Assessment of the Economic Impact of the Arts in Ireland

An Update Report - 2011

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1 Introduction, Background and Summary of Results

1.1 About this Update Report

This report is submitted to the Arts Council by Indecon International Consultants. The report represents an update on Indecon's previous independent evaluation of the economic impact of the arts in Ireland.

The purpose of this research is to establish an evidence based assessment of the economic impact of the arts as an input into wider economic policy. This study, which follows the 2009 Indecon assessment of the economic impact of the arts in Ireland, is concerned with the impact of the arts in 2010.

This update report focuses on employment and job creation, the value added and the benefit to the exchequer arising from the Arts Council organisations, in addition to the wider arts and creative sectors.

In a number of cases, current data was not available at the time of preparation of this report. Indecon therefore made a number of assumptions in order to derive estimates for 2010. In this context, the figures should be considered indicative preliminary estimates, subject to revision as new data comes to light.

1.2 Summary of the Economic Impact of Arts and Cultural Sectors

The key highlights from this update assessment are summarized in Table 1.1, Table 1.2 and Table 1.3 below.

Table 1.1: Economic Impact of Arts Council Funding Recipients 2010

	2010
Turnover	€135.1m
Expenditure:	
Direct Expenditure	€151.5m
Total Expenditure Impact	€195m
Employment:	
Direct Employment	1,769 jobs
Total Employment	2,627 jobs
Exchequer Tax Revenue	€41.1m

Source: Indecon

Table 1.2: Economic Impact of Wider Arts Sector 2010

	2010
Gross Value Added	€715.9m
Expenditure:	
Direct Expenditure	€1,208m
Total Expenditure Impact	€1,553m
Employment:	
Direct Employment	13,330 jobs
Total Employment	21,328 jobs
Exchequer Tax Revenue	€306.8m

Source: Indecon

Table 1.3: Economic Impact of Creative Industries 2010

	2010
Gross Value Added	€4,703.9m
Employment:	
Direct Employment	49,306 jobs
Total Employment	78,900 jobs

Source: Indecon

The estimates presented in this update report indicate that the arts continue to be a major employer and contributor to Irish economic output. If a wider definition is used, which includes all creative industries, the numbers increase significantly. The ability of arts organisations to support employment is directly related to overall income of arts organisations. This has recently been impacted by the constraints on public finances and by the collapse in consumer demand.

