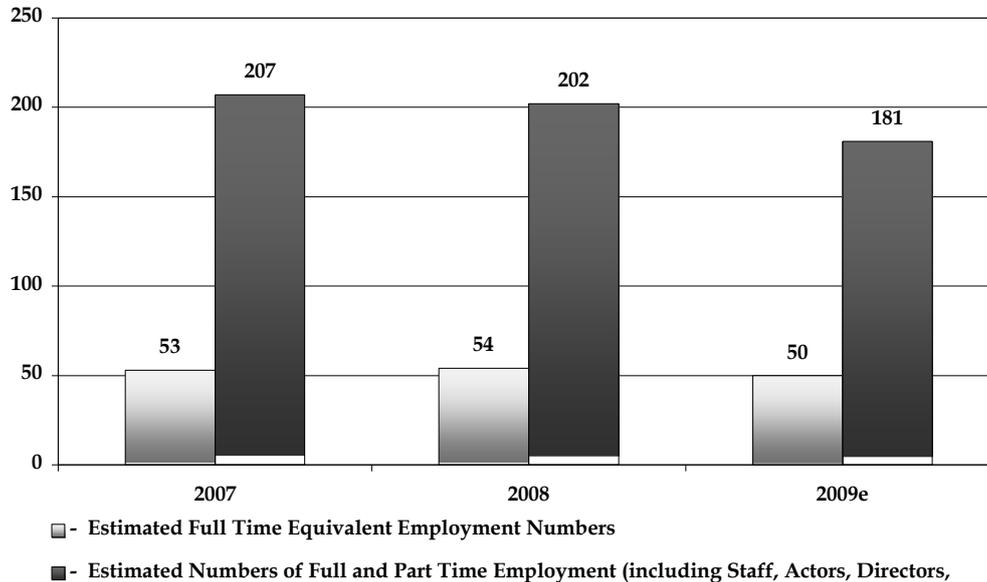


Source: Indecon analysis of The Gate Theatre Internal Data

Employment

In 2007 the Gate supported 207 full-time and part-time positions which was the equivalent to 53 FTE positions. In 2008 the theatre supported 202 full-time and part-time positions which was the equivalent to 54 FTE positions and in 2009 the figures were 181 and 50 respectively.

Figure 3.10: Employment at the Gate Theatre



Source: Indecon analysis of The Gate Theatre Internal data

Audience numbers

Total audience numbers at the Gate increased from 129,500 in 2007 to 182,400 in 2008 and are estimated to be circa 127,000 this year. In terms of international audiences, the Gate theatre's tours abroad attracted significant numbers as indicated below. In addition, the Gate's productions in Ireland have also attracted international visitors. Engagement with an Irish company is positive both in terms of ongoing culture tourism and the reputation of Ireland abroad. The figures highlight the role of the Gate in cultural tourism.

Table 3-35: Audience Numbers at the Gate

	2007	2008	2009 (e)
Total Audience Numbers	129,567	182,379	127,149
Audience numbers at International Gate Productions	23,157	61,995	15,041

Source: Gate Theatre data

International profile

The Gate theatre has a significant international profile and has put on productions in numerous countries worldwide. In the past 25 years alone, productions have travelled as far afield as Paris (1986), Jerusalem (1987), Chicago (1988), Charleston, South Carolina (1990 and many times since) and China (2004) as well as the more obvious ports (London, Sydney and New York). Indeed, we understand that the Gate first toured abroad in 1935 (London) and to Egypt (1936 and 1937) so its role in promoting Ireland internationally is a long and distinguished one.

Recent international activity includes:

- Lincoln Center Festival 1996 - THE BECKETT FESTIVAL
- "Waiting for Godot" - Melbourne - 1997
- Lincoln Center Festival 2001 - Harold Pinter Festival
- "Waiting for Godot" - Beijing and Shanghai - 2004
- BITE, Barbican 2006 - THE BECKETT CENTENARY FESTIVAL
- "Waiting for Godot" - U.S.A Tour 2006
- "Faith Healer" - New York 2006 ("Faith Healer" was nominated for four Tony awards and won one for Ian McDiarmid)
- Sydney Festival 2007 - THE BECKETT SEASON
- Lincoln Center Festival 2008 - GATE | BECKETT
- Sydney Festival 2009 - GATE | FRIEL

The productions have also been mentioned very favourably in the following leading international publications:

- The Daily Telegraph - UK;
- The New York Times - US;
- Time magazine;
- The Wall Street Journal - US;
- The Australian;
- The Sunday Age; - Australia;
- The Sydney Morning Herald;
- The China Times;
- The Financial Times;
- The Guardian - UK;
- The Washington Post;
- Pittsburgh Tribune Review;
- The New York Post -US;
- The Sun Herald (Sydney);
- Variety; and
- The Age (Australia).

The significant international activity and reputation of the Gate highlights its contribution to developing Ireland's reputation and brand internationally and in putting forward the image of Ireland as part of our cultural tourism product and artistic heritage.

3.5.3 Festivals

One of the most active art forms in Ireland in recent years has been festivals and events. While there are numerous festivals which have a significant economic impact such as Galway Arts Festival, Cork Jazz Festival, Spraoi in Waterford etc., it was felt appropriate to consider a festival based in a small local context. Within this context, we review the Earagail Festival.

Case study on Earagail Festival

The table below outlines the total revenue earned by the Earagail Festival over the three years 2007 – 2009. Total revenues were nearly €0.7m in 2007 and are estimated to be €0.54m in 2009.

Table 3-36: Total Revenue at the Earagail Arts Festival

	2007	2008	2009 (e)
Total revenue (€m): of which	0.69	0.55	0.54
- Arts Council Grant	27%	35%	35%
- Commercial Revenue	10%	11%	13%
- Sponsorship	2%	6%	2%
- Other	60%	49%	50%

Source: Earagail Festival data

In terms of employment, the Earagail Festival supported approximately 3 full time positions in 2007, and 2.5 positions in 2008 and 2009.

Table 3-37: Employment at the Earagail Festival

	2007	2008	2009 (e)
Full Time and Part Time Employees	3	3	2.8
Permanent Full Time (FTE)	3	2.5	2.5

Source: Earagail Festival data

Overview of activity

Considering audience numbers, approximately 32,500 persons from Ireland attended the Earagail Festival in 2007 and over 35,000 in 2008. This indicates the popularity of the festival and its importance in bringing domestic tourists to a local area. There also were approximately 1,750 international visitors to the festival in 2007 and 2008 which represents a significant additional overseas tourism impact for the area.

Table 3-38: Audience Numbers at the Earagail Festival

	2007	2008
- Ireland	32,500	35,305
- Internationally	1,750 (approx)	1,765 (approx)

Source: Earagail Festival data

3.5.4 Publishing

The publishing sector in Ireland is a significant sector in terms of economic impact. There are a range of high quality publishing firms actively involved in the Arts sector and as an illustrative we include a case study of one of the significant Irish publishing firms, The O'Brien Press.

Case study on The O'Brien Press

The O'Brien Press was established in 1974, evolving out of a family run printing and type house. Since its establishment, The O'Brien Press has been very active in Irish publishing with over 1,200 books brought to market and receiving numerous national and international awards in the process. The O'Brien Press also has a diverse operational scope and is very active across a number of different genres. In particular, The O'Brien Press is Ireland's most important children's publisher, with over 350 titles, and hundreds of titles in translation worldwide.

The press is active in the following genres:

Table 3-39: Overview of Genres in which The O'Brien Press is Active

- Fiction;	- History;	- Folklore;	- Sport;
- Architecture;	- Biography;	- Travel and tourism;	- Music;
- Travel;	- Classic literature;	- Art;	- Politics;
- Humour;	- Autobiography;	- Photography;	- True crime; and
- Environment issues	- Business	- Poetry	- Reference books.

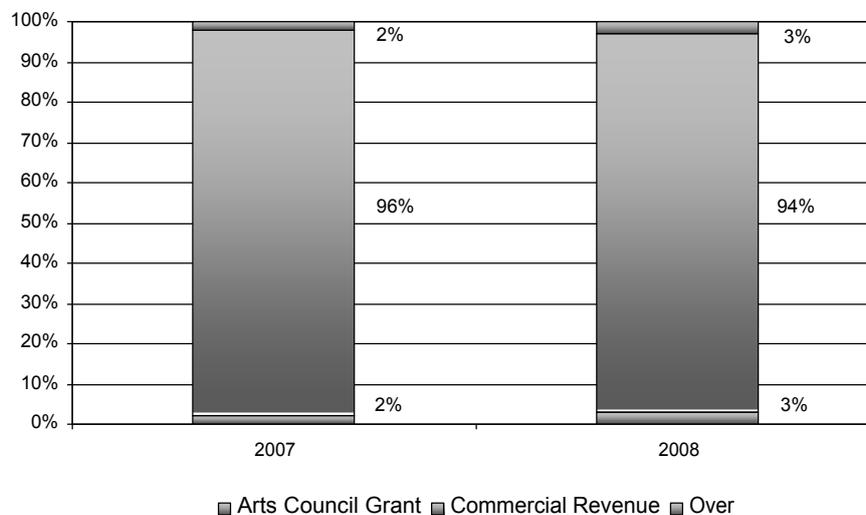
Source: The O'Brien Press data

Overview of Economic Impact of Firm

In 2007, the firm had over €2.8m in revenue. Revenues in 2009 are estimated to decline in line with the significant difficulties being felt across the wider economy and internationally.

When considering the overall sources of income for The O'Brien Press the majority of the revenue is earned through commercial sources and it has very little dependence on Arts Council funding. On average, 95% of the firms' revenue was earned through commercial activity over the period 2007 - 2009. These characteristics highlight the fact that the firm, although receiving Arts Council funding, is making a significant commercial contribution and impact on the economy. It also highlights the fact that different sectors within the Arts have varying levels of commerciality.

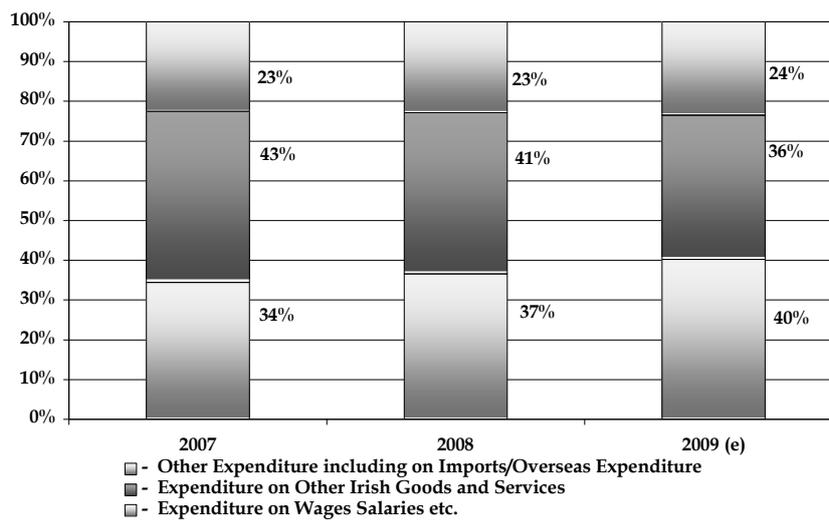
Figure 3.11: Split of Revenue by Source at The O'Brien Press



Source: Indecon analysis of The O'Brien Press Internal Data

One of the most important channels in which The O'Brien Press impacts on the local economy is through its expenditures both on Irish goods and services and on wages and salaries. The chart below outlines its total expenditure broken down by categories. It can be seen that the majority of the expenditure of the firm was on Irish goods and services (nearly 40% in all years) while the second highest was wages and salaries. Much of the spending on Irish goods and services is on partners in other creative areas with a high labour content, such as illustration and editing. These figures indicate the very role that the firm plays in supporting jobs and activity in the economy.

Figure 3.12: Split of Expenditure by Source at The O'Brien Press

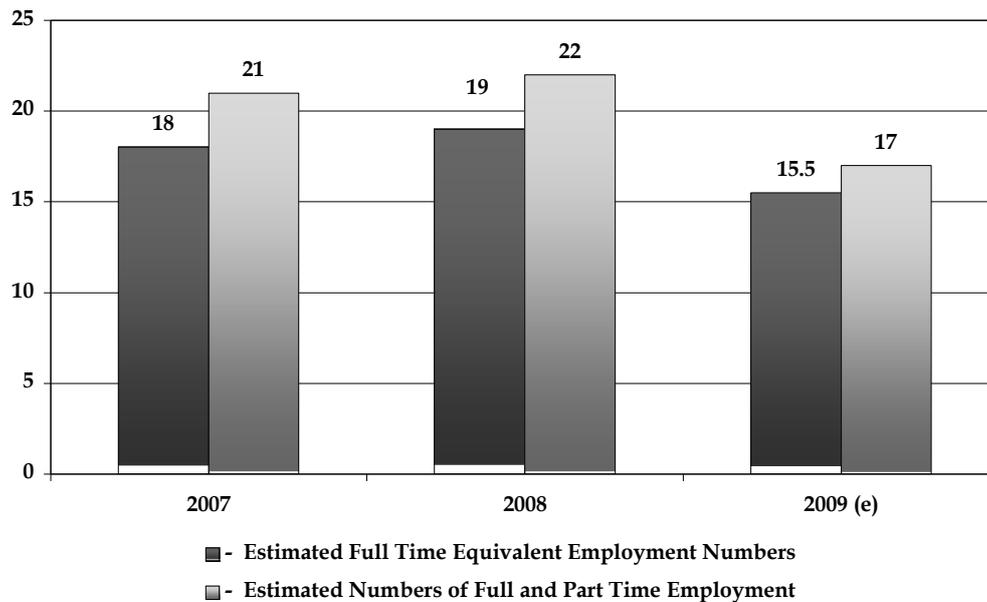


Source: Indecon analysis of The O'Brien Press Internal Data

Employment at The O'Brien Press

The O'Brien Press currently support 15.5 full time equivalent jobs within the Irish economy.

Figure 3.13: Employment at The O'Brien Press



Source: Indecon analysis of The O'Brien Press Internal Data

Exports and foreign rights sales

Despite the fact that the home market remains integral to The O'Brien Press, the firm has a very successful international business which sells books abroad as well as engages in translation rights and co-edition activities. This activity demonstrates the importance of firms such as The O'Brien Press for the development of the Irish economy which will be defined in a significant part by the development of exporting enterprises. The table below outlines the percentage of total revenue that comes from foreign markets.

Table 3-40: Percentage of Total Revenue from Foreign Markets

	2007	2008	2009 (e)
Value of Sales	11.28%	13.29%	22.00%

Source: The O'Brien Press data

The majority of foreign sales were to European markets and they were driven by particular success in translation/co-edition which grew by over 106% between 2007 and 2009. This is an area in which The O'Brien Press see significant growth prospects for the business and developments in the sales of rights can offer increased revenue for the Irish economy.

Innovation at The O'Brien Press

Innovative firms in creative export oriented service industries are central to the current government strategy of developing the "Innovation Island" as part of the transition to the knowledge based "Smart Economy"¹⁸. In this short sub section we briefly highlight the innovation activity that The O'Brien Press has undertaken.

