



Contribution of the arts and culture industry to the UK economy

Report for Arts Council England
April 2019

Cebr

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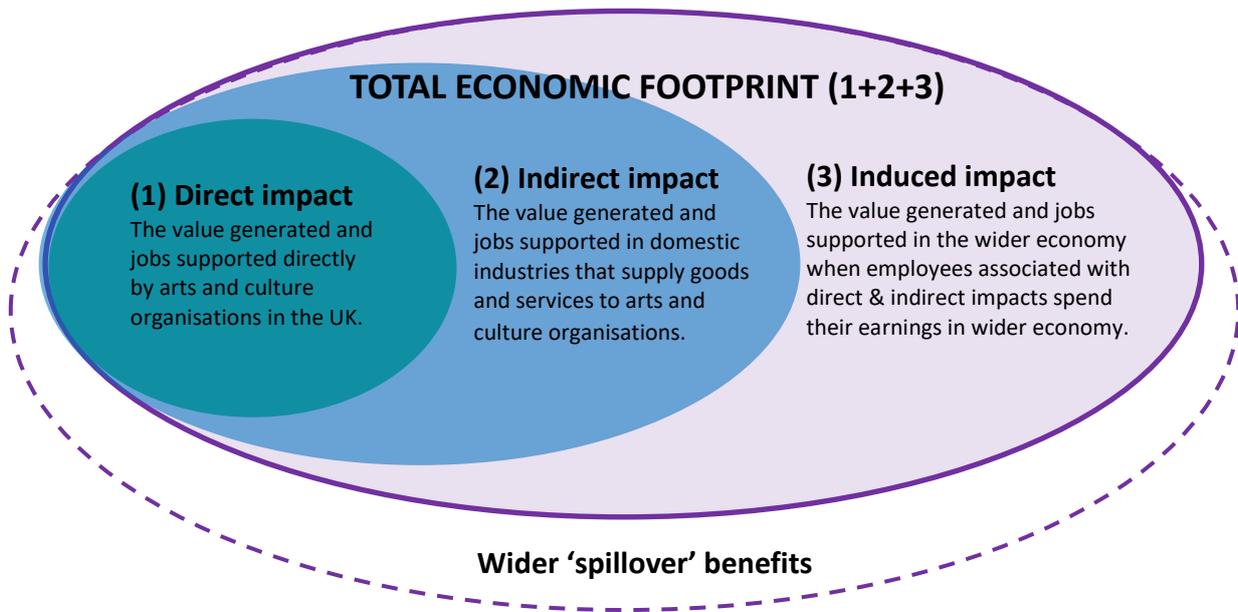
Executive summary

- This is a summary of Cebr's report for Arts Council England on the economic contribution of the arts and culture industry to the UK economy. This is the fourth iteration of a study first undertaken in 2013, with subsequent updates in 2015 and 2017.

Scope and methodological overview

- The definition of the arts and culture industry used in this and Cebr's previous reports includes the following set of activities, identified by 3-4-digit SIC codes:
 - 58.11 - book publishing (1-digit Section J)
 - 59.2 - sound recording and music publishing (1-digit Section J)
 - R90.01 - performing arts (1-digit Section R)
 - R90.02 - support activities to performing arts (1-digit Section R)
 - R90.03 - artistic creation (1-digit Section R)
 - R90.04 - operation of arts facilities including the operation of concert and theatre halls (1-digit Section R)
- A more detailed SIC-based definition of the arts and culture industry used in this study (incl. a breakdown of the activities listed above), is provided in [Appendix I](#).
- This report is based primarily on official data provided by the ONS. Since Cebr's last report in 2017 one further year of data has become available, for 2016.
- Cebr estimates the wider multiplier impacts of the arts and culture industry using a bespoke UK input-output model, which is used to trace the industry's economic footprint through its supply chain relationships (indirect effect) and to calculate the increase in demand created when employees associated with the direct and indirect effects spend their income in the wider economy.
- Additionally, this report contains an overview of a subset of the arts and culture industry by considering National Portfolio Organisations (NPOs). A bottom-up approach has been taken, using annual survey data from NPOs to estimate direct and wider economic impacts. A separate survey was also distributed to NPOs and other arts and culture organisations to understand the wider 'spillover' benefits of the sector, for example, training and development provided to volunteers.
- As with previous reports, the creative industries, museums and libraries remain outside the scope of the economic assessment presented herein. Cebr is preparing a separate study analysing the economic impacts of the museum sector, although a small number of museums took part in the 'spillover' survey of arts and culture organisations within this study.
- Figure A overleaf summarises the key impacts considered:

