

## 2010 Greater Victoria Arts And Culture Sector Economic Activity Study

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**10/3/2011**

## EXECUTIVE SUMMARY

This report documents a study of the economic activity of the Greater Victoria arts and culture sector in 2010 completed by Dr. Brock Smith of the Peter B. Gustavson School of Business at the University of Victoria at the request of the Victoria Foundation, the CRD Arts Development Service, the Greater Victoria Development Agency, ProArt Alliance, and Tourism Victoria.

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

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

Data for the econometric modeling was generated by a Greater Victoria Arts & Culture Economic Activity Survey which was administered electronically from December 15 2010 to February 15 2011. Snowballing techniques generated useable responses from 26 part-time artists or hobbyists, 30 full-time artists or arts businesses, and 42 arts-culture organizations, many of whom took several hours to assemble the data. Study results combine a conservative extrapolation of this data to the Greater Victoria arts and culture sector as a whole with the results of an Arts and Culture Participant Survey, where 508 respondents were intercepted at performing arts events in March of 2011 and provided data on their pre event, anticipated post event, and annual pre and post arts and culture event expenditures.

The *total economic activity* generated by the Greater Victoria arts and culture sector in 2010 was \$170 million in net income (GDP) activity, supporting the equivalent of more than 5400 person years of employment, and \$21 million in property tax revenue (Table 1). The *local economic activity* generated by the Greater Victoria arts and culture sector in 2010 was \$127 million in net income (GDP) activity, supporting the equivalent of more than 4600 person years of employment, and almost \$18 million in property tax revenue (Table 1).

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

Table 1

<b>Greater Victoria Arts Sector Economic Activity</b>		
With Performing Arts Patron Pre/Post Activity Spending And Expenditures Extrapolated from Sample to Greater Victoria		
	<b>Total Arts Sector Economic Activity*</b>	<b>Local Arts Sector Economic Activity**</b>
Net Income Activity (GDP)	\$169.7 Million	\$126.7 Million
Net Employment Activity (Person Years)	5,440	4,624
Net Property Tax Activity	\$21.0 Million	\$17.8 Million
Note. * This is the total economic activity (in Greater Victoria and outside of Greater Victoria) of individuals, businesses, and organizations involved in the Greater Victoria arts and culture sector. ** Economy activity only in Greater Victoria.		

## SCOPE & OBJECTIVES

This report documents a study of the economic activity of the Greater Victoria arts and culture sector in 2010. The study was completed by Dr. Brock Smith of the Peter B. Gustavson School of Business at the University of Victoria at the request of the Victoria Foundation, the CRD Arts Development Service, the Greater Victoria Development Agency, ProArt Alliance, and Tourism Victoria.

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

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

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

Both of these measures include: direct expenditures (direct effects) made by the artists, arts businesses, and arts organizations; indirect effects that reflect the economic stimulus of

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

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

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

## **METHODOLOGY**

Data for the econometric modeling was generated by a Greater Victoria Arts & Culture Economic Impact Survey which was administered electronically from December 15 2010 to February 15 2011. Participants were solicited with an original email and two reminder emails distributed via databases of the CRD Arts Development Service, ProArt Alliance, Tourism Victoria, the Greater Victoria Development Agency, and the Victoria Foundation, with subsequent snowball forwarding of the emails to members of arts organizations.

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

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

Responses were received from 43 part-time artists and hobbyists, 48 full-time artists or arts businesses, and 49 arts-culture organizations. Economic data for the 2010 calendar year or 2010 fiscal year (depending on the type of organization) was provided by 26 part-time artists or hobbyists, 30 full-time artists or arts businesses, and 42 arts-culture organizations, many of

whom took several hours to assemble the data, and to whom we give considerable thanks. This report would not be possible without their effort and important contribution.

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

1) the 26 part-time artists or hobbyists in the sample are similar in their economic activity to an assumed 250 part-time artists or hobbyists in Greater Victoria (the actual number is likely much greater but there is currently no list or count of their numbers – the 2001 Statistics Canada census results indicate that 1.1% of the population of BC are engaged in an artistic occupation (higher in some parts of Greater Victoria) but this includes full time and part-time artists<sup>1</sup> not just part-time artists and hobbyists. The 250 figure was chosen so as not to extrapolate beyond 10 times the actual response figures).

2) the 30 full-time artists or arts businesses that provided economic data are similar in their economic activity to the 315 artists and arts businesses identified in the CRD Arts Development Service database.

3) that the 49 arts-culture organizations that responded represent 80% of the arts-culture organization economic activity, following the rationale that most of the largest arts-culture organizations participated in the study, and that the other 137 arts-culture organizations in the CRD Arts Development Service database contribute an additional 20% to the economic activity and impact in the region (following the 80:20 rule that the largest organizations likely contribute 80% of the economic activity). The extrapolated results are thought by the author to be a conservative measure of the economic activity of the arts and culture sector in Greater Victoria because the CRD Arts Development Service database does not capture all of the artists and arts businesses in Greater Victoria.