Bringing new cultural products to market is a core activity of The O'Brien Press. All staff are encouraged to have an active role in the development of new product ideas and structures are in place to ensure that this role is taken seriously through the company. New products can have an important impact on business in terms of sourcing new revenue streams and diversifying activity away from core product bases. These are both areas of particular growth potential for the firm and finding new markets for existing content is the way that The O'Brien Press believes that publishing has to move. This includes quicker repackaging cycles (hardback to paperback, combined editions, e-books, audio ...), new sales channels (largely electronic: online content licensing for libraries) or increasing the focus on high-growth channels such as amazon.co.uk/amazon.com. Significant benefits can be reaped through the sale of electronic products, rather than physical books, as this removes the substantial costs and logistics involved in traditional distribution, particularly over long distances.

Table 3-41 outlines examples of product innovation at The O'Brien Press over the last three years.

Table 3-41: Product Innovation at The O'Brien Press

	2007	2008	2009 (e)
No. of new products introduced	50	52	42
% of Sales from new products	38%	32%	36%

Source: The O'Brien Press data

It can be seen that the firm has been very active in the introduction of new products. New products have also accounted for between 32% and 38% of total commercial sales revenue over the period. This highlights the importance of new product development for securing a diverse revenue stream.

¹⁸ See current government strategy document "Building Ireland's Smart Economy", www.gov.ie

Marketing innovation is critical to maximising the return from all O'Brien Press products.

- Continuing to build, develop and enable a network of rights agents worldwide, both for translation and other media, including film
- Substantial ongoing investment in www.obrien.ie
- A blog and "microsites" for some key titles, to build communities
- Significant involvement in industry-wide initiatives, such as Great Irish Book Week, World Book Day and The Dublin Book Festival
- International sales and marketing through a network of agents and Europe, Asia and America.

Process innovation is another area of significant importance to successful services firms and The O'Brien Press believe that constant process innovation is required to survive. One key area within this context is maximising the use of electronic tools can help to save time and money, reduce errors and streamline the overall production process. In this regard the firm has introduced a number of important steps:

- The introduction and development of an integrated office virtual private network (VPN) which enables editors, designers, sales representatives and rights staff to work remotely. This maximises productivity;
- Supplier communication channels are almost exclusively electronic which is both cost and time effective;
- A new publishing software platform has been introduced which enables much more comprehensive and accurate communication with bibliographical partners, ensuring that early data on their titles is disseminated more effectively than before. This has also resulted in an improved unified data store of information about all titles, either current or historical; and
- The company digital archive has been transferred to a new networked system so that everything is instantly available, making it much easier to re-use content and refer to previous work and records. This results in significant time savings for the company.

Further process innovation is planned by the firm, such as the move to a future proof typesetting platform, once the current adverse operational and investment conditions, associated with the recession, improve.

3.5.5 Music Organisations

Ireland has long had a tradition in the music sector. In this sub section we chart the important activity of the Irish Chamber Orchestra (ICO) in terms of its economic contribution and also in terms of its international scope. While there are numerous arts organisations in the music sector which have a significant impact, Irish Chamber Orchestra was chosen to demonstrate the impact of a significant music organisation based in a regional location.

Case study on Irish Chamber Orchestra

Overview of Economic Impact

The ICO had total revenue of €1.7m in 2007, and €1.9m in 2009. This revenue was significantly supported by the Arts Council which accounted for between 57% and 66% over the period. This highlights the role of Arts Council support for the ICO in terms of their development potential and the ability of the orchestra to successfully portray Ireland abroad and for domestic audiences. Of note is the fact that commercial revenues share of the total has increased from 16% in 2007 to 19% in 2009.

Table 3-42: Total Revenue at The ICO*

	2007	2008	2009 (e)
Total revenue: of which	1.7	2.1	1.9
- Arts Council Grant	66%	57%	62%
- Commercial Revenue	16%	17%	19%
- Sponsorship	9%	17%	13%
- Other	9%	8%	6%

Source: Indecon analysis of ICO data

* excludes revenue for capital investment.

In addition to the above revenues, the ICO had capital investment amounting to €1.75m in both 2007 and 2008. In terms of employment, the ICO supports employment in the core orchestral activity as well as musicians on retainer contracts. In 2007, the ICO had 7 full time staff, 20 musicians on retainer/contracts working one hundred days that year. In addition we provided additional contracts of varying lengths to an addition 48 musicians. This was the same for 2008. In 2009, full time staff was reduced to 5 full time 24 musicians on retainer contracts (90 days) and additional contracts of varying lengths to an additional 50 musicians.

Table 3-43: Employment at The ICO

	2007	2008	2009 (e)
Retainer and Contract Staff	68	68	74
Permanent Full Time (FTE)	7	7	5

Source: Indecon analysis of ICO data

Expenditure on wages and salaries was over 60% of total expenditure over the period 2007 to 2009.

Table 3-44: Expenditure at The ICO

	2007	2008	2009 (e)
% of Expenditure on Wages and Salaries	65%	60%	63%

Source: Indecon analysis of ICO data

These figures all highlight the impact of the ICO in terms of both direct jobs and also wider economic activity through expenditures.

Overview of activity

The total number of performances undertaken by the ICO increased from 31 in 2007 to 37 in 2008. It is estimated to have decreased to 34 this year. The 2008 figure includes 7 international shows, and one in 2009. The international tour included their US programme as well as Wigmore Hall in London in 2008 and in 2009 the US programme. These shows are important in terms of the development of an international brand for the ICO and also in its role as an ambassador for the Irish arts.

Table 3-45: No of Performances at The ICO

	2007	2008	2009 (e)
Total number of performances	31	37	34
International performances		7	1

Source: Indecon analysis of ICO data

As we see in Table 3-46, circa 4,500 persons viewed the international shows in 2008.

Considering audience numbers, approximately 15,000 persons viewed ICO performances in 2007, 17,000 in 2008 and in 2009.

Table 3-46: Audience Numbers at The ICO

	2007	2008	2009 (e)
- Ireland	15,000	17,000	17,000
- Internationally		4,500	

Source: Irish Chamber Orchestra data

The ICO also highlight the very positive impact they have had through contact with businesses and politicians across the globe the US, Australia, China and Europe. This provides the ICO with important channels through which to sell their vision of developing a world leading chamber orchestra and which is important as a cultural tourism product representing Irish talent and creativity.

The four case studies highlight very different types of organisations within the Arts sector with variance in the level of commercial revenues, international profile and economic impacts. The results suggest that the Arts sector has a significant economic impact but that this varies by organisation and that there are dangers in generalisations. It also highlights the fact that the potential economic contribution of different organisations are likely to vary significantly.

3.6 Conclusions

In this section we have reviewed the economic impact of Arts Council supported organisations and individuals as well as the wider arts and creative sectors. These sectors are important for the overall economic potentially of the country. The key findings from our analysis are presented below.

Impact of Arts Council funding recipients

The main findings of our impact assessment regarding Arts Council funding recipients are as follows:

- ❑ The total estimated turnover of all Arts Council supported organisations was circa €186.5m on average between 2006 and 2007 of which grant income was €67.4m. Our extrapolated estimate for turnover of these organisations for 2008 was €192m;
- ❑ The total direct impact of expenditure amounted to €178.3m on average over the period 2006 and 2007 and is estimated to have been nearly €187.5m in 2008. Total indirect and induced impacts amounted to €53.4m in 2008. The total impact, of Arts Council supported organisations and individuals, was estimated to be €240.8m in 2008;
- ❑ We estimate that there were a total of 2,042 jobs in Arts Council supported organisations or individuals with an additional 992 indirect and induced jobs supported in the wider economy. This gives a total number of jobs supported as 3,034; and
- ❑ Our estimate of the total tax revenue earned by the exchequer by Arts Council supported organisations and individuals amounted to €53.7m in 2008.

Impact of wider arts sector

We have reviewed the economic impact of the wider arts sector. The main findings of our impact assessment are as follows:

- ❑ The total gross value added of the wider arts sector to the national economy was estimated to be approximately €782m or 0.5% of national GVA;
- ❑ The largest sub sector in terms of its contribution of arts GVA is publishing and literature which accounted for €437m. Film and video contributed €71m in GVA, while libraries, archives, museums and other cultural activities contributed €75m;
- ❑ The total expenditure by the wider arts sector in the economy is estimated to be approximately €1.4bn. The largest sub sector in terms of expenditure is publishing and literature which accounted for €661m. Film and video spent a total of €124m, while expenditure by libraries, archives, museums and other cultural activities amounted to €213m;

- Indirect and induced expenditure impacts of the wider arts sector on the Irish economy amounted to €396m giving a total direct, indirect, and induced expenditure impact in the economy of €1.8bn in 2006;
- Total direct employment supported was 16,689. The total number of indirect and induced jobs in the wider economy that supported the initial employment was 9,830. This brings the total number of jobs supported by the wider arts sector to 26,519; and
- Our estimate of the total effective tax income earned by the exchequer from the wider arts sector amounted to €61.8m on average in 2006. The total indirect tax was estimated to €320m in 2006.

Impact of the creative industries

Our analysis of the impact of the creative industries on the Irish economy suggests the following:

- Total GVA amounted is estimated to account for €5.5bn which was approximately 3.5% of the total economy GVA. The sub sector with the highest contribution overall was software at just over €3.3bn. All 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; and
- Our estimate for total employment for the creative industry indicates that the total number of jobs in the creative industries was 60,855. This was approximately 3% of the total number of jobs in the economy. The sub sector with the highest contribution to employment overall was software at just over 23,802. The publishing sector supported 4,343 jobs, the advertising sector supported 5,173 and radio and television supported 5,070 jobs. Total direct employment was estimated at 60,855. The number of indirect and induced jobs supported was 34,794. This suggests a total direct, indirect and induced employment for the creative industries of 95,649 jobs.

4 The Arts and Cultural Tourism

4.1 Introduction

Tourism is an important industry for the Irish economy both in terms of its regional dispersion and impact and also as a source of foreign exchange revenue. Engaging in cultural activities is a factor for some tourists who come to Ireland. Ireland has a reputation as a nation with a 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. In this section, we review the impact of the Arts in providing key attractions for cultural tourists.

4.2 Cultural Tourism in Ireland

Cultural tourism in Ireland is an important strand of the overall tourism industry. The Cultural Tourism Task Force (2005) indicated that, in terms of tourism, “culture has come to be recognised as central to the definition of what differentiates Ireland from other countries, and therefore core to the economic exercise of maximising visitor numbers and revenues”. Tourism Ireland also highlight that “Sightseers and Cultural Seeker” tourists on average spend more than other visitor types, are more likely to stay in paid accommodation, and visit multiple areas while on holiday¹⁹. This highlights the importance of this tourism consumer group for the overall industry which is reflected in current policy of Fáilte Ireland²⁰.

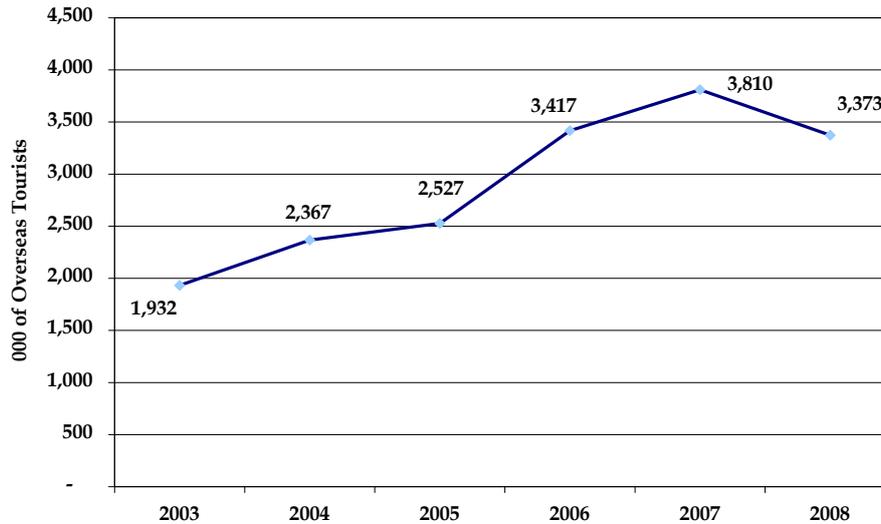
4.2.1 Cultural tourism numbers

In 2008, approximately 3.3m overseas tourists visited places of historical/cultural interest in Ireland.

¹⁹ Tourism Ireland, “Sightseers and Culture Seekers Insights”, www.tourismireland.com.

²⁰ See Fáilte Ireland, 2008, Cultural Tourism Making it Work for You - A New Strategy for Cultural Tourism in Ireland

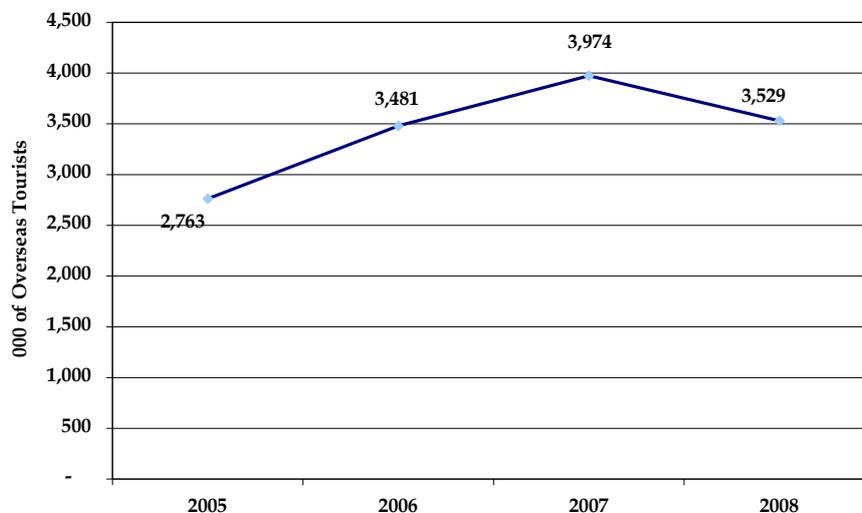
Figure 4.1: Number of Overseas Tourists visiting places of Cultural or Historical Interest



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

The number of overseas tourists that engaged in cultural pursuits was 3.5m in 2008 (See Figure 4.2). This includes historical/cultural visits, visits to gardens, attendance of festivals/events, and persons tracing their genealogy.