Figure A: Diagram illustrating total economic footprint

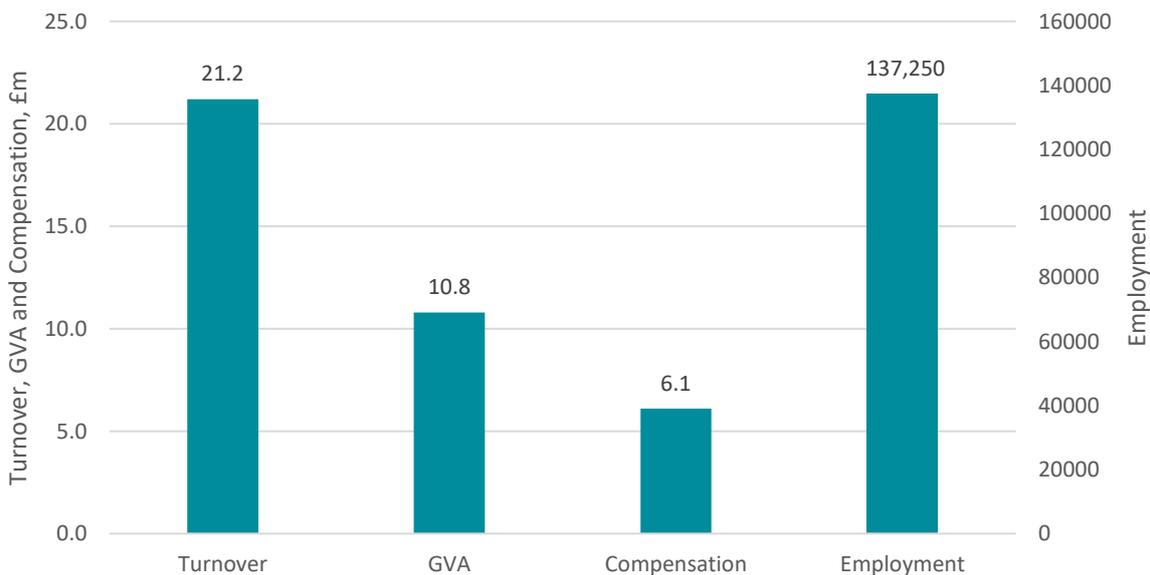


Source: Cebr analysis

Direct impacts of the arts and culture industry

- The economic contributions of the arts and culture industry are measured using four key economic indicators:
 - **Turnover** – defined as the revenue generated as a result of undertaking productive value-adding activities.
 - **Gross Value Added (GVA)** – GVA is a measure of the value from production used in the national accounts and can be thought of as the value of gross domestic output less the value of inputs used to produce that output. Generally speaking, $GVA = \text{total employee compensation} + \text{profits paid to shareholders}$.
 - **Employment** – referring to the number of people working in the industry.
 - **Employee compensation** - the total remuneration, in cash or in-kind, payable by an employer to an employee in return for work done.
- The arts and culture industry (including both market and non-market elements), in 2016, directly generated **£21.2bn in turnover, £10.8bn in Gross Value Added** (with £8.6bn of this being contributed by the market segment of the arts and culture industry and the remaining £2.2bn being contributed by the non-market segment), **137,250 jobs** and **£6.1bn in employee compensation**.

Figure B: The direct impact of the arts and culture industry in the UK, 2016.