2 The Economic Impact of Arts Council Funding Recipients

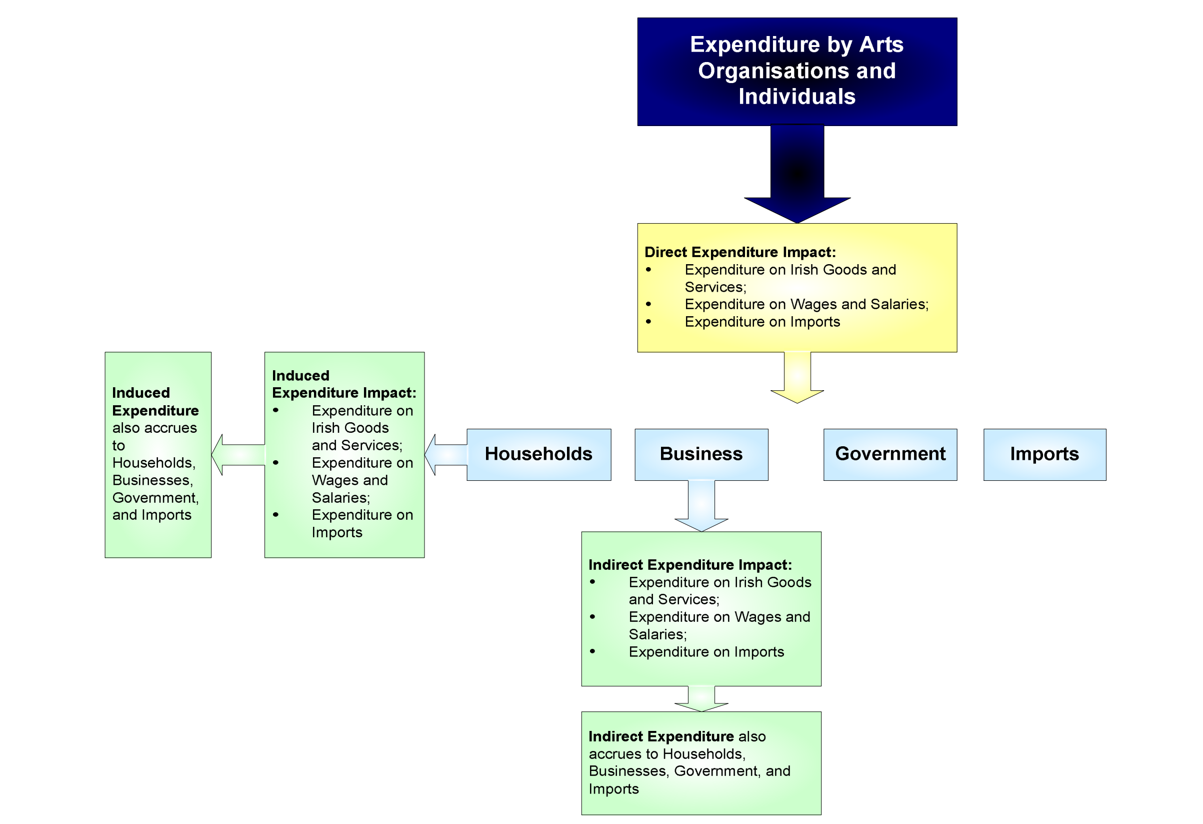
2.1 Introduction

This section examines the economic impact of the financial support provided by the Arts Council to arts and related sector organisations and individuals. The financial support provided not only impacts positively on these organisation and individuals who directly receive the funding but also on businesses and jobs within the wider arts sector and other sectors of the economy.

2.2 Channels of Economic Impact

Figure 2.1 below presents a schematic description of the channels of economic impact arising from the activities taking place in the arts sector, demonstrating the impact of expenditure by arts organisations and individuals on the various areas of economic activity. These expenditures have both direct and indirect impacts on the economy via the household, business and government sectors. In addition, this expenditure gives rise to further induced expenditures through the household sector as additional incomes generated are re-spent. The sum of the indirect and induced impacts represents the overall multiplier impacts of the initial direct expenditures of arts organisations and individuals.

Figure 2.1: The Channels of the Economic Impact of the Arts Sector



Source: Indecon Assessment of the Economic Impact of the Arts in Ireland 2009.

2.3 Impact of Turnover of Arts Council-supported Organisations

The turnover of the organisations supported by the Arts Council determines their ability to purchase goods and services, to employ staff and to undertake programmes of investment. These functions in turn have an impact on the wider economy. Total funding committed by the Arts Council to organisations and individuals amounted to €60.3 million in 2010. The majority, €51 million, was committed to organisations and the remainder was allocated to individuals. The total estimated turnover of the Arts Council organisations and individuals in 2010 was €135.1 million. Arts Council funding accounts for approximately 44.6% of the total income of the supported organisations and individuals.

2.4 Impact of Expenditure of Arts Council-supported Organisations

The expenditure of Arts Council-supported organisations and individuals has an impact on the wider Irish economy both directly and indirectly. The aspects of this expenditure, which are of particular importance, concern the purchasing of goods and services, and expenditure on wages and salaries.

Table 2.1 and Table 2.2 below provide an overview of our assessment of the impact of expenditure of the Arts Council-supported organisations and individuals on the Irish economy in 2010. The total direct impact of expenditure by Arts Council-supported organisations is estimated to have been €151.5 million in 2010.

Table 2.1: Economic Impact of Arts Council-supported Organisations and Individuals 2010

Impact	Direct Expenditure Impact - 2010
	€ million
Expenditure Supported Organisations: of which	146
Wages and salaries	38
Other Expenditure	107
Additional Impact of Individual Funding Recipients	5.8
Total Direct Impact	**151.5**

Source: Indecon Economic Impact modelling results based on Arts Council internal data.

Applying a multiplier to the direct expenditure impacts, total indirect and induced impacts are estimated to amount to €43.1 million in 2010. The overall aggregate impact of the direct expenditures undertaken by Arts Council-supported organisations, taking into account the indirect and induced (multiplier) impacts is estimated at €195 million in 2010.

Table 2.2: Aggregate Economic Impact of Arts Council-supported Organisations and Individuals 2010

Impact	Aggregate Economic Impact – 2010
	€ million
Total Direct Impact	151.5
Multiplier – Indirect and induced effects	1.28
Total Indirect and Induced Impact	43.1
Overall aggregate economic impact of direct expenditures	**195**

Source: Indecon Economic Impact modelling results based on Arts Council internal data.

2.5 Employment Impact by the Arts Council-supported Organisations and Individuals

This section reviews the impact that employment provided by the Arts Council-supported organisations has on the Irish economy. This is examined taking into consideration the importance of employment to the overall economy in a time when job losses are being experienced in all sectors due to the economic downturn.