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

To calculate the economic activity effects of pre and post event expenditures by arts and culture patrons an arts-culture participant survey was implemented in March of 2011. Five hundred and eight (508) arts and culture patrons were randomly intercepted at 11 venues chosen randomly from a list of all arts and culture events in Greater Victoria in the month of March. These included: the Phoenix Theatre; the Royal Theatre; the Intrepid Theatre; the Belfy Theatre; Open Mike Night at the Ocean Island Backpacker's Inn; the Emily Carr Tour at the Greater Victoria

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<sup>1</sup> Statistical Insights on the Arts, Vol 4 (2), Hill Strategies Research Inc, October 2005

Art Gallery; the Jazz Dining Room at the Hotel Grand Pacific; an Allegro Dance Troop event at the Mary Winspear Centre; a Madrona Gallery Art Show; and a SALT show at Open Space. Participants were asked to report, on behalf of their household members attending the event, their pre event expenditures, an estimate of their post event expenditures, and the number of people in their household attending the event. They were also asked to report the number of free and paid arts and culture events they attended in the past year and their annual pre and post event expenditures. These expenditures included event related meals, transportation, accommodation (if visitors came to Victoria primarily for the event), and other event related shopping. On average, arts and culture patrons spent \$15.43 per person per event on pre and post event expenditures in 2010. Because this figure relates to pre and post expenditures of mainly performing arts patrons (and some visual arts patrons), and to be conservative in the results, this figure was only used in conjunction with the number of patrons (customers) reported by arts businesses (and full-time artists) and arts organizations who reported that 80% or more of their activity was in performing arts.

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

## RESULTS

The *total economic activity* generated by the Greater Victoria arts and culture sector in 2010 was \$170 million in net income (GDP) activity, supporting the equivalent of more than 5400 person years of employment, and \$21 million in property tax revenue (Table 1). These are the rounded, extrapolated results (sample results extrapolated to the Greater Victoria arts and culture sector as a whole) and include the economic activity of the performing arts patrons. Of these totals, the pre and post event spending by performing arts patrons generated \$65 million in net income (GDP) activity, supporting the equivalent of more than 1600 person years of employment, and \$6 million in property tax revenue. The detailed results are summarized in Table 2. While the economic modeling produces specific values, these should be recognized as approximations, and hence the rounded numbers are more appropriate for reporting purposes. Original respondent results are the economic activity figures of the actual respondents. Adjusted to sample results are the results where the reporting of the original respondent is used as being representative of artists, arts businesses, and arts organizations who did not provide complete financial data in the original sample. The extrapolated results extend the adjusted sample results to the population of artists, arts businesses, and arts organizations in Greater Victoria, as described in the Methodology section of this report.

The *local economic activity* generated by the Greater Victoria arts and culture sector in 2010 was \$127 million in net income (GDP) activity, supporting the equivalent of more than 4600 person years of employment, and almost \$18 million in property tax revenue (Table 1). This is the activity of the Greater Victoria arts and culture sector and its patrons on the Greater Victoria economy. Of these totals, the pre and post event spending by performing arts patrons generated \$63 million in net income (GDP) activity, supporting the equivalent of more than 1600 person

years of employment, and \$6 million in property tax revenue. The detailed results are summarized in Table 3.

Table 2: Greater Victoria Arts Sector: Total Economic Activity

<b>Greater Victoria Arts Sector: Total Economic Activity*</b>	<b>Original Respondents</b>	<b>Adjusted To Sample</b>	<b>Extrapolated To Greater Victoria</b>
<b>Net Income Impact (GDP)</b>			
From Arts-Culture Industry	\$40,675,613	\$52,860,007	\$104,312,408
From Arts Patron Pre/Post Spending	\$20,990,039	\$25,635,632	\$65,444,125
<b>Total Net Income Impact (GDP)</b>	<b>\$61,665,653</b>	<b>\$78,495,639</b>	<b>\$169,756,533</b>
<b>Net Employment Impact (Person Years)</b>			
From Arts-Culture Industry	1,812	2,363	3,809
From Arts Patron Pre/Post Spending	523	617	1,631
<b>Total Net Employment Impact (Person Years)</b>	<b>2,335</b>	<b>2,979</b>	<b>5,439</b>
<b>Net Property Tax Impact</b>			
From Arts-Culture Industry	\$6,989,739	\$9,027,838	\$14,689,402
From Arts Patron Pre/Post Spending	\$2,017,508	\$2,464,031	\$6,290,321
<b>Total Net Property Tax Impact</b>	<b>\$9,007,247</b>	<b>\$11,491,869</b>	<b>\$20,979,723</b>
* This is the total economic activity (in Greater Victoria and outside of Greater Victoria) of individuals, businesses, and organizations involved in the Greater Victoria arts and culture sector			