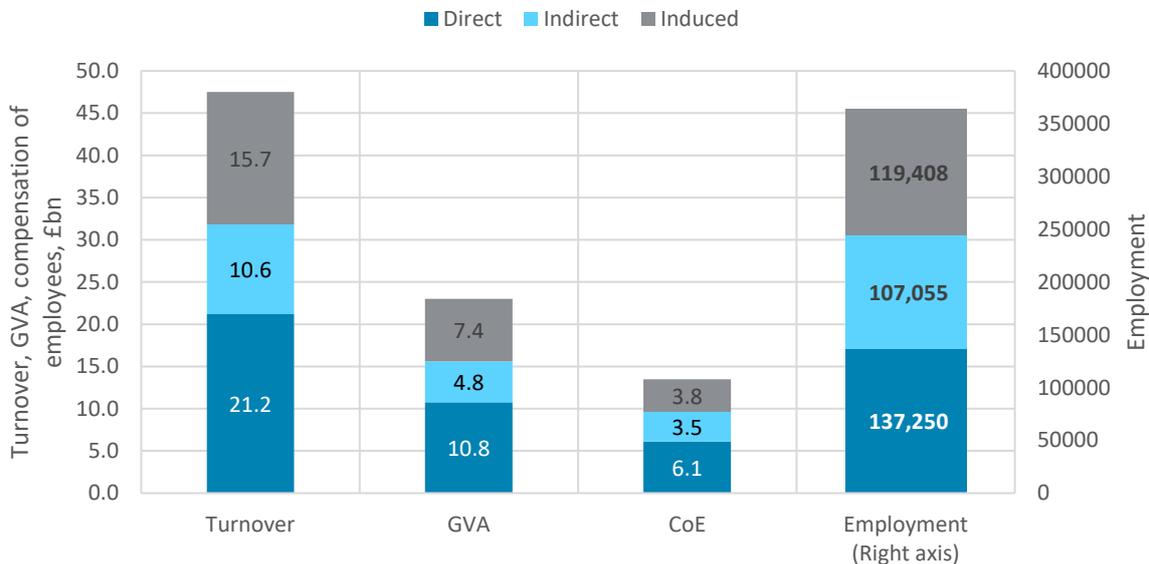


Source: ONS, Cebr analysis

Wider multiplier impacts of the arts and culture industry

- When indirect (supply chain) and induced (wider spending) effects are considered, it is estimated that the arts and culture industry (including both market and non-market elements) **supported £48bn in turnover, £23bn in GVA, 363,713 jobs and £13.4bn in employee compensation in 2016**. This implies:
 - For every £1 in turnover directly generated by the arts and culture industry, **an additional £1.24 in output is supported in the wider economy** through indirect and induced multipliers.
 - For every £1 of GVA generated by the arts and culture industry, **an additional £1.14 of GVA is supported in the wider economy** through indirect and induced multipliers.
 - For every 1 job directly created by the arts and culture industry, **an additional 1.65 jobs are supported in the wider economy** through indirect and induced multipliers.
 - For every £1 in employee compensation paid to workers directly employed in the arts and culture industry, **an additional £1.21 in employee compensation is supported in the wider economy** through indirect and induced multipliers.

Figure C: The direct, indirect and induced impacts of the arts and culture industry in the UK, 2016.



Source: ONS, Cebr analysis

Other aspects of the economic contribution of the arts and culture industry

- High labour productivity: It is estimated that GVA-per-worker in the arts and culture industry **averaged £62,000** over the period 2009-16. This is **greater than the equivalent figure for the UK as a whole, which was £47,600** over the same period.¹
- The arts and culture industry is a significant recipient of public funding. But, as a result of its productive revenue and value-generating activities, it also contributes to the exchequer via taxation. **The estimated contribution of the sector to the exchequer in 2016 stood at over £2.8bn.**
- The industries that make up Cebr's definition of the arts and culture industry are made up of a large number of small enterprises. Firms with one or no employees make up 92 per cent of the businesses operating within such sectors (in comparison to 76 per cent within the economy as a whole). Only 0.1 per cent of firms operating in the wider sectors from which Cebr's definition of the arts and culture industry is taken employed 250 workers or more in 2016.
- Over the period 2006 to 2016, average weekly expenditure on recreation and culture rose from £59.70 to £73.35, a rise of 22.9 per cent.

Economic contribution of NPOs to the UK economy

- It is estimated that in 2016 the National Portfolio Organisations of Arts Council England (excl. museums) directly contributed £2.4bn in output, £1.2bn in GVA and 22,300 jobs.
- Once indirect (supply chain) and induced (wider spending) effects are taken into consideration, it is estimated that NPOs (excl. museums) supported £5.3bn in output, £2.6bn in GVA and 59,095 jobs in the wider economy.
- Figures D and E overleaf summarise the key impacts:

¹ This corresponds to the UK business economy only. Total economy productivity would be expected to be even lower than this more confined measure.

Figure D: The direct impact of NPOs (excluding museums) in the UK.

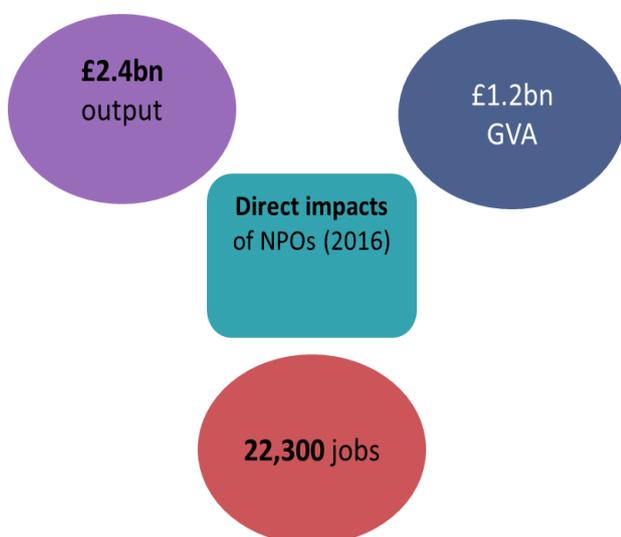
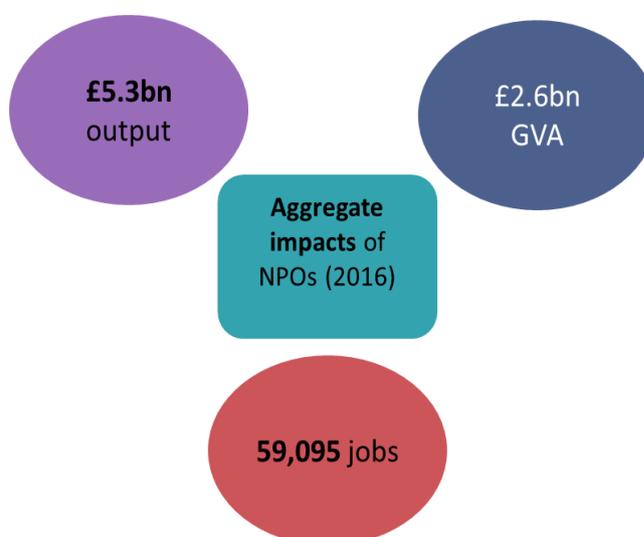


Figure E: The aggregate impact of NPOs (excluding museums) in the UK.