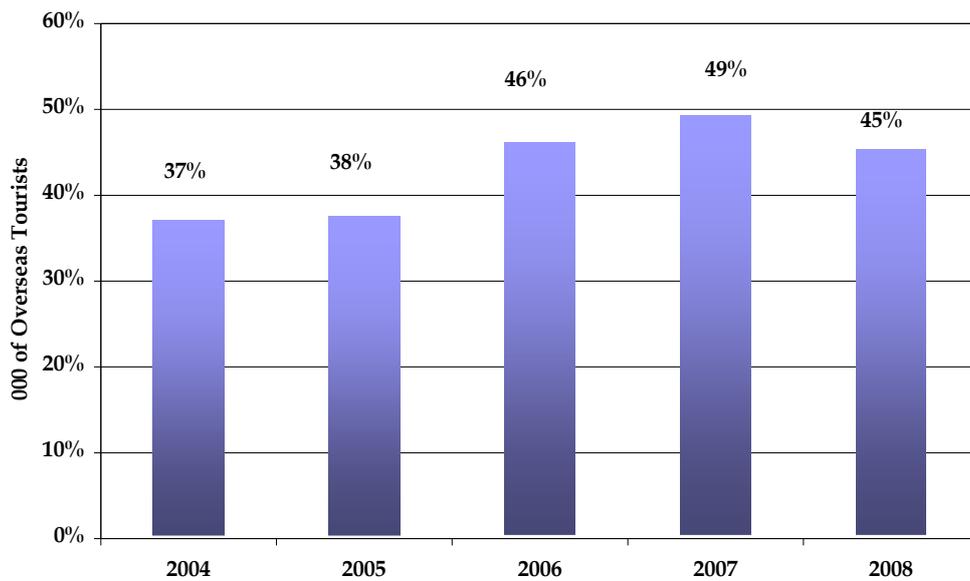
Figure 4.2: Number of Overseas Tourists engaging in Cultural Pursuits



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

These charts outline the role played by cultural activities in Irish tourism. It is also instructive to consider the percentage of total overseas visitors who visited a cultural attraction. This is presented in Figure 4.3. We can see that the share of overseas visitors who participated in a cultural/historical attraction increased significantly from 37% in 2002 to nearly 45% in 2008. This data again highlights the role of cultural/historical attractions to Irish tourism.

Figure 4.3: Percentage of Total Overseas Visitors who visited a Cultural/historical Attraction



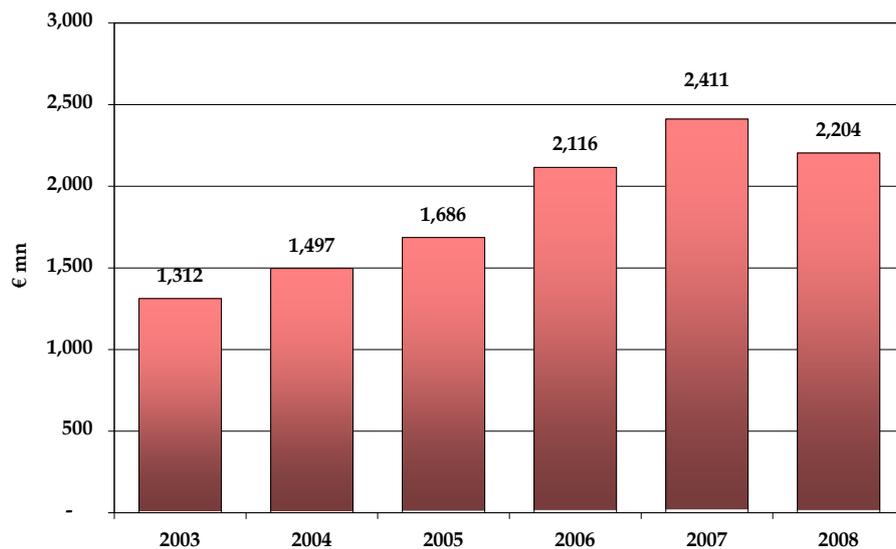
Source: Fáilte Ireland Survey of Overseas Travellers and CSO Tourism and Travel data

4.2.2 Expenditure of Tourists Visiting Cultural Attractions

An analysis of the expenditure of tourists who visit cultural attractions, does not specifically relate to the expenditure at the cultural attraction. The expenditure figures represent the total expenditure in the Irish economy of tourists, who, during their stay, visited a cultural/historical attraction.

The total expenditure of overseas tourists who visited places of cultural or historical interest increased from €1.2bn in 2003 to €2.2bn in 2008. This is a substantial net inflow of revenue for the Irish economy. This is a gross figure for all of the expenditure arising from tourism who visited cultural attractions and it should be not interpreted as expenditure directly related to cultural tourism. Many of the tourists may have decided to come to Ireland for other reasons.

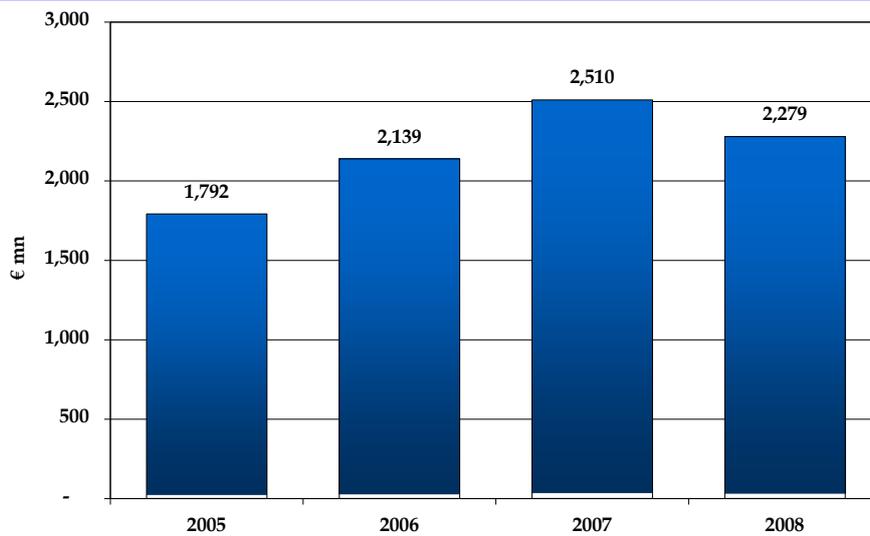
Figure 4.4: Expenditure of Overseas Tourists visiting places of Cultural or Historical Interest



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

The total expenditure of overseas tourists who participated in cultural or historical pursuits increased from €1.8bn in 2003 to €2.3bn in 2008.

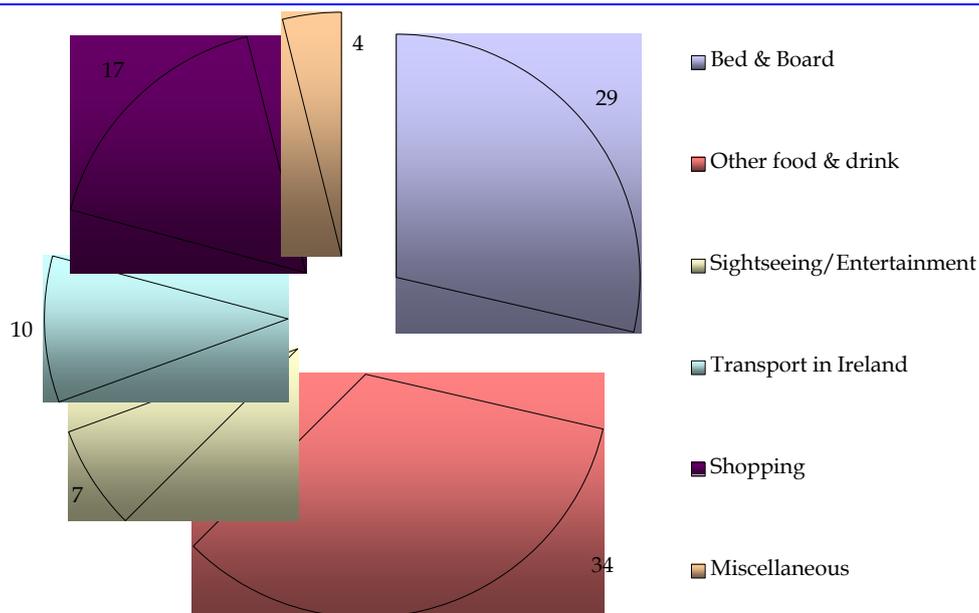
Figure 4.5: Expenditure of Overseas Tourists visiting places of Cultural or Historical Interest



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

The profile of expenditure of tourists who visited a cultural or historical attraction is presented in Figure 4.6.

Figure 4.6 Profile of Expenditure of Overseas Tourists visiting places of Cultural or Historical Interest - 2008



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

The majority of expenditure was on bed and board and food and drink. This accounted for 63% of total expenditure. An additional 17% of expenditure was on shopping highlight the link with the retail sector in Ireland.

4.2.3 Origin of Tourists Visiting Cultural Attractions

In terms of the origin of persons who participate in cultural/historical activity, in 2007, the majority came from mainland Europe and Britain. There were also a substantial number from the US. The expenditure of these tourists is a vital source of foreign revenue for the Irish economy.

Table 4-1: Market Origin of Visitors Participating in Cultural/Historical Activity - % of Total

	2003	2004	2005	2006	2007
Britain	37%	34%	32%	34%	34%
Mainland Europe	31%	31%	37%	35%	38%
North America	27%	28%	25%	25%	22%
Other	6%	7%	6%	6%	6%

Source: Indecon analysis of Fáilte Ireland Tourism Facts data

Of particular interest is the percentage of total visitors from each market origin that participate in cultural/historical activities. This indicates whether there is an increasing/decreasing trend in the overall participation in cultural/historical tourist activities by tourists from each origin. It can be seen from this data that there has been an increase between 2003 and 2007, in all geographical areas, of the proportion of tourists that participate in historical/cultural activities.

Table 4-2: Market Origin of Visitors Participating in Cultural/Historical Activity as Percentage of Total Visitors from Each Geographical Region - % of Total

	2003	2004	2005	2006	2007
Britain	20%	23%	22%	25%	29%
Mainland Europe	40%	46%	49%	43%	48%
North America	59%	69%	68%	66%	68%
Other	44%	53%	56%	57%	58%

Source: Indecon analysis of Fáilte Ireland Tourism Facts data

4.3 Cultural Tourism and the Arts

We have previously reviewed the role played by tourists who participated in some cultural activity or visited a cultural/historical attraction for the overall tourism sector and the wider economy. It is also worth considering the role played by the Arts in cultural tourism. The importance of the Arts for cultural tourism was highlighted by the 2005 Task Force on Cultural Tourism who defined the sector as including the following activities:

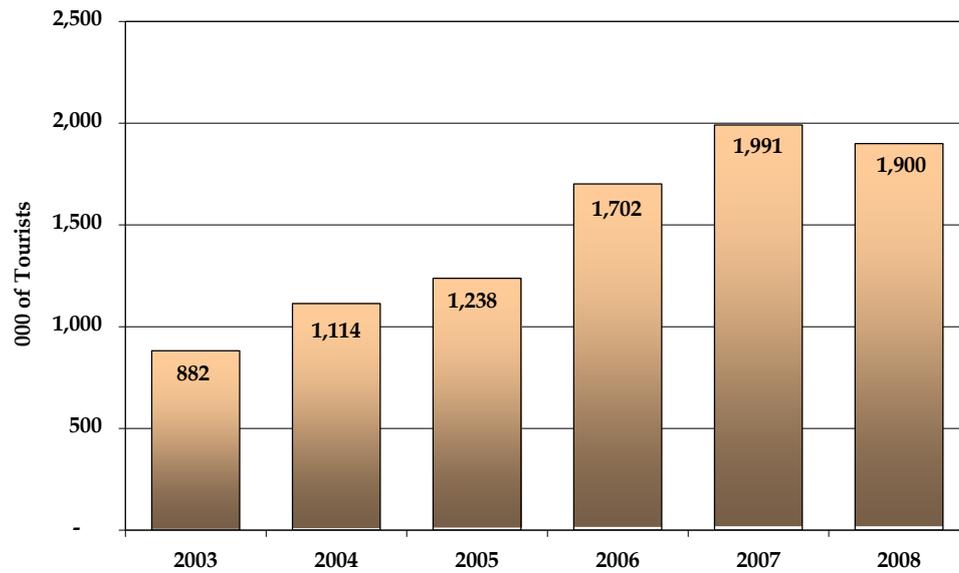
- Temporary and permanent shows in museums and galleries (contemporary or heritage);
- Arts festivals, summer schools and other arts shows and events;
- Live performing arts in theatres, arts centres, concert halls and other venues;
- Arts/crafts workshops and studios;
- Irish language and traditional 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 key driver of success in this tourism market.

4.3.1 Visitor Numbers

To provide a greater focus on the overall number of tourists that visit arts facilities, Fáilte Ireland have provided Indecon with more up-to-date detailed data for visitors to museums and arts galleries and also visitors for festivals and events. Visits to theatres are not included in the data that is collated and this is something which merits inclusion in future research. In addition, there was a significant change in the sample selection and methodology for calculating numbers between 2005 and 2006. Therefore, the significant change in the data between 2005 and 2006 is a result of this change and comparison between these periods is difficult.

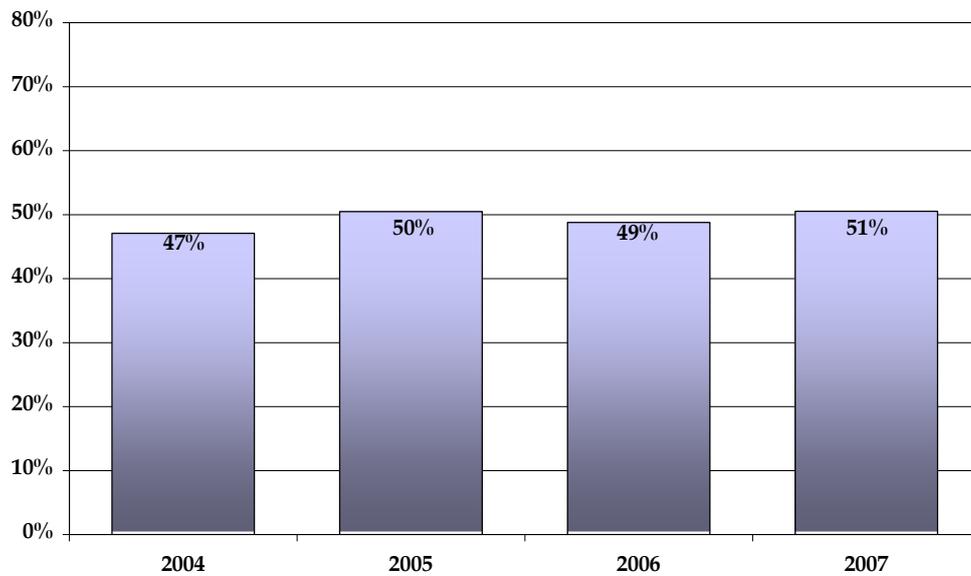
Figure 4.7 outlines the total number of tourists visiting museums and art galleries from 2003 to 2008. Tourism numbers increased over the period from 1.7m in 2006 to 1.9m in 2008, although there was a year-on-year decrease from 1.99m in 2007 reflecting the deterioration in overall tourism in the face of the current economic crisis.

Figure 4.7: Overseas Tourists visiting Museums and Art Galleries

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

Figure 4.8 outlines the percentage of visitors who visited an art gallery or museum. This outlines the share of total visitors who visited art galleries as part of their holiday package. This share has increased marginally over the period considered from 47% to 51%.