Table 3: Greater Victoria Arts Sector: Local Economic Activity

<b>Greater Victoria Arts Sector: Local Economic Activity*</b>	<b>Original Respondents</b>	<b>Adjusted To Sample</b>	<b>Extrapolated To Greater Victoria</b>
<b>Net Income Impact (GDP)</b>			
From Arts-Culture Industry	\$28,892,664	\$36,939,823	\$63,215,670
From Arts Patron Pre/Post Spending	\$20,789,877	\$25,302,823	\$63,509,204
<b>Total Net Income Impact (GDP)</b>	<b>\$49,682,542</b>	<b>\$62,242,646</b>	<b>\$126,724,874</b>
<b>Net Employment Impact (Person Years)</b>			
From Arts-Culture Industry	1,584	2,031	2,993
From Arts Patron Pre/Post Spending	523	639	1,631
<b>Total Net Employment Impact (Person Years)</b>	<b>2,107</b>	<b>2,670</b>	<b>4,624</b>
<b>Net Property Tax Impact</b>			
From Arts-Culture Industry	\$6,109,152	\$7,832,650	\$11,545,388
From Arts Patron Pre/Post Spending	\$2,017,508	\$2,464,031	\$6,290,322
<b>Total Net Property Tax Impact</b>	<b>\$8,126,660</b>	<b>\$10,296,681</b>	<b>\$17,835,710</b>
* This is the economic activity in Greater Victoria only, of the individuals, businesses, and organizations involved in the Greater Victoria arts and culture sector.			

The results of this study need to be interpreted with caution as all economic activity studies make assumptions and use projections that could be challenged. The approach used in this study, however, is consistent with many other economic activity studies, including a study of the impact of the arts and culture sector in the city of Sault Ste. Marie in 2007<sup>2</sup>. The author believes that a conservative approach was taken in the assumptions and projects and that the reported results are a reasonable estimate of the economic activity generated by the arts and culture sector in Greater Victoria.

Detailed results relating to part-time artists and hobbyists, full time artists and arts businesses, and arts and culture organizations follow in the tables below. The economic impact of arts and culture patrons are not included in this analysis.

Table 4: Extrapolated Economic Activity of Part-Time Artists and Hobbyists

<b>Part-Time Artists &amp; Hobbyists</b>			
Extrapolated to an assumed 250 part-time artists			
	<b>Direct &amp; Indirect Effect</b>	<b>Induced Effect</b>	<b>Total Impact</b>
<b>Total Economic Activity</b>			
Net Income Impact GDP)	1,060,625	1,092,444	2,153,069
Net Employment Impact (Person Years)	19	27	46
Net Tax Impact (Property Taxes)	\$72,777	\$105,003	\$177,780
<b>Local Economic Activity</b>			
Net Income Impact GDP)	\$953,191	\$981,787	\$1,934,977
Net Employment Impact (Person Years)	16	24	41
Net Property Tax Impact	\$62,579	\$94,367	\$156,946

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

<b>Arts Businesses &amp; Full Time Artists</b>			
Extrapolated to 315 Arts Businesses in CRD Data Base			
Arts Patron Expenditures Not Included			
	<b>Direct &amp; Indirect Effect</b>	<b>Induced Effect</b>	<b>Total Impact</b>
<b>Total Economic Activity</b>			
Net Income Impact (GDP)	\$23,614,495	\$24,322,930	\$47,937,425
Net Employment Impact (Person Years)	573	606	1,179
Net Property Tax Impact	\$2,208,362	\$2,337,857	\$4,546,219
<b>Local Economic Activity</b>			
Net Income Impact (GDP)	\$10,460,745	\$10,774,568	\$21,235,313
Net Employment Impact (Person Years)	373	269	641
Net Property Tax Impact	\$1,438,189	\$1,035,624	\$2,473,813

<sup>2</sup> Jude Ortiz and Gayle Broad (2007). Culture, Creativity, and the Arts: Achieving Community Resilience and Sustainability through the Arts in Sault Ste. Marie. A Research Report Prepared for the Northern Ontario, Manitoba, and Saskatchewan Regional Node of the Social Economy Suite.



Table 6: Extrapolated Economic Activity of Arts Organizations

<b>Arts Organizations</b>			
Extrapolated to 186 Arts Organizations in the CRD Data Base assuming the other 80% contribute 20% of the activity			
	<b>Direct &amp; Indirect Effect</b>	<b>Induced Effect</b>	<b>Total Impact</b>
<b>Total Economic Activity</b>			
Net Income Impact (GDP)	\$26,710,303	\$27,511,612	\$54,221,914
Net Employment Impact (Person Years)	1,898	686	2,584
Net Property Tax Impact	\$7,321,058	\$2,644,345	\$9,965,403
<b>Local Economic Activity</b>			
Net Income Impact (GDP)	\$19,726,788	\$20,318,592	\$40,045,379
Net Employment Impact (Person Years)	1,805	506	2,311
Net Property Tax Impact	\$6,961,659	\$1,952,971	\$8,914,629