Source: ONS, Cebr analysis

Spillover impacts of funded organisations and the wider arts and culture industry

- Volunteering in arts and culture gives volunteers an opportunity to gain experience and benefit from training sessions which improves their productivity, employability and earnings potential. Of the organisations surveyed in Cebr's study, 66 per cent tasked volunteers with event help or the running of activities, 43 per cent tasked volunteers with administration duties and 36 per cent involved volunteers in research activities.
- 82 per cent of the surveyed arts and culture organisations reported that they provide an array of support to local artists or commercial creative industries. When asked why they provided such support, many organisations cited concerns over the future of the industries as a motivating factor.

- The support provided to local artists and commercial creative industries came in many forms. 71 per cent of organisations surveyed said they provided workshops, 51 per cent offered seminars and around a third provided funding to local artists and/or commercial creative industries.
- The support provided is highly valued – with 83 per cent of organisations surveyed agreeing or strongly agreeing that feedback they received from individuals and businesses using these support services was positive.
- Investment in arts and culture in deprived areas can be an effective way of establishing a ‘city brand’ which helps to attract young and creative people to the areas. In turn, this can attract commercial creative businesses, catalysing regeneration and urban redevelopment. Many of the organisations surveyed gave accounts of this happening in their local area.

The impact of public funding cuts on arts and culture organisations

- The survey results also found that 74 per cent of arts and culture organisations had been affected by public funding cuts. These organisations reported issues such as staff reductions and reduced capacity.

1 Introduction

This is a report by the Centre for Economics and Business Research (Cebr), on behalf of Arts Council England, on the economic contribution of the arts and culture industry to the UK economy. This is the fourth iteration of a study first undertaken in 2013, with subsequent updates in 2015 and 2017.

1.1 Background and aims of the study

The purpose of this report is to provide an up-to-date picture of the contribution that the arts and culture industry makes to the UK economy.

Arts Council England is a public body that supports a range of activities across the arts, museums and libraries. Its remit for the arts includes a wide range of visual, performing and literary art forms. It has funding responsibilities for regional museums and a development role across libraries and the wider museums sector. Arts Council England works with its parent government department - the Department for Digital, Culture, Media and Sport (DCMS) - to make the arts and the wider culture of museums and libraries an integral part of everyday public life, accessible to all, and understood as essential to the national economy and to the health and happiness of society.

This report is focused on analysing how the arts and culture industry contributes to and impacts on the UK economy. Contributions to macro-economic indicators such as gross value added (GVA) contributions to GDP, employment and household incomes are assessed. But it also examines the indirect and induced multiplier impacts that can be associated with the arts and culture industry, through its supply chain linkages with the rest of the economy and the activities stimulated when employees of arts and culture organisations spend their earnings in the wider economy. In addition, this report uses survey data to consider the impact of National Portfolio Organisations and their economic contributions to the wider economy as well as some 'spillover' impacts NPOs and other arts and culture organisations can have.

1.2 Structure of the report

The report is structured as follows:

- [Section 2](#) outlines how the arts and culture industry is defined and the scope of the study. It also gives an overview of the methodology used.
- [Section 3](#) assesses the direct macro-economic contributions of the arts and culture industry to the UK economy. This is considered in terms of employment, turnover and value-added contributions. This report also provides estimates of the additional direct contributions of arts and culture activities undertaken by the non-market sector, that is, by arms of government and by the third sector.
- [Section 4](#) sets out the multiplier impacts of the arts and culture industry, including indirect (supply chain) impacts and induced (employee spending) impacts. This section estimates the contributions to turnover, GVA, employment and household incomes in the UK.
- [Section 5](#) assesses other aspects of the economic contributions of the arts and culture industry, such as labour productivity and exchequer contributions.

- [Section 6](#) considers various structural characteristics of the arts and culture industry including the underlying market structure and consumer expenditure in the industry. It also disaggregates the income earned from employment in the arts and culture industry.
- [Section 7](#) considers National Portfolio Organisations (NPOs) and uses annual survey data to calculate the economic contributions generated by NPOs.
- [Section 8](#) explores the wider ‘spillover’ benefits associated with the arts and culture industry. These spillover impacts come, for example, through the role of the arts and culture in developing skills in volunteers, encouraging innovation and contributing to the regeneration of areas.
- [Section 9](#) assesses the impact of public funding cuts on arts and culture organisations.
- [Appendix I](#) provides a Standard Industrial Classification (SIC)-based definition of the arts and culture industry used in this study in tabular form. Appendices [II](#), [III](#) and [IV](#) outlines the sample and survey questions used in sections 8 and 9 in more detail.

2 Scope and methodology

The scope of the study and the methodology used are broadly consistent with previous reports. This section recaps the definition used for the arts and culture industry, and the scope of the study.