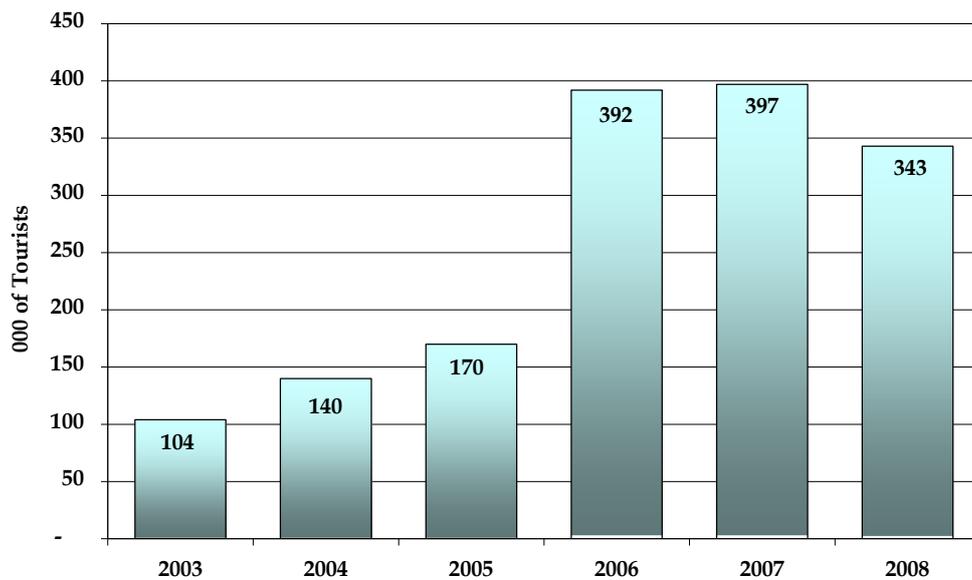
Figure 4.8: % of All Cultural/Historical Visitors that Attended a Museum or Gallery



Source: Indecon analysis of Fáilte Ireland Visitor Attitudes Survey data

Figure 4.7 outlines the total number of tourists that attended festivals and events over the period 2003 to 2008. In addition, there was a significant change in the sample selection and methodology for calculating numbers between 2005 and 2006. Therefore, the significant change in the data between 2005 and 2006 is a result of this change and comparison between these periods is not possible. These statistics are instructive in that they indicate a significant number of overseas tourists attending festivals and events. In total 392,000 persons attended festivals and events in 2006, 397,000 in 2007 and 343,000 in 2008.

Figure 4.9: Overseas Tourists attending Festivals and Events



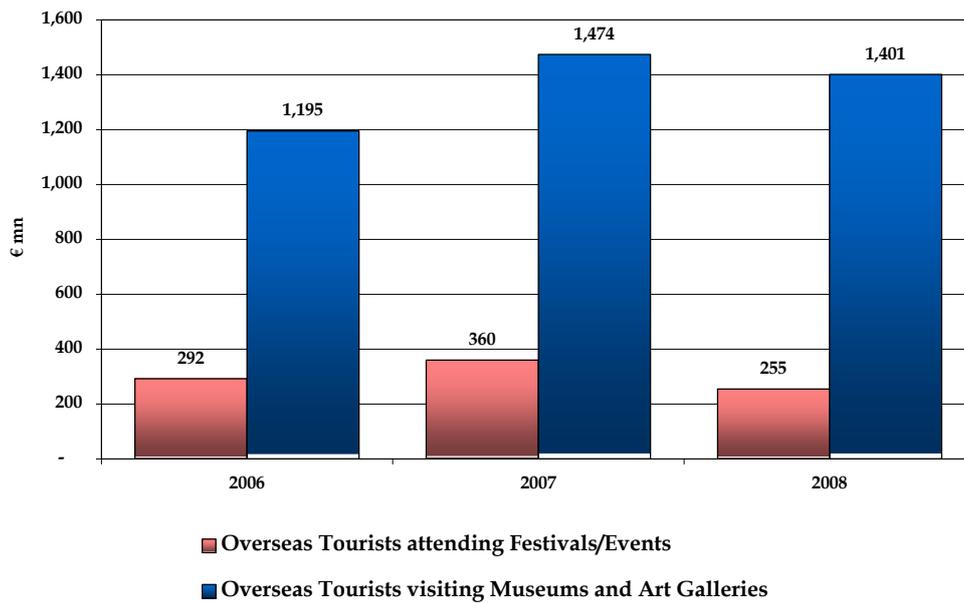
Source: Fáilte Ireland Survey of Overseas Travellers and CSO Tourism and Travel data

4.3.2 Expenditure of Tourists Visiting Cultural Attractions

As was presented above, we now review the expenditure of tourists who visit arts-related attractions or attended festivals or events. The important qualification regarding the data that was outlined above also applied for these statistics. The expenditure figures presented should be interpreted as the total expenditure in the Irish economy of tourists, who, during their stay, visited a cultural/historical attraction.

The total expenditure of overseas tourists who visited museums and art galleries increased from €1.2bn in 2006 to €1.4bn in 2008. The total expenditure of overseas tourists who attended festivals and events increased from €292m in 2006 to €360m in 2007 but declined in 2008 to €255m.

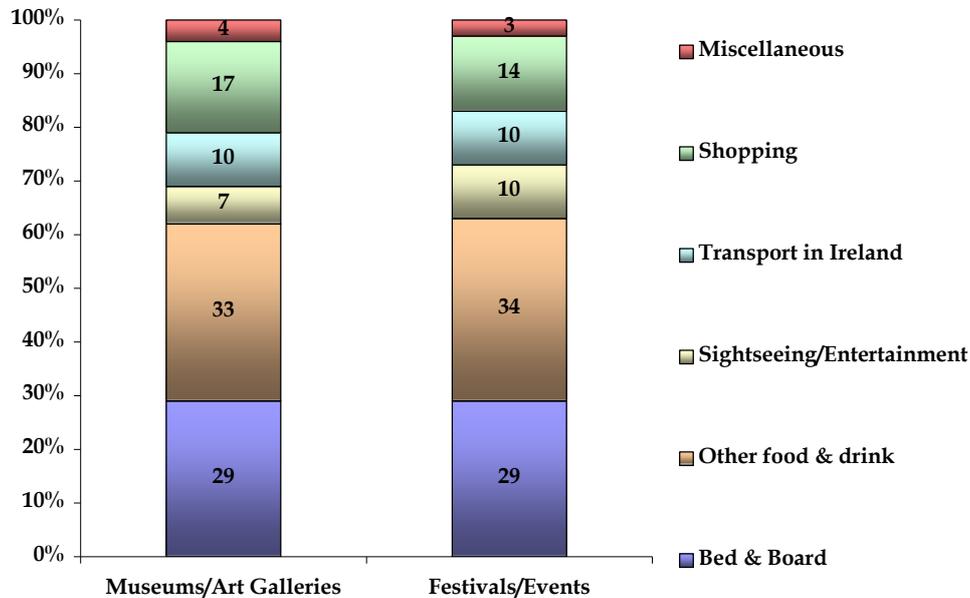
Figure 4.10: Expenditure of Overseas Tourists visiting Museums and Art Galleries and attending Festivals and Events



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

An analysis of the profile of expenditure of tourists who visited museums and art galleries and attended festivals and events is presented in Figure 4.11.

Figure 4.11: Profile of Expenditure of Overseas Tourists visiting Museums and Art Galleries and attending Festivals and Events - 2008



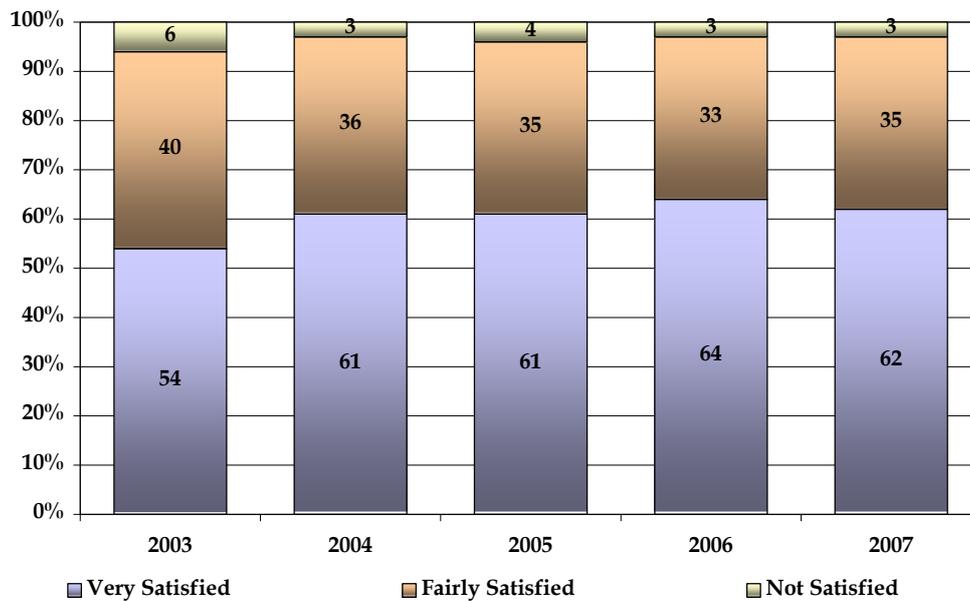
Source: Fáilte Ireland Survey of Overseas Travellers and CSO Tourism and Travel data

The majority of expenditure was on bed and board and food and drink. The other highest categories were transport and sightseeing and entertainment. It must be noted that the above expenditure figures are not mutually exclusive.

4.3.3 Views of Visitors to Arts Attractions

The views of visitors are important in terms of both return tourism but also in spreading the image and vision of Ireland abroad. Over the period 2003 to 2007 over 60% of respondents were very satisfied with the visits to museums and galleries. Of the remainder of respondents, the majority were fairly satisfied and only a small proportion was not satisfied.

Figure 4.12: Overview of Tourist Satisfaction with Museums and Galleries - % of Holiday Makers



Source: Indecon analysis of Fáilte Ireland Visitor Attitudes Survey data

4.3.4 Key Visitor Attractions in Ireland

In highlighting the importance of the Arts to cultural tourism in Ireland, it is instructive to review key visitor attractions in Ireland. The Arts and arts-related activities are some of the most important attractions for visitors. Table 4-3 below outlines the top 10 visitor attractions in Ireland over the period 2003 – 2007 by the number of visits per attraction.

Table 4-3: Top 10 Visitor Attractions into Ireland 2003 - 2007 - Number of Visits per Attraction

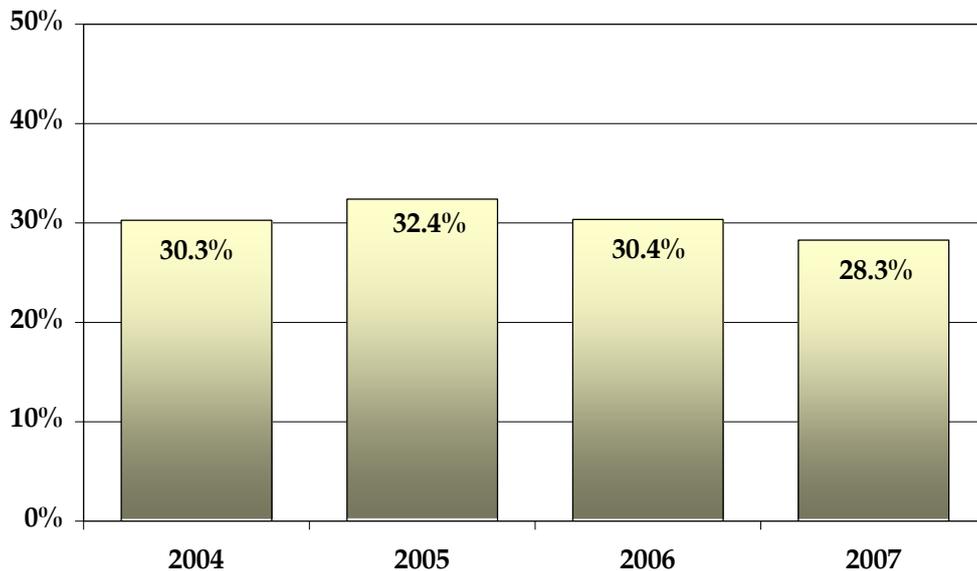
Name of Attraction	2003	2004	2005	2006	2007
Guinness Storehouse	738,000	764,118	780,851	858,504	946,577
Cliffs of Moher Visitor Experience	650,000	789,465	760,906	911,876	940,455
Dublin Zoo	772,322	731,705	746,291	754,208	900,005
The National Gallery of Ireland	754,636	744,847	748,938	756,510	740,407
Book of Kells	467,513	512,849	529,898	548,691	567,632
National Aquatic Centre	187,007	425,284	273,559	368,225	565,085
Irish Museum of Modern Art	309,000	350,000	420,000	435,000	485,000
National Museum of Ireland - Archaeology	59,907	313,031	269,846	368,692	407,202
Blarney Castle	300,000	364,468	385,543	395,454	401,567
St Patrick's Cathedral	275,922	314,729	328,398	334,976	388,559

Source: Fáilte Ireland Visitor Attractions Data

If we consider the list above, three attractions are of significant artistic attraction. The National Gallery of Ireland is the fourth most visited attraction on the Island, attracting nearly 750,000 visitors each year between 2003 and 2007. The Book of Kells is of significant cultural and artistic literary heritage and is the fifth most visited attraction with between 500,000 and 570,000 visitors a year. The Irish Museum of Modern Art is the 7th most visited attraction in Ireland with 485,000 visitors in 2007. These attractions and the number of visitors highlight the significant importance of arts attractions for the country.

If we consider these three attractions as a percentage of the total visitations for those attractions in the top 10, we can see that these arts attractions accounted for approximately 30% of visits in each year between 2004 and 2007. This is outlined in Figure 4.13 below.

Figure 4.13: % of Total Visits to Top 10 Attractions Accounted for by Arts Facilities



Source: Indecon analysis of Fáilte Ireland Visitor Attractions Data

In addition to those attractions outlined above, there are a significant number of other arts facilities and activities that draw large attendances. Figure 4.4 outlines a selected listing of arts facilities from the Fáilte Ireland listing of visitor attractions. The list is not exhaustive in terms of arts facilities but gives an indication of the range and scope of attractions and their total visitation numbers. In total there were over 3.2m visits to the listed attractions. Other important facilities include the Dublin City Hugh Lane gallery and the National Museum of Ireland.

In addition to these attractions significant numbers of visitors attend theatre, music, dance, and arts festivals. Monitoring of data on these other key arts activities is an issue which we believe merits attention. This is particularly important as in some cases attendance at such events may be the primary reasons for the overseas visit to Ireland.