Table 2.3 overleaf describes the estimated overall level of direct employment supported among organisations and individuals supported by the Arts Council in 2010. It is estimated that a total of 1,437 jobs were supported directly within the Arts Council organisations during 2010. However, this estimation does not include awards to individuals under Arts Council-supported schemes, of which there are 663 individuals. In order to avoid double-counting and to take part-time employment into account we include just 50% of the total number of awards to individuals, giving us an estimation of 332 which we combine with the 1,437 jobs supported by the organisations to get a total employment count of 1,769.

Table 2.3: Direct Employment within Arts Council-supported Organisations by Art form 2010	
	Employment - 2010
Total Employment	**1,437**[1]
50% of Awards to Individuals	332
Total	**1,769**

Source: Indecon Economic Impact modelling results based on Arts Council internal data.

Applying appropriate sectoral employment multipliers, we further estimate that there were an additional 858 indirect and induced jobs supported in 2010. Taking into account both the direct employment and the multiplier impacts, it is estimated that Arts Council-supported organisations and individuals support a total of 2,627 jobs in the Irish economy (see Table 2.4 below).

Table 2.4: Direct, Indirect and Induced Employment for Arts Council-supported Organisations 2010	
	Aggregate Employment Impact – Persons - 2010
Direct Employment	1,769
Additional Indirect and Induced Employment	858
Total Direct, Indirect and Induced supported Employment	**2,627**

Source: Indecon Economic Impact modelling results based on Arts Council internal data.

2.6 Exchequer Contribution of Arts Council-supported Organisations

Through various taxation channels, Arts Council-supported organisations and individuals generate revenues for the exchequer. These taxation channels include direct tax receipts from income earned (PAYE/income tax, PRSI and other payments on wages and salaries) and indirect tax receipts including VAT and excise duties. Corporation tax is not included due to the large number of organisations within the arts sector which are run on a not-for-profit basis. In this report it is also assumed that VAT on all revenues is zero. Table 2.5 below presents the estimated exchequer benefit or the total tax take from the Arts Council organisations and individuals. The estimated total direct and indirect tax revenue earned by the exchequer through the activities of Arts Council-supported organisations amounted to €41.1 million in 2010.

Table 2.5: Overview of Total Tax Take from Arts Council-supported Organisations 2010	
	Exchequer Tax Revenues – 2010
	€ million
Estimated tax and other payments to Exchequer	41.1

Source: Indecon Economic Impact modelling results based on Arts Council internal data.

[1] Up-to-date data on employment for all Arts Council clients was not available. In order to estimate the number of people employed in 2010 we have assumed that average turnover per employee in the Arts Council funded organisations in 2010 was the same as it was in 2008 when Indecon previously completed an assessment of the economic impact of the arts. We then applied this ratio to the turnover for 2010 to estimate employment.

3 Economic Impact of the Wider Arts Sector

3.1 Introduction

In order to determine the contribution of the wider arts sector to the Irish economy, it is necessary to consider both the Arts Council-supported organisations and individuals, and others not funded directly by the Council. In this chapter, the key impact variables assessed include Gross Value Added (GVA), expenditure, employment and exchequer tax revenues.

For the purpose of our analysis we 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 Literacy creation and interpretation.

The above list is what we believe to be in line with international best practice. However, data was unavailable to update three of the sectors, namely 'Literature and Publishing', 'Library, archives, museums, and other cultural activities' and 'Artistic and literacy creation and interpretation'. Indecon therefore had to make a number of assumptions in order to derive estimates for 2010. In this context, the figures should be considered indicative preliminary estimates, subject to revision as new data comes to light.

3.2 Gross Value Added

Gross Value Added (GVA) 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. It is the nearest equivalent at sector level to Gross Domestic Product (GDP) when measured across the economy as a whole.

In Table 3.1 overleaf we estimate the GVA contribution of the relevant sub-sectors within the wider arts sector, as outlined above. The overall GVA contribution of the wider arts sector to the national economy was estimated to be approximately €715.9 million during 2010. The largest sub-sector in terms of its contribution to overall GVA impact is Literature and Publishing, which accounts for an estimated €372.2 million. The next largest contribution is that of the film and video sub industry, amounting to an estimated €108.4 million. Arts Council-supported organisations account for a significant portion of the overall gross value added by the sector, contributing an estimated €52.3 million of the overall wider arts sector GVA.