2.1 Scope of the study

This report continues to use a definition of the arts and culture industry that is linked to industry classification and national statistics. The Standard Industrial Classification (SIC) system provides the underlying data collection framework for much of the economic data produced by the ONS. This includes the UK business economy and national accounting frameworks, which are the foundation on which the macro-economic models developed by Cebr.

In defining the arts and culture industry under this framework, the objective is to capture the value to the economy of six disciplines that are funded by Arts Council England - theatre, dance, literature, visual arts, music and combined arts. On a SIC basis, arts and culture consists of sets and/or subsets, dependent on the level of aggregation, of the product and sector groups defined under the SIC system.

The definition used in this and Cebr's previous reports includes the following set of activities, identified by 3-4-digit SIC codes:

- 58.11 - book publishing (1-digit Section J)
- 59.2 - sound recording and music publishing (1-digit Section J)
- R90.01 - performing arts (1-digit Section R)
- R90.02 - support activities to performing arts (1-digit Section R)
- R90.03 - artistic creation (1-digit Section R)
- R90.04 - operation of arts facilities including the operation of concert and theatre halls (1-digit Section R)

A more detailed SIC-based definition of the arts and culture industry used in this study (incl. a breakdown of the activities listed above), is provided in [Appendix I](#). As with previous reports, the creative industries, museums and libraries remain outside the scope of the economic assessment presented herein. Cebr is preparing a separate study analysing the economic impacts of the museum sector, although a small number of museums took part in the 'spillover' survey of arts and culture organisations within this study.

2.2 Overview of approach and methodology

To undertake the required analysis of the macro-economic contributions and impacts of the arts and culture industry, official data provided by the ONS is used. Since the last report in 2017, which presented data up to 2015, one further year's data has become available, for 2016.

The Annual Business Survey (ABS) discloses economic indicators, including revenues, costs of production and value-added across hundreds of disaggregated industries. These are broken down according to the SIC framework outlined on the previous page. This allows for the identification of the 'business economy' elements of the arts and culture industry. National accounts data in the supply-use tables and input-output tables can be used to establish the additional contributions of arts and culture activities provided directly by government and by the third sector. These are the broad steps involved in establishing estimates of the direct macro-economic contributions of the arts and culture industry in the UK.

This report then estimates the multiplier impacts of the arts and culture industry using bespoke input-output models, which again draw on the ONS' national accounting framework. The input-output models use data on the sectors from which the arts and culture industry purchases its inputs – for example, from set materials to advertising services to paper clips – to trace the industry's economic footprint through its supply-chain relationships with other sectors. This generates output and employment in those sectors and increases earnings and employee spending in the wider economy.

The focus of Sections 7, 8, 9 and 10 is on a subset of the arts and culture industry, primarily but not exclusively the organisations contained in Arts Council England's National Portfolio (NPOs). By focusing on a smaller number of organisations it is possible to use a bottom-up approach to calculating economic impacts. Survey data from the Annual Data Survey of NPOs is used to calculate employment, with industry-wide productivity data then used to estimate GVA and industry-wide GVA-to-output ratios used to estimate the output contributions of NPOs to the UK economy. A separate survey conducted with NPOs and other arts and culture organisations outlines some of 'spillover' impacts of the industry.

3 The direct economic contributions of the arts and culture industry

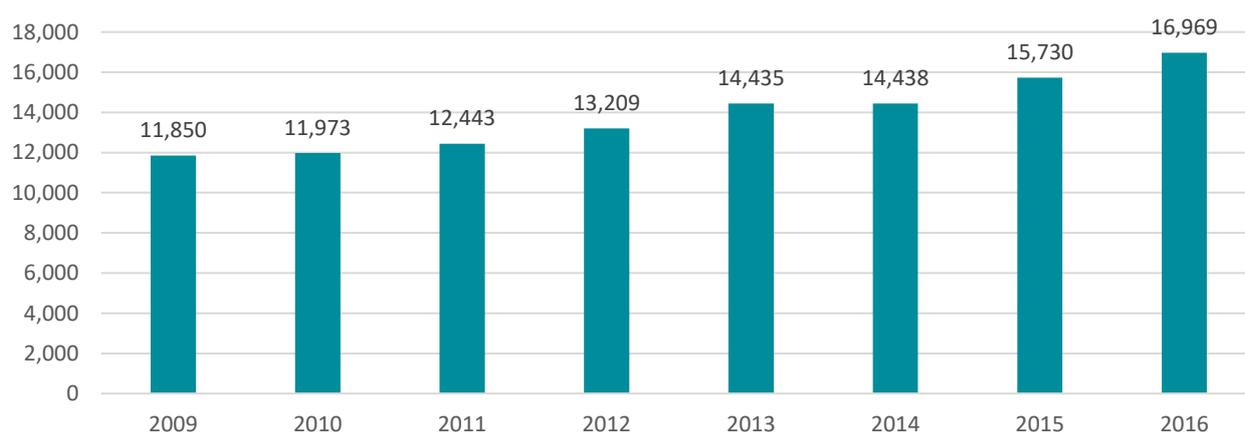
This section provides an assessment of the importance of the arts and culture industry to the UK economy in terms of turnover, GVA and employment. It examines the performance of these indicators over the period 2009–16.