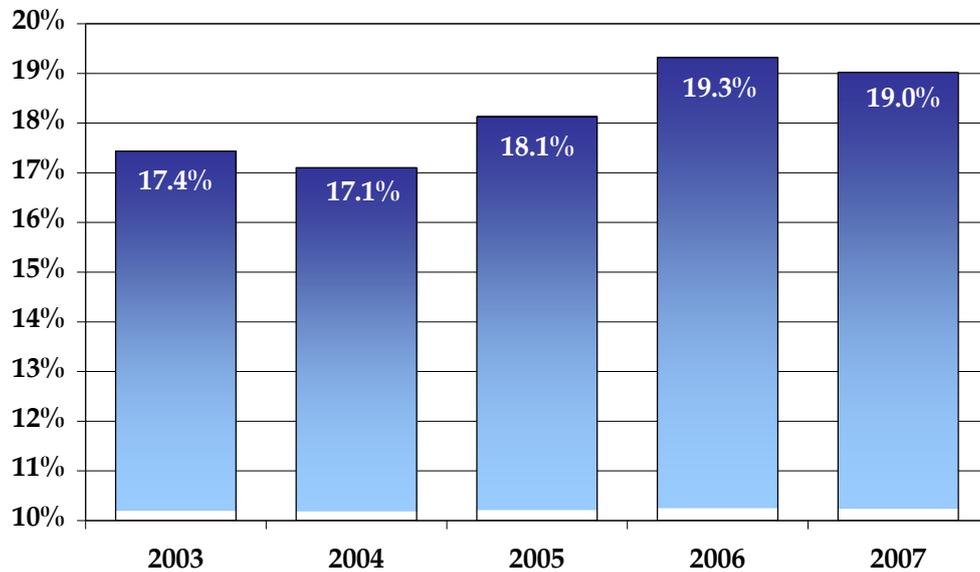
Table 4-4: Art Visitor Attractions 2003 - 2007 - Number of Visits per Attraction

Name of Attraction	2003	2004	2005	2006	2007
The National Gallery of Ireland	754,636	744,847	748,938	756,510	740,407
Book of Kells	467,513	512,849	529,898	548,691	567,632
Irish Museum of Modern Art	309,000	350,000	420,000	435,000	485,000
National Museum of Ireland - Decorative Arts & History	136,868	102,932	125,006	245,291	374,347
Chester Beatty Library	134,161	163,523	172,230	206,695	252,000
Dublin City Gallery The Hugh Lane				142,168	166,346
National Museum of Ireland - Country Life	112,270	99,761	105,501	100,645	113,430
National Museum of Ireland - Natural History	118,705	124,167	130,000	148,884	108,615
The National Library of Ireland					96,572
Brú Ború	22,000			74,000	71,000
Model Arts and Niland Gallery	40,000	47,800	49,500	53,800	55,000
Glór - Irish Music Centre	38,000	42,000	50,000	46,667	52,041
Imaginosity					43,898
St Johns Literary Arts Centre and Theatre	30,000	31,000	32,000	33,500	35,000
Limerick City Gallery of Art	19,915	17,117	22,065	24,464	27,500
Sligo Art Gallery	15,000	16,000	16,000	16,000	16,000
Glebe House & Gallery	9,586	6,709	12,700	14,215	14,456
Oideas Gael	7,400	8,000	8,000	10,000	10,000
Greyfriars Municipal Gallery	6,000	6,500	21,000	7,000	8,500
James Joyce Tower Museum	15,000	11,336	8,512	9,158	8,261
Casino Marino	6,667	6,564	5,886	7,148	6,137
Clones Lace Gallery	3,400	3,600	3,600	4,000	4,600
Patrick Kavanagh Rural & Literary Resource Centre	4,100	5,550	3,000	3,100	3,057
The Gallery	2,000				1,800
Nora Barnacle House Museum					1,700
Total	2,252,221	2,300,255	2,463,836	2,886,936	3,263,299

Source: Fáilte Ireland Visitor Attractions Data

Visits to art attractions which are included in the Fáilte Ireland statistics as a percentage of the total visitations for all attractions in the Fáilte Ireland listing, account for approximately 20% of visits in each year between 2002 and 2007. This is outlined in Figure 4.14 below.

Figure 4.14: % of Total Visits to Attractions Accounted for by Arts Facilities



Source: Indecon analysis of Fáilte Ireland Visitor Attractions Data

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.

4.3.5 Arts as Part of the Tourism Product

As we have seen from the above analysis the Arts plays an important role as part of the wider cultural tourism activity in Ireland. This role has a significant appeal to certain demographics and countries in terms of its attractiveness to Ireland as a cultural tourism destination. Recent research for Fáilte Ireland which was made available to Indecon for the purposes of this study highlight a number of key areas of importance for the Arts as part of the overall cultural tourism package in terms of both the country of origin for which arts aspects are important but also for the specific demographic groups for which arts activity is of salience. The research is conducted for a number of countries including:

- Ireland;
- UK;
- US;
- France; and
- Germany.

The research also delineated a number of key demographic target market groups. These include:

- Family formation (family holiday groups and activities);
- Fun seekers;
- Explorers; and
- Mass tourists.

Arts as a cultural theme

Fáilte Ireland's research specifies a number of generalised themes which classify the importance of aspects of Ireland's culture and historical heritage for tourism consumers. These themes include the following:

- Christian Heritage
- Contemporary Irish Culture
- Green Natural Ireland
- Historic Ireland
- Traditional Irish Culture

Of direct importance for the impact of the Arts on cultural tourism are the themes of Traditional Irish Culture and Contemporary Irish Culture.

Traditional Irish Culture

Traditional Irish Culture is one of the most important elements in the Irish cultural and heritage tourism offering and relates to pubs, music, dance, sport and storytelling. From the perspective of the Arts, the importance of dance, music and traditional Irish literature make up an important element of this product group.

A theme of music, festivals and theatre including concerts and events is highlighted as an emerging interest across all countries and demographic segments. This is a segment that the Fáilte Ireland research highlights as having definitive scope for promotion in foreign markets.

Contemporary Irish Culture

This theme includes art, architecture and music. The Arts and art-related themes are currently underutilised elements of Ireland's cultural offering according to the research. Within this context, Fáilte Ireland highlights the importance of contemporary music and festivals especially for fun-seeking, short-break holiday makers. They also indicate that there is much scope for promoting galleries and museums as part of high culture weekend breaks.

Importance of arts themes

To effectively assess the impact of the Arts on the overall cultural tourism package, it is imperative to consider the importance of the arts-related themes for the different demographic groups and different origin tourist markets. This will position the Arts within the overall tourist product.

Importance by demographic group

The importance of the key arts themes of traditional and contemporary Irish culture across the aforementioned demographic groups are outlined below.

Figure 4.15: Importance of Themes by Demographic Market



Source: Fáilte Ireland Research – Promoting Ireland’s Culture and Heritage Offering

In all categories, traditional Irish culture is either the most important or second most important of all themes. Contemporary Irish culture is the most important for fun seekers but not important for explorers and mass tourists. Music festivals and events are not as important across all groups. Overall this highlights the importance of arts activities across all groupings.

Importance by country of origin

The importance of the key arts themes of traditional and contemporary Irish culture across the aforementioned countries of origin is outlined below.

Figure 4.16: Importance of Themes by Country of Origin



Source Fáilte Ireland Research - Promoting Ireland's Culture and Heritage Offering

In all categories, traditional Irish culture is the most important of all themes. Contemporary Irish culture is the second most important for Germany and the United Kingdom but not as important for Ireland and France. Music festivals and events are not as important across all countries reviewed.

4.4 Conclusions

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. 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, who took in a cultural/historical attraction was 47% on average over the period 2006 - 2008; and
- In terms of the origin of persons who participate in cultural/historical activity, the majority came from mainland Europe and Britain. There were also a substantial number from the US. These tourists are a vital source of foreign exchange revenue for the Irish economy.

The importance of the Arts for cultural tourism was highlighted by the 2005 Task Force on Cultural Tourism who 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 key 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 our 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 arts 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.

These figures reinforce the role of the Arts in cultural tourism. This is further highlighted by recent research by Fáilte Ireland which finds that:

- 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.

5 The Arts and the Smart Economy

5.1 Introduction

The future development and prosperity of the Irish economy depends on a securing a sustainable export led growth path. As part of this economic realignment, the continued development of internationally traded services will be of importance. This will require a significant focus on innovation and on new high value added industries such as ICT and biotechnology. An important component of innovation led growth is the creative capacity of the economy. This is outlined in current government policy in the context of the development of the “*Smart Economy*”²¹. In this section, we will focus on the potential role of arts and culture in developing innovation led growth both in directly related sectors but also in the wider economy.

5.2 Arts and the Creative Industries

5.2.1 Introduction

An issue for economic policy is what role, if any, the Arts have for the development of a knowledge economy. We focus firstly on the policy context for the knowledge economy and the potential position of the Arts within this for Ireland and secondly we review the wider impacts of the culture, creativity and economic innovation.

²¹ Dept of An Taoiseach (2008), “Building Irelands Smart Economy – A Framework for Sustainable Economic Renewal”.

5.2.2 Irish Policy Context

The development of the creative economy and the impacts of the Arts on this process is highlighted in the policy document entitled “*Building Ireland’s Smart Economy – A Framework for Sustainable Economic Renewal*”. The overall vision is outlined as follow:

The Smart Economy combines the successful elements of the enterprise economy and the innovation or ‘ideas’ economy while promoting a high-quality environment, improving energy security and promoting social cohesion. A key feature of this approach is building the innovation or ‘ideas’ component of the economy through the utilisation of human capital - the knowledge, skills and creativity of people - and its ability and effectiveness in translating ideas into valuable processes, products and services. A second important aspect is the greening of the economy and the development of green enterprise.

A key area of the component policy “Building Ireland’s Smart Economy” relates to Building the Ideas Economy – Creating the Innovation Island. This has the objective of developing Ireland into the innovation and commercialisation capital of Europe which will combine the features of an attractive home for multinationals but also a development and incubation environment for indigenous enterprises. It is argued that economic growth will be secured through additional higher added value per person. This will build on one of Ireland enduring economic strengths – its people. Within this context, the Smart Economy highlights the potential importance of leveraging the Arts, cultural and creative sectors both through the development of exporting firms in these areas as well as the enhancement of cultural tourism.

The emphasis of the leveraging of the Arts, cultural and creative sectors also relates to the impact of these activities on the workforces 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 key and primary economic contributors both in terms of value added and also in terms of provides of employment; and
- The sector is one of the highest investors in research and development, especially in human capital.

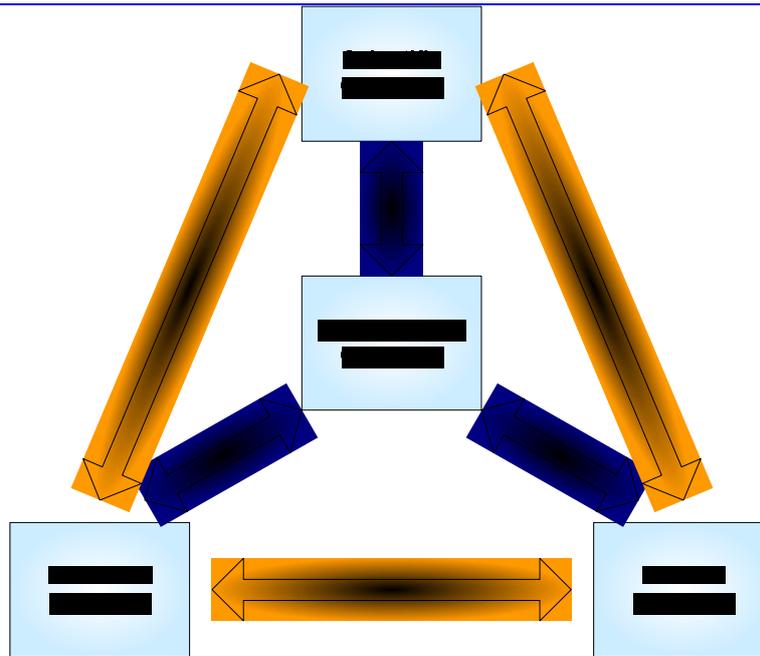
The key to the successful development of the sector can be enhanced by providing adequate intellectual property protection and commercialisation advantages. Other public policy documents highlighting the importance of innovation of the continued success of the Irish economy have also stressed the role to be played by the development of innovation in services. 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. Moving the focus of innovation policy to services is believed to have particular advantage for Ireland.

5.2.3 Culture, Creativity and Innovation

Cultural creativities and its links to economic and technological progress

The link between culture and economic innovation is difficult to assess with any precision. This is due to the fact that the linkages depend on intangibles in firm level activity and these indirect benefits are much more difficult to quantify as compared to more direct benefits of employment or expenditure. The diagram, taken 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, 2006).

Figure 5.1: Linkages between Cultural and Economic Creativity



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

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

The European Commission report highlights the fact that in the current modern economy, competition fosters the need to develop the quality and differentiation of products in order to develop successful sales strategies. They state that:

What increasingly matters today, and constitutes a distinctive competition parameter, lies in the immaterial dimension generated by creative people, skills, ideas and processes; in other terms, creativity (EC DG Education and Culture, 2006).

These creative processes can develop innovation and foster economic growth and development in the Irish economy and the opportunity exists to leverage the strong artistic and cultural heritage in Ireland to better develop our new post-industrial economy.

The impacts of creativity on innovation

The direct impact of the creative and cultural industries on the economy can be considered by considering key economic variables such as employment, exports, and value added. These industries are also well known to be characterised by a significant degree of innovation. A potential secondary impact is whether these industries drive innovation in the wider economy and thus reinforce the development of a knowledge driven economy. Within its position as a key component of the creative industry, the Arts may have a role to play in this regard.

In regard to innovation in a wider context, most economists are agreed that innovation and productivity are determinants of long run economic performance and prosperity as well as an influence on the functioning and performance of individuals and markets (NESTA, 2008). Baumol (2000 in NESTA, 2008) highlights the centrality of innovation in the growth process and outlines two key benefits, namely;

- That innovation is a good that benefits are likely to be dispersed throughout the economy; and
- The stock of knowledge underlying technologies and processes accumulates over time.

Thus successful innovation activity requires a variety of resources including artistic, creative, technical, scientific, entrepreneurial and managerial (NESTA, 2008). An explanation of the potential links between the creative industries and overall innovation in the wider economy is outlined below:

“Creativity and innovation are overlapping concepts. In the main, creativity is about the origination of new ideas – either new ways of looking at existing problems, or of seeing new opportunities, while innovation is about the successful exploitation of new ideas. It is the process that carries them through to new products and services or even new ways of doing business. Increasingly, both are important across the spectrum of economic activity. The creative industries can be conceived as a pioneer sector of the economy, trailblazing approaches, and fostering an attitude towards creativity and innovation from which the rest of the economy and society can benefit. This critically depends on whether ‘effective’ transmission mechanisms are in place.” (Andari et al., 2007).

Traditionally innovation is believed to be dependent in part on scientific research. In recent years the focus has included references to the creative industries and cultural influences on innovation activity. Recent research in the UK has focused on the potential impact of the creative industries and the Arts on driving innovation in the wider economy²². One of the focuses of 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. The Arts and related activities can potentially play a role in stimulating original thought and creativity which can act as a driver for innovation in the economy. The NESTA research suggests 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 report argues 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". Thus it is suggested "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.

²² NESTA (2008), *Creating Innovation: Do the creative industries support innovation in the wider economy?* Research Report Series

5.3 Conclusions

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 will 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 government policy in the context of the development of the “*Smart Economy*”²³. The emphasis of the leveraging of the Arts, cultural and creative sectors within the context of the government’s Smart Economy vision relates to the potential impact of these activities on the workforces 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 provides 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 to other economic sectors.

²³ Dept of An Taoiseach (2008), “Building Irelands Smart Economy – A Framework for Sustainable Economic Renewal”.

In regard to innovation in a wider context, most economists are agreed that it 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). Previous innovation focuses in terms of both policy highlights and also in terms of industrial development has been focused on scientific research in major multinationals. A recent policy document released by Forfás entitled “Innovation in Ireland” also focused on the fact that innovation had traditionally been the remit of technological advances in the manufacturing industry. Moving the focus of innovation policy to services can have particular advantage for Ireland. The creative industries are potential sources of innovation and economic activity and this is one area in which they can foster economic growth.