Table 3.1: Gross Value Added in the Wider Arts Sector 2010	
Sector	**GVA – 2010 - € million**
Arts Council-supported Organisations (excluding literature, film and venues)*	52.3[2]
Literature and Publishing	372.2
Film and Video	108.4[3]
Library, Archives, Museums, and other Cultural Activities	64.1
Arts Facilities, including Theatres and Music Venues	63.4
Artistic and literacy creation and interpretation	55.7
GVA - Total Wider Arts Sector	**715.9**

Source: Indecon Economic Impact modelling results based on Arts Council internal data and Indecon analysis of Census of industrial production and census of population.
Note: For all sub sectors (with the exception of Arts Council-supported organisations) 2007 data was updated to 2010 by applying the overall percentage change in expenditure for the Arts Council-supported organisations for the same period.
*Arts Council-supported organisations in literature, film and venues are excluded from this estimate in order to avoid double counting as they are included elsewhere in the figures.

Table 3.2 overleaf presents the estimates of the total expenditure of the wider arts sector for 2010. This expenditure impacts the economy directly, indirectly and through induced impacts. The total direct expenditure impact of the wider arts sector in the Irish economy is estimated to be approximately €1.2 billion in 2010. Taking into account the multiplier impacts of this direct spend, the overall aggregate impact amounts to €1.55 billion. The largest contributor to the overall direct expenditure impact of the wider arts sector is the Literature and Publishing sector, which accounted for €563.3 million of the overall direct expenditure impact. Other significant contributors in terms of expenditure impacts include Film and Video, and Library, Archives, Museums and Other Cultural Activities, which contributed €151.6 million and €181.7 million respectively to the overall direct expenditure impact during 2010.

[2] Literature, film and venues were excluded from this figure by applying the same proportion of expenditure accounted for by these three art forms to the total expenditure in the previous 2009 Indecon report for the Arts Council.

[3] Data was updated by applying the growth in expenditure in the film industry over the period of 2007-2010 (according to the IBEC Audiovisual Federation Review of the Film Industry 2010) to the 2007 data on expenditure from the census of industrial production.

Table 3.2: Expenditure in the Wider Arts Sector 2010	
Sector	**2010 - € million**
Arts Council-supported Organisations (excluding literature, film and venues)	87.8[4]
Literature and Publishing	563.3
Library, Archives, Museums, and other Cultural Activities	181.7
Artistic and literacy creation and interpretation	158
Film and Video	151.6[5]
Arts Facilities including Theatres and Music Venues	65.7
Total Direct Wider Arts Sector	**1,208**
Multiplier	1.28
Total Direct, Indirect and Induced Impact	**1,553**

Source: Indecon Economic Impact modelling results based on Arts Council internal data and Indecon analysis of Census of industrial production and census of population.
Note: For all sub sectors (with the exception of Arts Council-supported organisations) 2007 data was updated to 2010 by applying the overall percentage change in expenditure for the Arts Council-supported organisations for the same period.

3.3 Employment in the Wider Arts Sector

Table 3.3 overleaf displays the estimates of the total employment supported by the sub-sectors of the wider arts sector in 2010. This assessment estimates total employment supported in the wider arts sector broken down by the individual sub sectors. In total, the activities in the wider arts sector supported an estimated 13,330 direct jobs during 2010.

[4] Literature, film and venues were excluded from this figure by applying the same proportion of expenditure accounted for by these three art forms to the total expenditure in the previous 2009 Indecon report for the Arts Council.

[5] Data was updated by applying the growth in expenditure in the film industry over the period of 2007-2010 (according to the IBEC Audiovisual Federation Review of the Film Industry 2010) to the 2007 data on expenditure from the CSO, Census of Industrial Production.

Table 3.3: Direct Employment in the Wider Arts Sector 2010	
Sector	**Direct Employment – Persons – 2010**
Arts Council-supported Organisations (excluding literature, film and venues)	809
Film and Video	3,231
Literature and Publishing	3,056
Library, Archives, Museums, and other Cultural Activities	2,733
Artistic and literacy creation and interpretation	2,376
Arts Facilities including Theatres and Music Venues	1,126
Total Wider Arts Sector	**13,330**

Source: Indecon Economic Impact modelling results based on Arts Council internal data and Indecon analysis of Census of industrial production and census of population.

Taking into account the multiplier impacts of the above direct employment (by applying a multiplier obtained through a review of international best practice), the overall aggregate employment impact supported by the wider arts sector is estimated at 21,328 jobs (see Table 3.4). Within this, the Literature and Publishing sub sector supported a total of 3,056 jobs during 2010, while Film and Video accounted for 3,231 jobs. The Arts Council-supported organisations and individuals combine to support a total of 809 jobs (excluding literature, film and venues).[6]

Table 3.4: Direct, Indirect and Induced Employment in the Wider Arts Sector 2010	
	Aggregate Employment – Persons – 2010
Direct employment (FTEs)	13,330
Multiplier	1.6
Indirect and Induced impact	7,998
Direct, Indirect, and Induced Employment	**21,328**

Source: Indecon Economic Impact modelling results based on Arts Council internal data and Indecon analysis of Census of industrial production and census of population.