- Section 3.1 considers turnover, analysing both the turnover contributed by the market and non-market segments of the arts and culture industry.
- Section 3.2 does the same for gross value added (GVA) contributions.
- The ONS Business Register and Employment Survey (BRES) is used to calculate the employment contribution of the arts and culture industry. This covers the market and non-market elements of the industry. The results are presented in Section 3.3.
- The same national accounts, supply-use and input-output data, is then used to calculate employee compensation, with the results being presented in Section 3.4.

3.1 Turnover contributions of arts and culture enterprises

Turnover is defined as revenues generated by businesses as a result of undertaking productive value-adding activities. Subsidies and donations received by the arts and culture industry are transfers of value that have been generated elsewhere in the economy and passed to government through taxation or to charities through donations, and are therefore excluded.

Figure 1: Turnover generated by the arts and culture industry in the UK, 2009-16, £m current prices

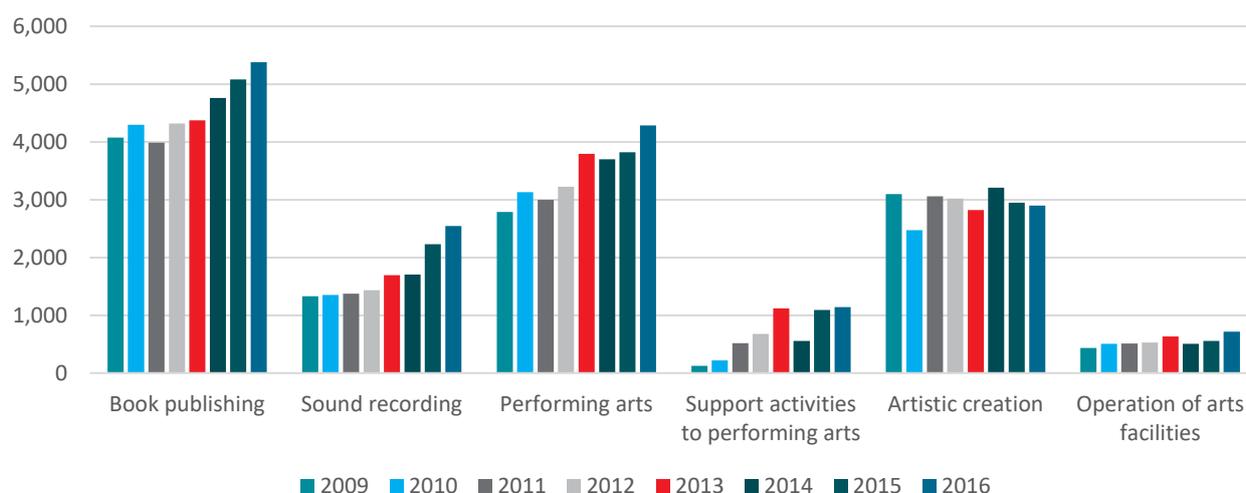


Source: ONS Annual Business Survey 2009-16, Cebr analysis

Figure 1 illustrates the turnover generated by the market (private sector) segment of the arts and culture industry from 2009 to 2016. In 2016, arts and culture businesses contributed approximately £17bn in turnover to the UK economy, a 7.9 per cent increase on the 2015 estimate of £15.7bn and 17.5 per cent increase on the 2014 estimate.

Figure 2 shows disaggregated estimates of turnover for individual categories of activity that make up the SIC-based definition of the arts and culture industry. Book publishing, performing arts and artistic creation are the three largest categories of activity, accounting for 32, 25 and 17 per cent of turnover respectively in 2016.

Figure 2: Turnover in the arts and culture industry by SIC three- and four-digit productive activity, 2009-16, £m current prices



Source: ONS Annual Business Survey 2009-16, Cebr analysis

Operation of arts facilities represents the smallest share of the industry's turnover, at £718m in 2016. This category also saw a growth in turnover between 2015 and 2016 of 28 per cent.

It is estimated that the non-market arts and culture industry (incl. government and non-profits) contributed roughly £4.2bn to turnover in 2016. As such, the total turnover contributions from the arts and culture industry, including both the market and non-market elements, is estimated to have been £21.2bn in 2016.