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 economy²⁴. The Arts and related activities can play a role in stimulating original thought and creativity which can act as a driver for innovation in the economy. The UK NESTA 2008 research concludes 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.

²⁴ NESTA (2008), *Creating Innovation: Do the creative industries support innovation in the wider economy?* Research Report Series

This knowledge diffusion may be deliberate or through the fact that the creative firms actually require more innovative products themselves. Thus the research suggests 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”. Thus the research highlights the importance of the creative industry 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.

6 Ireland's Image and Reputation - The Role of the Arts

Ireland is a small trading nation dependent on playing an active role in international trade to secure long term economic growth and prosperity. It is therefore imperative that our image and reputation abroad enhances our ability to foster trade linkages and encourage international investment in the country. 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 Social and Economic Council²⁵ have recently outlined the dimensions of the current crisis namely:

- ❑ Banking crisis;
- ❑ Public finances crisis;
- ❑ Economic crisis;
- ❑ Social crisis; and a
- ❑ Reputational crisis.

This sub section will focus on the potential role the Arts can play in restoring and developing the reputation of the country internationally which will help develop economic growth and prosperity.

6.1 Current Reputational Challenges

Recent difficulties in the Irish economy, has had a significant impact on current international investor sentiment towards the Irish economy. This can be seen in the recent increases in the cost of borrowing for Ireland relative to other European countries although this margin has reduced significantly in the recent periods. The National Economic and Social Council²⁶ outline the following reasons for the current reputational challenges facing the country:

- ❑ The uncertainty about Ireland's willingness to participate in major developments in the EU and its commitment to EU membership;

²⁵ NESc, 2009, "Ireland's Five Part Crisis: An Integrated National Response!", www.nesc.ie

²⁶ NESc, 2009, "Ireland's Five Part Crisis: An Integrated National Response!", www.nesc.ie

- ❑ 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;
- ❑ The perception that Ireland has, along with a number of other countries, had a lax and ineffective system of regulation of the financial sector; and
- ❑ The perception that Ireland's response to the banking crisis may not include sufficient change in governance, personnel and governance arrangements.

The outcomes of these factors, as mentioned before, can be seen in the increased debt spreads due to the additional risk premium sought by investors. The National Competitiveness Council also highlights the role of Ireland's reputation in restoring competitiveness²⁷. 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 April Supplementary Budget (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. A positive outcome to the Lisbon Treaty referendum is critical; and
- ❑ Continued emphasis on marketing Ireland overseas as an attractive location for investment, businesses and tourism will be necessary.

²⁷ National Competitiveness Council, 2009, "Getting Fit Again: The Short Term Priority to Restore Competitiveness", www.nesc.ie

Within this context, the Arts can play a potential 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.

6.2 The Arts and International Reputations

Ireland has a long tradition of international excellence in many facets of the Arts. This is evident in the success of many of our international artists across many art forms. Most notably, Ireland has the highest per capita number of Literature Nobel Prize winners and our country features regularly in world literature prize lists²⁸. Given our international standing regarding artistic activities, this image of Ireland can help re-develop our international reputation. Research from a UK market research firm in 2005, indicated that Ireland's most important area of national competence is culture and heritage. They also note that our national culture and heritage has been well represented abroad through literature, film and music. Fanning (2009) states that Ireland's reputation as a literary nation with a rich cultural heritage has been maintained throughout the 20th 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 countries "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 nations 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 countries ability to attract overseas tourists; and
- The brand image can play a critical role in the development of export sales for domestic firms.

He states that each of these three areas benefit from a more creative reputation as businesses are seeking an innovative and creative workforce, goods and services from countries with a creative reputation have extra cachet and cultural tourism is growing relatively quickly.

²⁸ Fanning (2009),

Fanning (2009) also highlights the growing importance of “soft capital” in a globalising world. This can be seen in the development of cultural institutes the world over promoting certain nations culture (Goethe Institute). Many countries now see culture as a core dimension of foreign policy. He also states that the Irish Embassy in Washington has observed that the promotion of Irish culture has played an enormous role in the furtherance of our bi-lateral relations. The extraordinary influence of Irish culture in the world adds immeasurably to the stature of a small country in its relations with the US. He also states that a reputation for literary excellence does not just enhance the country’s reputation abroad it may be critical factor in terms of the development of the creative industries.

“Ireland’s literature and cultural heritage has been developed into our countries brand internationally. Ireland’s is complex and multifaceted combining elements of a tragic history, a rich cultural tradition and wild romantic scenery. Governments are investing in developing brands for their countries to enhance both economic development and international standing.”

The image and reputation of a country or what marketers refer to as a nation’s brand is influenced by a wide range of factors but art and culture clearly impacts on reputation. This is evident in the compilation of the Anholt Nations Brand Index which is an analytical ranking of the world’s Nation’s brand. Interestingly this index is based on perceptions of six dimensions of national assets, characteristics and competence, one of which is cultural and heritage. (Other factors are people, tourism, governance, immigration and investment and exports). On the cultural and heritage measures questions are asked about perceptions in a range of areas including perceptions of the country’s cultural heritage as well as people’s appreciation of its contemporary culture such as art, films and literature.

In an analysis of the Irish brand in the 2005 Anholt-GMI Nations Brand Index report on How the World sees the World, reference is made to the fact that “New Zealand and Ireland have small populations but positive brand values, [but] they manage to punch well above their weight on the global stage”.

The report points out that “both countries have undoubtedly benefited from attractive tourism imagery, although neither is a major tourist destination. Ireland’s spectacular growth has given its brand a tremendous boost. Also its distinctive national culture and heritage has been well represented internationally through literature, film and music”.

Arts and foreign investment in focus

The role of the Arts and creativity in terms of the development of Ireland's relative attractiveness as a destination for foreign direct investment is a potential factor if it helps Ireland leverage the creativity of its workforce to develop its competitive advantage.

The IDA has promoted a workforce focused image of Ireland as a destination for direct investment going back to the very successful "Young Europeans" campaign in the early 80s. In recent years, 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 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. They state 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 was developed from Ireland's international reputation for artistic activity and our artistic and creative heritage.

6.3 Conclusions

Rebuilding Ireland's reputation and image

Ireland is a small trading nation who depends on playing an active role in international trade to secure long term economic growth and prosperity. It is therefore imperative that our image and reputation abroad enhances our ability to foster trade linkages and encourage international investment in the country. 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 Council²⁹ outline a number of reasons for the current reputational challenges facing the country. These include:

- The uncertainty about Ireland's willingness to participate in major developments in the EU and its commitment to EU membership;

²⁹ NESCC, 2009, "Ireland's Five Part Crisis: An Integrated National Response!", www.nesc.ie

- 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.

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) states that Ireland's reputation as a literary nation with a rich cultural heritage has been maintained throughout the 20th 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.

The IDA has provided 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 80s. In recent years, 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 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. They state 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 Ireland's international reputation for artistic activity and our artistic and creative heritage.

Annex 1 Policy Context and Economic Overview of Arts and Culture

Policy Context and Economic Overview of Arts and Culture

Introduction

There is an extensive body of research internationally regarding the economic impact of the Arts and the linkages of the Arts with the wider economy. Given the level of public funding to arts organisations, much of this debate has revolved around estimating the total impact of the sector in terms of employment and expenditures with a view to highlighting the returns to public sector investment in the field. More recently there has been a distinct focus on the linkages between arts and culture and the overall innovation propensity of economies. This has highlighted the potential externalities of the Arts in terms of spillovers into broader economic and business activities and the linkages to the creativity driven new economy. Some of this work is of variable quality and some research studies have not been based on rigorous independent analysis. In this sub-section, we present the highlights from some of the more valid international studies regarding the economic impact of the Arts and we review the policy context.

International Overview of Economic Impact of Arts and Culture

There have been a wide range of studies internationally which have reviewed the economic impact of the Arts and Culture.

6.3.1 International Studies

In 2007, the OECD published a report which considered the “International Measurement of the Economic and Social Importance of Culture”. This report outlines statistical differences between countries in measuring the economic impact of culture and remedies for collating statistics and comparison across regions. As part of this report they presented the following statistics which are of direct relevance to this assessment of the impact of the cultural sectors on economic activity.

Table A1 1 – OECD Data on Creative Sectors – as % of Gross Value Added

	Australia	Canada	France	UK	USA
Advertising	0.50%	0.30%	0.80%	0.70%	0.20%
Architecture	0.10%	0.10%	0.20%	0.50%	0.20%
Video, film and photography	0.40%	0.40%	0.40%	0.30%	0.40%
Music and the visual and performing arts	0.20%	0.20%	0.20%	0.50%	0.30%
Publishing/Written media	1.20%	1.80%	0.80%	2.10%	1.10%
of which: Printing	1.00%	0.30%	0.90%	0.40%	0.4%
Radio and TV	0.60%	0.50%	0.30%	0.90%	1.00%
Art and antiques trade	0.00%	0.10%	0.00%	0.10%	0.00%
Design (including designer fashion)	0.10%	0.10%	0.00%	0.70%	0.10%
Total of above	3.10%	3.50%	2.80%	5.80%	3.30%

Source: OECD

The OECD estimates indicate that the creative sectors attributed 2.8% to GVA in France, 3.1% in Australia, 3.3% in the US, 3.5% in Canada, and 5.8% in the UK. The results of this analysis highlight the importance of the creative and cultural industries to overall economic activity. It also indicates that on average these industries contribute close to 3% of total GVA. It is, however, important to note that this includes sectors which are not traditionally included in the Arts including advertising, antiques and printing.

Pan-European studies

Recent work by the European Commission, entitled “The Economy of Culture in Europe”, has highlighted the contribution of the cultural, arts and creative industries to the overall economy. The study focused on the following sectors:

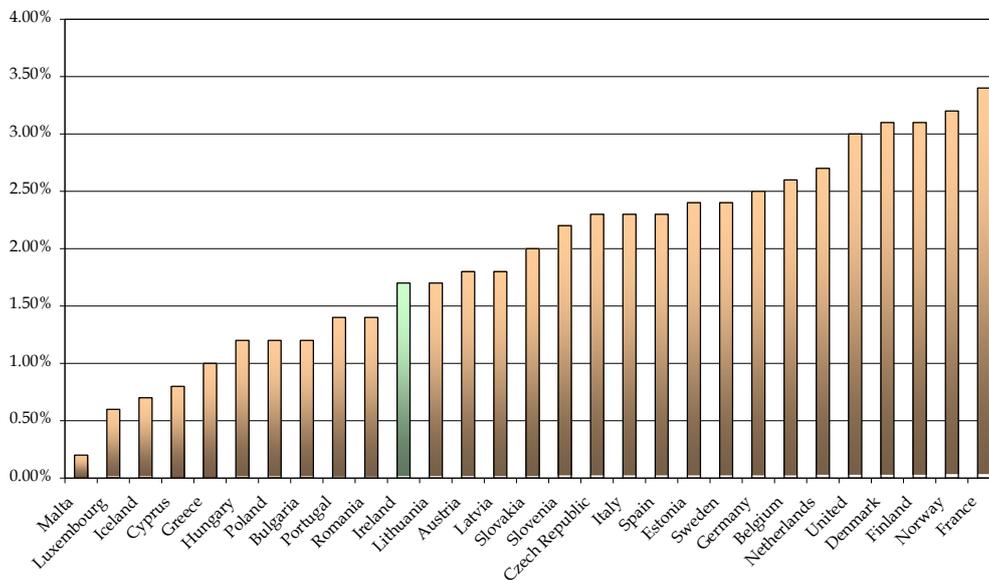
- The Arts including: visual arts (crafts, painting, sculpture, photography), performing arts (theatre, dance, circus) and heritage (museums, arts and antiques markets, libraries, archaeological activities, archives);
- Cultural industries including film and video, radio and television broadcasting, video games, book and press publishing and music; and
- Creative sectors including design (fashion, interior, graphic), architecture and advertising).

They estimated that the cultural and creative sectors:

- Generated a turnover of more than €654bn;
- Contributed 2.6% to overall EU GDP; and
- The sector grew at a faster pace than the overall economy over the period examined.

Figure A1.1 outline the estimated cultural sectors contribution to overall GDP across EU member states. The countries with the largest sectors proportionally are France, Finland, Norway and Denmark. In these economies, the cultural sector accounts for over 3% of GDP. Under these calculations, the Irish cultural sector was estimated to account for just over 1.7% of total GDP.

Figure A1.1: Cultural Sector as % of Total GDP in European Union



Source: Indecon analysis of EC DG Education and Culture data, 2006 report on Economy of Culture in EU.

The study also reviewed productivity and profitability and highlighted the importance of skills. In particular the study noted:

“Difference between cultural and other sectors is that these sectors are labour intensive and therefore value creation cannot be obtained through investments in technology or other means of production. In these industries, the key for competitiveness is therefore the development of skills and depends on the workforces’ creativity. The best performing sectors in terms of productivity in Europe are design, visual arts, and film and video. The biggest increase in productivity is recorded in the video games sector, one of the fastest developing cultural industries in Europe in the last few years” (The Economy of Culture in Europe, 2006, P.106).

This study has 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”, the sector is as competitive as other industry sectors (The Economy of Culture in Europe, 2006, p.103).

In comparison with other sectors, the study found that on a pan-European basis, there were very few manufacturing and services industries that contribute more than 3% to national economies, indicating that in most European countries, the creative and cultural sector is a leading contributor to the growth of national wealth. (The Economy of Culture in Europe, 2006, p.68). The main findings of the Commissions’ sectoral cross comparison are presented in Table A1.2.

Table A1 2 – Sectors as a Percentage of GDP in Europe in 2003

	Manufacture of Food and Beverages and Tobacco	Manufacture of textiles and textile products	Manufacture of chemicals, Chemical Products and man-made fibres	Manufacture of rubber and plastic products	Manufacturing of Machinery and Equipment n.e.c.	Real estate activities	Computer and related activities	Culture and creative sector
Austria	1.7	0.5	1.1	0.7	2.2	2.2	1.1	1.8
Belgium	2.1	0.8	3.5	0.7	0.9	1	1.2	2.6
Cyprus	2.7	0.4	0.5	0.3	0.2	N/A	0.6	0.8
Czech Republic	2.8	1	1.3	1.5	2.3	1.4	1.2	2.3
Denmark	2.6	0.3	1.7	0.7	1.9	5.1	1.5	3.1
Estonia	2.2	1.9	0.6	0.6	0.6	2.8	0.7	2.4
Finland	1.5	0.3	1.1	0.7	2.1	1.8	1.5	3.1
France	1.9	0.4	1.6	0.7	1	1.8	1.3	3.4
Germany	1.6	0.3	1.9	0.9	2.8	2.6	1.4	2.5
Greece	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1
Hungary	2.9	N/A	1.9	0.9	1.2	1.8	0.8	1.2
Ireland	5.3	0.2	11.5	0.3	0.5	1.2	1.7	1.7
Italy	1.5	1.3	1.2	0.7	2.1	1	1.2	2.3
Latvia	3.2	1.2	0.5	0.3	0.5	2.1	0.7	1.8
Lithuania	2.5	1.6	0.4	0.5	0.4	1.1	0.3	1.7
Luxembourg	1	0.9	0.4	2	0.6	N/A	1.2	0.6
Malta	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.2
Netherlands	2.2	0.2	1.7	0.4	1	2.3	1.4	2.7
Poland	4.7	0.8	1.4	0.9	1.2	1.3	0.6	1.2
Portugal	1.9	1.9	0.8	0.5	0.7	0.6	0.5	1.4
Slovakia	1.5	0.7	0.6	0.9	1.5	0.5	0.6	2
Slovenia	2	1.3	3.4	1.4	2.2	0.4	0.8	2.2
Spain	2.2	0.7	1.3	0.7	1	3	1	2.3
Sweden	N/A	N/A	N/A	N/A	N/A	4	2.2	2.4
UK	1.9	0.4	1.4	0.7	1	2.1	2.7	3
Bulgaria	2.2	2	1.1	0.4	1.3	0.4	0.3	1.2
Romania	1.9	2.1	0.8	0.5	1	0.5	0.5	1.4
Norway	1.7	0.1	0.8	0.2	0.8	2.7	1.3	3.2
Iceland	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.7

Source: Indecon analysis of EC DG Education and Culture Report Data, 2006.