[6] Arts Council-supported organisations in literature, film and venues are excluded from this estimate in order to avoid double counting as they are included elsewhere in the figures.

3.4 Exchequer Contribution of Wider Arts Sector

Table 3.5 below displays the estimated overall tax revenue earned by the exchequer arising from the economic activities of the wider arts sector. This includes estimates of total direct and indirect tax revenue. It is estimated that the total indirect tax revenue earned by the exchequer from the activities of the wider arts sector amounted to €306.8 million during 2010. An estimate of the total direct exchequer revenue from the wider creative sectors is likely to be much larger, but this is beyond the scope of this study.

Table 3.5:Overview of Total Tax Take from the Wider Arts Sector 2010

Tax Component	Exchequer Tax Revenue – 2010 - € million
Direct taxation	53.9
Indirect taxation	252.9
Total taxation	**306.8**

Source: Indecon Economic Impact modelling results based on Arts Council internal data and Indecon analysis of Census of industrial production and census of population.

4 The Economic Impact of the Creative Industries

4.1 Introduction

The creative industries include a wider range of activities than the wider arts sector examined in the previous chapter. The creative industries are expected to play a more significant role in the Irish economy as we place growing emphasis on knowledge-based services. The following sectors are included in the definition of the creative sector within this report, which is broadly in line with the UK definition of 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 literacy creation and interpretation; and
    - Other creative industries activities.

4.2 Gross Value Added Contribution of Creative Industries

Table 4.1 overleaf indicates the estimated overall GVA contribution of the creative industries identified above. It is estimated that the creative industries – of which the wider arts sector activities form a sub-set – contributed a total of €4.7 billion in GVA terms during 2010. This was equivalent to approximately 3% of Irish Gross Domestic Product (GDP) during that year.[7]

The sub sector with the highest contribution was software which accounted for €2.77 billion of the overall GVA impact, more than half of the total contribution of the creative industries. The other creative industries, literature and publishing, radio and television, and advertising each made significant GVA contributions of €617.1 million, €372.2 million, €324.7 million and €324.3 million respectively during 2010.

[7] GDP, according to CSO National Income & Expenditure Accounts Annual Results 2010, was €155,922 million.

Table 4.1: Gross Value Added in the Creative Industries 2010	
Sector	**Creative Industries – Estimated GVA – 2010 - € million**
Software	2,774.3[8]
Literature and Publishing	372.2
Radio and television	324.7[9]
Advertising	324.3[10]
Film and Video	108.4
Total of above sectors	**3,903.9**
Other creative industries:	**800**
Of which:	
Library, archives, museums, and other cultural activities	64.1
Operation of arts facilities	63.4
Artistic and literacy creation and interpretation	55.7
Other creative industries*	617.1
Estimated GVA - Total Creative Industries	**4,703.9**

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 designs but excludes crafts and design. It was calculated using a scaling method from the UK Creative Industries data.

4.3 Employment Impact of Creative Industries

Table 4.2 provides estimates of the direct and aggregate employment supported by the creative industries. The number of direct jobs supported by the creative industries was estimated to amount to 49,306 jobs during 2010. Using the employment multiplier as applied to the wider arts sector, the number of additional indirect and induced jobs supported by the sector in 2010 was 29,594 persons. This brings the total up to 78,900 direct, indirect and induced jobs supported in aggregate terms by the creative industries during 2010.

Table 4.2: Employment in the Creative Industries 2010	
	Employment – Persons - 2010
Direct Employment	49,306
Multiplier	1.6
Indirect and Induced jobs	29,594
Direct, Indirect and Induced Employment	**78,900**

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

[8] 2007 data was updated to 2010 using a measure of the change in expenditure in the wider arts sector for the same period for those sub sectors for which data was available. The same method was used for other creative industries.
[9] 2007 data was updated to 2010 using a measure of the change in the total commercial income of the public service broadcasters RTÉ and TG4.
[10] 2007 data was updated according to the percentage change in advertising income of the public service broadcaster RTÉ for that same period.

5 Concluding Comment

The estimates presented in this update report indicate that the arts continue to be a major employer and contributor to Irish economy output. If a wider definition is used, which includes all creative industries, the numbers increase significantly.

The ability of arts organisations to support employment is directly related to overall income of arts organisations. This has recently been impacted by the constraints on public finances and by the collapse in consumer demand.