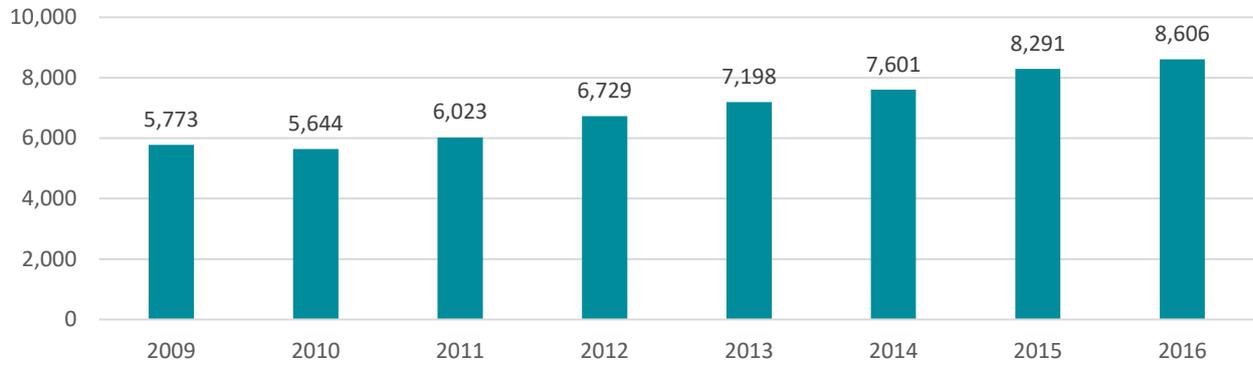
3.2 Gross value added contributions of arts and culture enterprises

This section examines the economic contribution of the arts and culture industry in terms of the gross value added (GVA) contributions made by arts and culture enterprises to UK GDP.²

Figure 3 illustrates that the GVA contribution of the market segment of the arts and culture industry amounted to an estimated £8.6bn in 2016. This represents growth of 4 per cent on the 2015 figure of £8.3bn, following the 9 per cent growth that recorded during 2014.

² GVA is a measure of the value from production used in the national accounts and can be thought of as the value of gross domestic output less the value of inputs used to produce that output. GVA is also commonly known as income from production and is distributed in three directions – to employees, to shareholders and to government. GVA is linked as a measurement to GDP, both being measures of economic output. That relationship is (GVA + Taxes on products - Subsidies on products = GDP).

Figure 3: Approximate GVA at basic prices of the arts and culture enterprises in the UK, 2009-16, £m

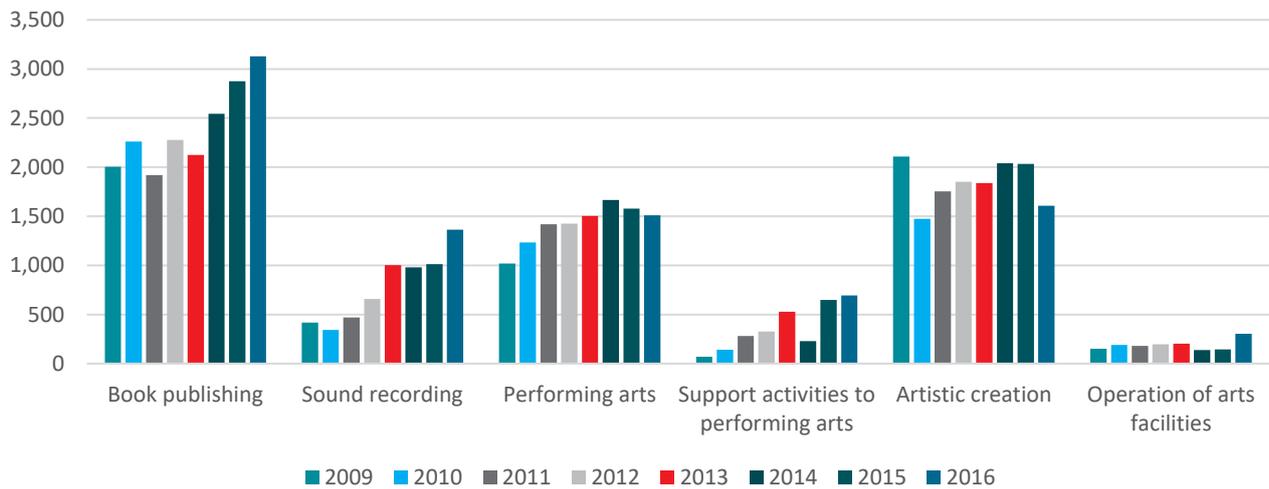


Source: ONS Annual Business Survey 2009-16, Cebr analysis

As with turnover,

Figure 4 shows the GVA contributions made by the individual three- and four- digit SIC activities that constitute the arts and culture industry, over the period 2009-16.

Figure 4: Approximate gross value added at basic prices of arts and culture enterprises by SIC three- and four-digit productive activity, 2009-16, £m



Source: ONS Annual Business Survey 2009-16, Cebr analysis

Book publishing, artistic creation and performing arts are the three largest sets of productive activities. They accounted for 36, 19 and 18 per cent respectively, of the total GVA of the enterprise-based arts and culture industry in 2016.

Until 2009, artistic creation was the category of arts and culture activity with the highest GVA contribution, but this was surpassed by book publishing in 2010. This reflects the fact that growth in artistic creation has been one of the weakest, declining over the period under consideration.