Other European Studies

A number of EU member states have completed studies that assess the impact of the Arts and culture on overall economic activity. In this sub-section we present a high level overview selected studies of relevance.

UK

A UK study on the impact of the Arts entitled *The Economic Importance of the Arts in Britain (1988)*, established that the Arts sector as a growing and value-added sector in its own right, with a turnover of £10 billion and employing some 500,000 people. Since then there has been a number of other studies focusing on various aspects of the impact of Arts on the Economy in the UK. These assessments have highlighted the contribution of the Arts in economic terms. Pratt (1997) states:

Urban managers in the US and latterly the UK have developed economic impact studies that have sought to explore the extra economic activity generated by arts and culture; predominantly via participation figures, and secondary impacts via proximity on shopping and tourism, as well as transport and accommodation.

Other studies for the UK highlighting the impact of the Arts and culture on the economy, as outlined in *Measuring the economic and social impact of the Arts: a review* by Reeves, M (UK Arts Council) include:

- O'Brien and Feist's (1995) *Employment in the Arts and cultural industries*, stated that 648,900 persons were employed within the cultural sector. This equated to 2.45 of the economically active population;
- A review by the Policy Studies Institute³⁰ provided an overview of the economics of the Arts and built heritage in the UK. The main findings of this study were as follows:
 - o The cultural sector is a major employer but the employment is atypical (characterised by "non standard" employment (self employed/part-time/temporary contracts) but the employees were very well educated and high levels of unemployment) (Casey et al, 1995).
- Pratt's (1997) (as outlined in Reeves, M. (YEAR)) found that the cultural industries have large trade volumes also noted that due to royalties not being included in the balance of trade statistics, these figures underestimate the overall impact. According to his definition, cultural sector employment was estimated at 972,000 employees, 4.5% of all employees in Britain.

³⁰ Culture as Commodity (Casey, Dunlop and Selwood, 1995)

In recent years the policy focus in the UK and other countries has been on the wider creative industrial sectors including culture and the Arts. The latest economic *Creative Industries Economic Estimates Statistical Bulletin* from the UK Department of Culture, Media and Sport for the creative sector indicates that the creative industries:

- Accounted for 6.4% of Gross Value Added (GVA) in 2006;
- Grew by an average of 4% per annum between 1997 and 2006 compared to an average of 3% for the whole of the economy over this period;
- Exported services valuing £16 billion in 2006. This equated to 4.3% of all goods and services exported;
- Supported employment totalling just fewer than 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. Total creative employment increased from 1.6m in 1997 to 2m in 2007, an average growth rate of 2% per annum , compared to 1% for the whole of the economy over this period;
- The Software, Computer Games & Electronic Publishing sector, and the Design and Designer Fashion sector both showed growth in employment of 5% per annum between 1997 and 2007, the highest across the Creative Industries;
- In 2008, there were an estimated 157,400 businesses in the Creative Industries on the Inter-Departmental Business Register (IDBR). This represents **7.3% of all companies** on the IDBR, although the true proportion of enterprises that are in the Creative Industries is likely to be higher as certain sectors such as Crafts contain predominantly small businesses
- Around two-thirds of the businesses in the Creative Industries are contained within two sectors; Software, Computer Games and Electronic Publishing (75,000 companies) and Music and the Visual & Performing Arts (31,200 companies).

Scotland

The impact of the cultural sector on the Scottish economy was studied in a 2004 report entitled “The Economic Impact of the Cultural Sector in Scotland” by Dunlop et al. The study focuses on the creative arts sectors such as music, dance, theatre, literature, visual arts, crafts, plus newer forms such as video art and multi-media. The study also covers museums and galleries. The focus of their economic assessment was only on core direct cultural activities.

Key highlights from this assessment are as follows:

- They found that the majority of both wage and commodity spending by the Arts is spent locally. Of the total expenditure of the Scottish Arts Council’s core funded organisations, 97.8% of this was spent locally indicating the positive role played in supporting local business;
- In terms of employment, they estimate that the 2,026 employees in Scottish Arts Council core funded companies support an additional 1,821 FTE jobs in other Scottish industries sectors and therefore supports a total of 4,026 jobs in the economy. A breakdown of the overall employment by Art form is presented in Table A1.3.

Table A1 3 - Total Employment created in All Scottish Arts Council Core Funded Organisations by Sector - 02 - 03

Art form	Initial Employment	Additional Employment	Total Employment
Dance	113	72.8	186.1
Music	443	363.7	806.7
Visual Arts	162	175.7	337.2
Drama	736	695.7	1,432
Festivals	82	173.4	255.2
Arts Centres	429	172.2	601.1
Arts Development	189	102.9	291.9
Literature	52	64.3	115.8
Total	2,206	1,821	4,026

Source: Dunlop et al. (2004), p.10

- The report also considered the total income supported in Scotland by Scottish Arts Council core funded organisations. They estimated that payments to direct employees created £38.8m worth of direct income and this in turn created a further £33.7m to employees in other industrial sectors in Scotland. Their research suggested that the Council was responsible for supporting some £72.5m worth of wage income across Scottish industry.

Germany

Recent research, entitled “The Culture and Creative Industries in Germany”³¹ evaluated the role of the creative industries for the German economy. The creative industry is defined as the following sectors:

- The core sectors of the cultural industries in Germany include:
 - the publishing industries (book publishing houses, newspaper publishers, publishers of phonographic records and music);
 - the film industries (film, TV, video production, distribution, cinemas);
 - broadcasting industries (private radio/television);
 - music, visual and performing arts (independent artists, private theatres, cabaret and variety theatres, theatre and concert agencies, technical stage enterprises);
 - journalists / news agencies;
 - museum shops, arts exhibitions (commercial museum activities and arts exhibitions);
 - retail trade of cultural goods (music stores, book stores, galleries, art trade);
 - architectural offices (interior, garden, design, building and civil engineering architects);
 - design industries (industrial, product, fashion, textile and similar design).
- Recently the German policy context has broadened to include the following additional creative sectors:
 - advertising (advertising agencies etc., excluding advertising design);
 - manufacture of software/games (development of software, games including consultancy, excluding hardware and data processing services).

This research has indicated the following highlights regarding the creative economy in Germany:

³¹ Fesel, B., & Soendermann, M., (2007), “The Culture and Creative Industries in Germany”, German Commission for UNESCO and Foreign Office publication.

- The gross value added achieved by the creative industries in Germany, i.e. the nine core areas (EUR 36 billion) plus the newly integrated sub-sectors of advertising and manufacture of software and games (EUR 22 billion) were estimated to amount to a total of EUR 58 billion;
- The share of the creative industries in the Gross Domestic Product amounts to 2.6%;
- Culture industries sectors are characterised by their cross-sectoral quality; the culture industries cut across a diversity of economic sectors, including the production as well as the service and distribution sector. In this respect they are fundamentally different from traditional industrial branches like the automobile or chemical industries which can be described as homogeneous branches of the production sector;
- The culture industries are related to the media and IT industries, which can likewise only be described as cross-sectoral economic complexes;
- The report indicates that the creative industries are fundamentally different from the traditional industrial sectors. While the traditional industries show strong monolithic structures and concentration trends, the structure of creative industries is characterised by an exceedingly high share of one-person micro or very small enterprises. This may provide an advantage in terms of their overall employment and growth potential.

6.3.2 Other International Studies

US

The economic impact of the Arts has been well researched at both a state and federal level in the US. Some illustrative examples are summarised below.

The Arts and Economic Prosperity

The findings of an *Americans for the Arts* study entitled Arts and Economic Prosperity outlined the following key highlights in relation to the Non-Profit Arts and Culture Industry:

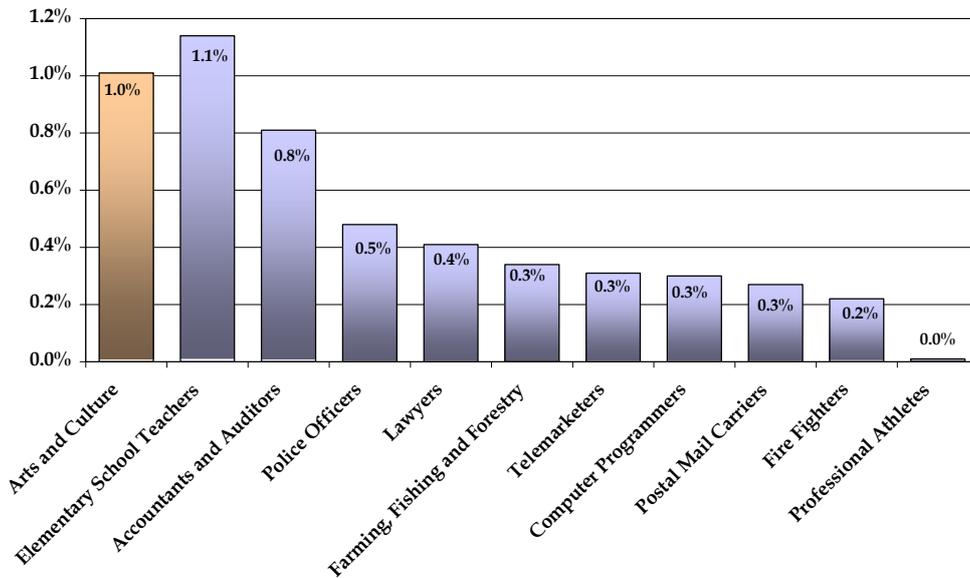
- Total expenditure by organisations and their audiences amounted to \$166.2bn (by organisations and event related expenditure by their audiences);
- This expenditure supported 5.7m full time equivalent jobs;
- \$104.2bn earned as resident household income as a result of Arts activity;
- Local government revenue of \$7.9bn;
- State government revenue of \$9.1bn; and
- Federal income tax revenue of \$12.6bn.

The report highlights the fact that organisations in the non-profit arts and culture industries accounted for:

- Total expenditure by organisations of \$63.1bn;
- This expenditure supported 2.6m full time equivalent jobs;
- \$57.3bn earned as resident household income as a result of Arts activity;
- Local government revenue of \$2.8bn;
- State government revenue of \$3.5bn; and
- Federal income tax revenue of \$6.9bn.

In terms of employment, the following chart outlines the percentage of total employment in the US workforce that is estimated to account for by the non-profit arts sector.

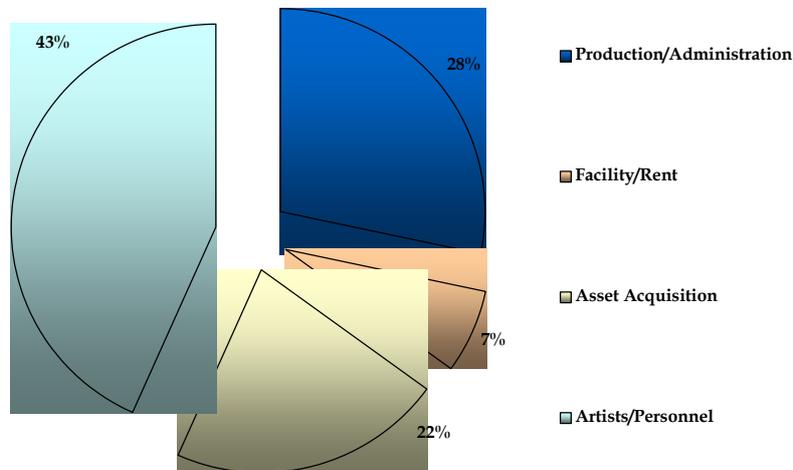
Figure A1.2: Employment - % of Total US Workforce - 2005



Source: *Arts and Economic Prosperity III*, 2007, p.9.

The report also points out that as the Arts and culture is a relatively labour intensive sector, the impact is greater on the local economy as a higher percentage of wages and salaries are re-spent in the local economy and nearly half of the typical organisations expenditures are for artists and personnel costs. An overview of the expenditure profile is presented below.

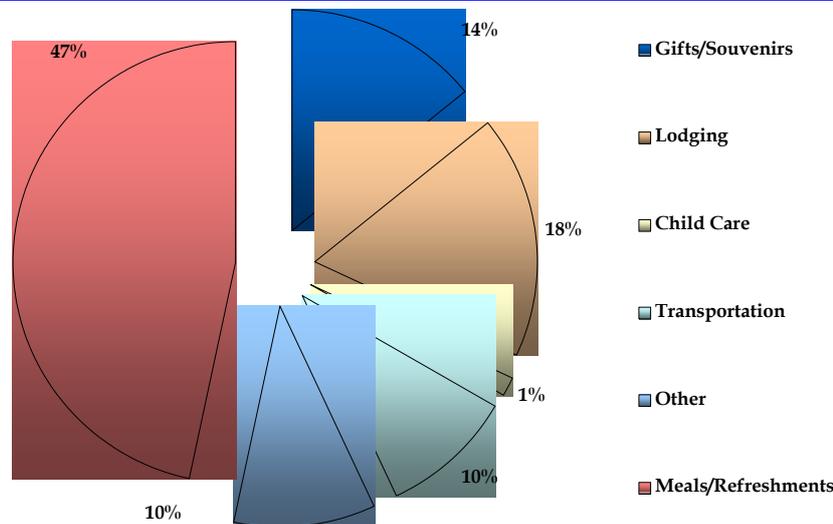
Figure A1.3: - Expenditures by Non-Profit Arts and Culture Organisations - % of Total



Source: *Arts and Economic Prosperity III*, 2007, p.10.

This report analyses the role played by audience expenditure in terms of its impact on the domestic economy. This expenditure has a broad economic impact covering a variety of sectors and amounted to a total of \$103.1bn. An overview of the non-entrance fee spending profile of audiences is presented in Figure A1.4.

Figure A1.4: Non-Admission Expenditures by Non-Profit Arts and Culture Audiences - % of Total



Source: *Arts and Economic Prosperity III, 2007, p.10.*

Other US studies

There have been a number of smaller city/regional level reviews of the impact of the Arts in the US. Among the key highlights of these are as follows:

- The 2009 study an “Economic Impact of Non-Profit Arts and Cultural Organizations on the State Economy of Florida” by William B. Stronge, Professor Emeritus of Economics, Florida Atlantic University found that:
 - o Florida non-profit arts and cultural organizations generated an estimated \$2.824 billion of direct spending in the state in 2007. This expenditure resulted in \$3.393 billion in indirect and induced expenditures;

- Florida's non-profit arts and cultural organizations directly supported 36,117 jobs in 2007. Additionally, audience expenditures directly supported 37,327 jobs in industries that received such expenditures. The result was a total of 73,444 jobs directly created in Florida by the expenditures of the state's arts and cultural organizations and their audiences; and
- Including the jobs created in the industries up the supply chain that serve the Arts and cultural organizations and their audiences, as well as jobs created by the spending induced by affected workers, the total number of jobs created in the state as a result of the spending by arts and cultural organizations and their audiences was 117,871.
- A report by **Maryland** State Arts Council concluded:
 - The Arts generated \$1.2 billion in economic impact for Maryland in the fiscal year 2007. The study also showed the Arts generated an estimated \$43 million in state and local taxes, up nearly \$6 million in FY 2006, and generated 15,000 full- and part-time jobs. In addition, the study reported that 14 million people attended arts events in Maryland in FY 2007, an increase from 13.1 million in FY 2006.
- A report by the **Kansas** Arts Commission concluded that:
 - Spending by Arts and Culture organisations in Kansas amounted to \$80m, supported over 3,000 jobs and earned local fiscal revenues of \$2.7m and state fiscal revenues of \$3.8m.

A recent study entitled "Arts as an Industry" looked at the economic impact of the Arts on New York City and New York State. The report highlighted the benefits of investment in the Arts on local economies through their hiring of local workforces, engaging local businesses, and paying local and state taxes. It also examined the role played by the Arts in developing tourism in New York. The key highlights from their findings include:

- An economic impact in New York City of \$21.2bn and in New York State of 25.7bn;
- The total number of jobs generated in New York City were 160,300 and 194,000 in New York State;
- Total wages generated in New York City were \$8.2bn and \$9.8bn in New York State; and
- Total tax contribution of \$904m to New York City and \$1.2bn to New York State.

Northern Ireland

A 2008 study completed for the NI Department of Culture, Arts, and Leisure³² considered the economic benefits of the Arts for Northern Ireland. The main findings of this study were as follows:

- Economic development: The Arts contribute to economic activity and add value to the Northern Ireland economy, particularly in regard to creative industries, the knowledge economy and employment.
- Tourism: The Arts sector improves the attractiveness and image of Northern Ireland and provides a key product which contributes towards tourism development;
- Major arts and cultural events supported by the Northern Ireland Events Company in 2005 generated 25,000 bed nights. It is expected that Northern Ireland's participation in the Washington Festival in 2007 will lead to a 10% increase in the number of North American visitors to Northern Ireland, translating to an estimated additional visitor spend of £2.9million.
- Arts make an important contribution to the creative industries sector; in 2003, it is estimated that over 33,500 people were employed in creative industries or creative occupations in Northern Ireland, representing 4.6% of the Northern Ireland workforce.
- Creativity fostered by the Arts underlies the establishment of a real knowledge-based economy, and is an important sector for further development moving forwards.

³² PriceWaterhouseCoopers, 2008, *Social and Economic Value of Public Libraries, Museums, Arts and Sport in Northern Ireland*

Canada

The impact on the Arts and culture on the Canadian economy has been well researched including in a 2007 report by Statistics Canada entitled the “Economic Contribution of the Cultural Sector to Canada’s Provinces”. Key findings from this research include:

- ❑ Culture industries contributed an estimated \$43.2 billion to the Canadian economy, accounting for approximately 3.8% of GDP. All provinces reported growth in culture output from 1996 to 2003, with overall growth at the national level averaging 48.4%. Alberta reported the largest percentage increase, followed by Prince Edward Island and Quebec with increases of 73.6%, 55.1%, and 53.0%. The culture sector contributed under 4% to the total GDP in all the provinces except Ontario and Quebec, where it accounted for 4.2% and 4.1%, respectively; and
- ❑ A majority of culture workers in Canada were employed in the private sector - Newfoundland and Labrador had the highest proportion of private sector culture jobs (81%), while British Columbia had the lowest (61%). The province of Newfoundland and Labrador reported the largest increase in the share of private sector culture employment (from 74% in 1996 to 81% in 2003). Nova Scotia posted the greatest loss in its share of private sector culture jobs (from 77% in 1996 to 70% in 2003), which was somewhat offset by an increase in self-employment in that province’s culture sector.

The study also highlighted the role played by culture in social cohesion through its support of national and local identity, promotion of civic pride and enhancement of quality of life.

New Zealand

In 2009, the New Zealand Ministry for Culture and Heritage published “Cultural Indicators for New Zealand”. The most relevant points are as follows:

- ❑ In 2006, 1.8 percent of the total workforce was employed in a creative occupation as their main job. This was an increase from 1.6 percent in 2001 and 1.4 percent in 1996. Between 2001 and 2006 the number of people in creative occupations increased from 26,650 to 34,540;

- ❑ In terms of individual occupations, growth groups, between 2001 and 2006, were graphic designers, architects and sculptors, painters and related artists. There was growth in other occupations including artistic directors, interior designers, editors, photographers, fashion designers and industrial designers; and
- ❑ This study also backs up international research in highlighting the atypical nature of employment. Employment shared the following characteristics:
 - The findings indicate that the proportion of people in creative occupations who worked part-time in 2006 was 22 percent which is a common trend internationally for persons in the cultural industries; and
 - A significant proportion of the persons employed in the creative sectors were very well educated, holding tertiary level educational qualifications.

Australia

The *National Centre for Culture and Recreation Statistics of the Australian Bureau of Statistics* have produced a report on the Impact and Multipliers for the Culture related Industries. They define the culture related industries as follows:

- Printing and services to printing;
- Publishing; recorded media and publishing;
- Wholesale trade (e.g. record companies and distributors, literature wholesaling);
- Retail trade (e.g. recorded music retailing, visual arts and crafts retailing, literature retailing);
- Scientific research, technical and computer services (architectural services);
- Legal, accounting, marketing and business management services (advertising services and commercial art and display services);
- Motion picture, radio and television services;
- Libraries, museums and the Arts;
- Sport, gambling and recreational services (e.g. circuses); and
- Personal services (photographic studios and video hire outlets).

The main findings of this report are presented in the table below:

Table A1 4 - Main Findings of Australian National Statistics Bureau Research

	<i>Australian production(a) AS\$m</i>	<i>Output multipliers</i>	<i>Gross value added multiplier</i>	<i>FTE employment multiplier</i>
Printing	4,861	2.75	1.29	22
Newspaper printing/publishing	4,462	2.7	1.33	19
Other periodical publishing	1,240	2.74	1.31	18
Book and other publishing	1,894	2.76	1.29	17
Architectural services	1,107	3.03	1.6	38
Advertising services	3,342	2.93	1.41	19
Commercial art and display services	1,246	2.86	1.49	24
Film and video production and distribution	474	3.05	1.8	37
Motion picture exhibition	545	2.61	1.28	19
Radio and TV services	3,328	2.83	1.39	19
Libraries and museums	783	2.98	1.74	30
Parks and gardens	591	2.65	1.64	25
Music and theatre productions	397	3.09	1.79	34
Creative arts	463	2.59	1.55	28
Services to the Arts	601	2.5	1.4	21
Video hire outlets and photographic studios	1,044	2.68	1.38	26
All cultural industries	26,377	2.79	1.39	22

*Source: Based on ABS data, including the Australian National Accounts and the Service Industry Surveys.
The study was for the year 96/97.*

They estimate that the total Australian production from cultural industries amounts to AS\$26bn per year.

Current Policy Context

6.3.3 Current EU Cultural Policy Context

In the context of this assessment of the impact of the Arts and related sectors on the Irish economy, it is instructive to briefly review the European policy context in which this industry is governed.

The setting of the legislative framework for the development of the cultural sectors is set out in the EU Cultural Programme 2007 – 2013. The key objectives of the EU programme are as follows:

Objectives

The general objective of the Programme is:

to enhance the cultural area shared by Europeans and based on a common cultural heritage through the development of cultural cooperation between the creators, cultural players and cultural institutions of the countries taking part in the Programme, with a view to encouraging the emergence of European citizenship. The Programme shall be open to the participation of non-audiovisual cultural industries, in particular small cultural enterprises, where such industries are acting in a non-profit-making cultural capacity.

The specific objectives of the Programme are:

- *to promote the transnational mobility of cultural players;*
- *to encourage the transnational circulation of works and cultural and artistic products;*
- *To encourage intercultural dialogue.*

These are outlined in the Official Journal of the European Union relating to *DECISION No 1903/2006/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 12 December 2006.*

Regarding the economic contribution of the Cultural industry, the EU Culture Programme (2007 – 2013) states that:

It is essential that the cultural sector contribute to, and play a role in, broader European political developments. The cultural sector is an important employer in its own right and there is, in addition, a clear link between investment in culture and economic development, hence the importance of reinforcing cultural policies at regional, national and European level. Accordingly, the place of cultural industries in the developments taking place under the Lisbon Strategy should be strengthened, as these industries are making an increasingly large contribution to the European economy.³³

6.3.4 Current Domestic Strategy and Policy Context

Arts Policy in Ireland is currently guided by the Arts Act 2003 and the Strategic Plan of the Arts Council. The core functions of the Arts Council, as outlined in the current strategic plan under the act, are as follows:

- Stimulate public interest in the Arts;
- Promote knowledge, appreciation and practice of the Arts;
- Assist in improving standards in the Arts;
- Advise the Minister and other public bodies on the Arts³⁴.

The above tasks are completed mainly using the following actions:

- Provide financial assistance, mainly, but not exclusively, to artists and arts
- Support organisations that develop and promote the Arts;
- Offering advice and information on the Arts to Government and to others;
- Publishing research and information as an advocate for the Arts and artists; and
- Undertaking a range of projects to promote and develop the Arts, often in partnership with other organisations.

The key goals of the Arts Council under the current strategic plan are as follows:

- Affirm and promote the value of the Arts in society;
- Assist artists in realising their artistic ambitions;
- Make it possible for people to extend and enhance their experience of the Arts;
- Strengthen arts organisations countrywide so as to secure the basis of a vibrant and stable arts community; and

³³ DECISION No 1903/2006/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 12 December 2006, Official Journal of the European Parliament.

³⁴ Partnership for the Arts Council Goals 2006 – 2010.

- Ensure the Arts Council works effectively.

The delivery of the strategic goals of the Partnership for the Arts will be delivered by a number of programmes which hinge around the following key support and development streams:

- **Funding** programmes within the Arts community;
- Providing **support and advise** in terms of the creative development and policy development of the Arts community itself, informing the wider public of the value of arts to the community and ensuring value for money for government expenditure in the Arts; and
- **Direct initiatives** in arts projects and organisations.

The delivery of the strategic plan is organised around the three policy action groups:

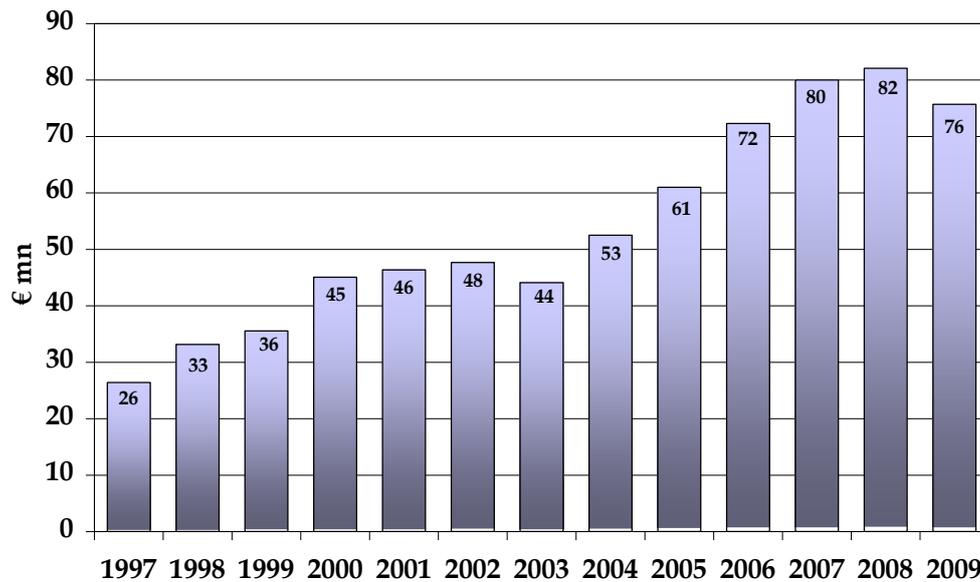
- Group 1 is support by **art form** including, architecture, circus, street art and spectacle, dance, film , literature (English language), literature (Irish language), music, opera, theatre, visual arts, and traditional arts;
- Group 2 is support by **organisation** including, festivals and events, production companies, resource organizations, and venues; and
- Group 3 is areas of arts practices and support which cross all the art forms.

It is within this public policy context and legislative framework that we review the overall economic contribution and impact of the Arts in Ireland.

6.3.5 Public Funding for the Arts in Ireland

Within this policy context, funding for arts organisations in Ireland is distributed mainly through the Arts Council. Funding for the Arts Council from the Department of Arts, Sports and Tourism increased from €26m in 1997 to over 82m in 2008. In line with overall reductions in government expenditure, funding for the Arts Council has fallen in 2009 to €75.7m.

Figure A1.5: Arts Council Funding - 1997 - 2008



Source: Indecon analysis of Dept. Arts, Sports and Tourism data

Summary of Key Findings

In this section we have conducted a detailed review of international research regarding the overall economic contribution and impact of the Arts as well as reviewing the current policy context in Ireland and the EU which sets the operational framework for artistic activity.

Key highlights from international research

There is an extensive literature existing concerning the role of the Arts, cultural and related sectors for economic growth and development. The key highlights from our review of international studies are:

- ❑ Research by the OECD for five leading economies (US, UK, France, Australia, and Canada), indicates that the cultural and creative industries contribute approximately 3% to overall economic activity;
- ❑ The findings of a European Commission study “The Economy of Culture in Europe” indicated that the cultural and creative sectors generated a turnover of more than €654bn in 2003, contributed 2.6% to the overall level of European GDP and grew at a faster pace than the overall European economy;

- ❑ The 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 states that the creative and cultural industries accounted for 6.4% of Gross Value Added (GVA) in 2006, exported services valuing £16 billion in 2006, 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;
- ❑ A review of the impact of the Arts, cultural and related sectors on the Scottish economy indicates that 97.8% of expenditure by arts organisations was re-spent in the local economy, in total over 4,000 jobs and £70m in wage income was supported across all 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. Its contribution to GDP was estimated to be approximately 2.6%;
- ❑ US research regarding the Arts and cultural industries indicated that the sector:
 - Total expenditure by organisations and their audiences in 2005 amounted to \$166.2bn (by organisations and event related expenditure by their audiences);
 - This expenditure supported 5.7m full time equivalent jobs.

Overview of policy context

The EU Cultural programme (2007 – 2013) highlights the role of the cultural sector as both an important 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 economy growth and development. Irish government policy as outlined in the Arts Act of 2003 and through its funding of the Arts Council promotes the Arts in terms of its value and wider benefits.