The strongest growth between 2013 and 2016 is in operation of arts facilities, which saw its GVA increase by 49 per cent, to over £3.1bn, in 2016. Book publishing and sound recording also increased significantly during this period, their GVA increasing by 47 per cent and 36 per cent respectively.

Table 1 below provides details of the direct GVA contributions through the market segment of the arts and culture industry, alongside the additional direct contributions arising from arts and culture provision by government and by non-profit institutions. The breakdown is available for 2013, which we have used to forecast forward to 2016.

It is estimated that non-market provision of arts and culture resulted in the generation of an additional £2.2bn in 2016, consisting mainly of compensation of the employees required to deliver these activities. This non-market provision can further be disaggregated into the contributions made the government sector (£1.5bn) and the contributions made by non-government non-profit institutions (£0.6bn).

The market segment corresponded to the largest set of productive activities in GVA terms in 2016, accounting for £8.6bn of the total £10.8bn, an 80 per cent share. The second largest contributor is the Government sector (14 per cent), followed by the third sector contributing 6 per cent.

Table 1: Arts and Culture GVA breakdown, 2013-16 £m

Arts and culture	GVA 2013	GVA 2014	GVA 2015	GVA 2016	Percentage of total
Market	7,189	7,601	8,291	8,606	80%
Government	1,277	1,348	1,470	1,526	14%
NPISH ³	526	555	605	628	6%
Total	8,992	9,504	10,366	10,760	100%

Source: ONS Annual Business Survey 2013-16, ONS supply use tables, Cebr analysis

³ ONS blue book defines Non-profit institutions serving households (NPISH) as non-government institutions that derive most of their income from grants and donations and provide goods/services either free or below the market price.

3.3 Employment provided by the arts and culture industry

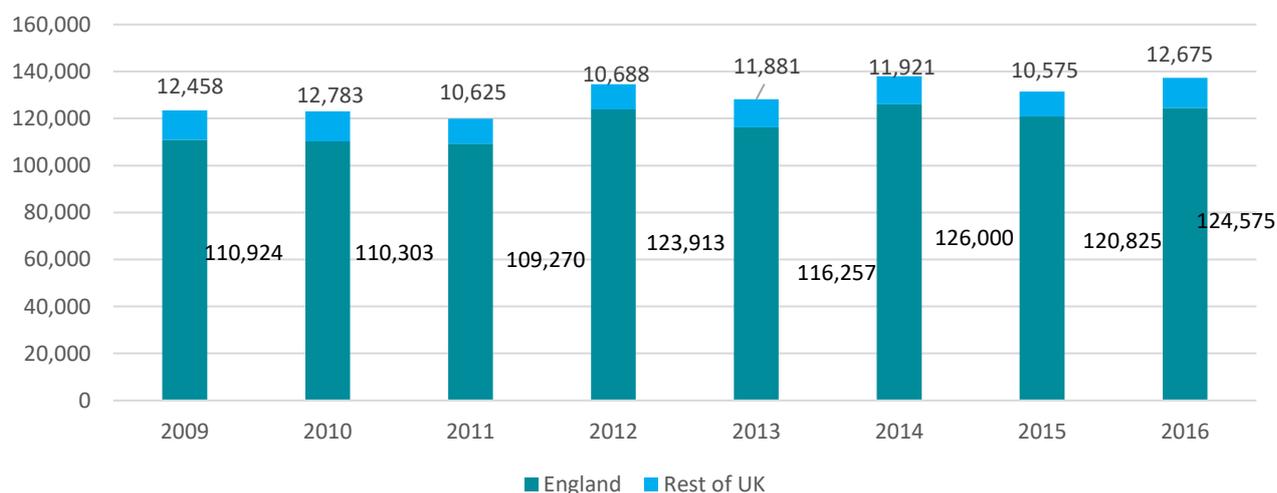
Employment in the arts and culture industry is calculated using the ONS Business Register and Employment Survey (BRES). In 2016, the arts and culture industry was responsible for the employment of approximately 137,250 people in the UK as a whole. In England, the industry employed 124,575 people in the same year.

Employment in arts and culture has followed a quite volatile trend. The arts and culture industry experienced a peak in employment in the UK in 2014 with about 138,000 in employment. Employment in the arts and culture decreased by 5 per cent in 2015 to 131,400 before increasing again by 4 per cent, to 137,250 jobs, in 2016.

As illustrated in Figure 5, the majority of employment in the arts and culture is in England. The employment trends in England have followed those of the rest of the UK's arts and culture industry, peaking at 126,000 in 2014, decreasing by 4 per cent in 2015 to 120,825 jobs before increasing to 124,575 jobs in 2016.

In both England and the UK as a whole, even with the fall in employment in 2015, there was still an overall increase in employment in the period 2009-16. Employment in the arts and culture in England increased by 12 per cent over the period, from around 110,900 jobs in 2009 to 124,575 jobs in 2016. For the UK a whole, arts and culture employment increased by 11 per cent over the same period, from approximately 123,300 jobs in 2009 to 137,200 jobs in 2016.

Figure 5: Employment in the arts and culture industry 2009-16, UK

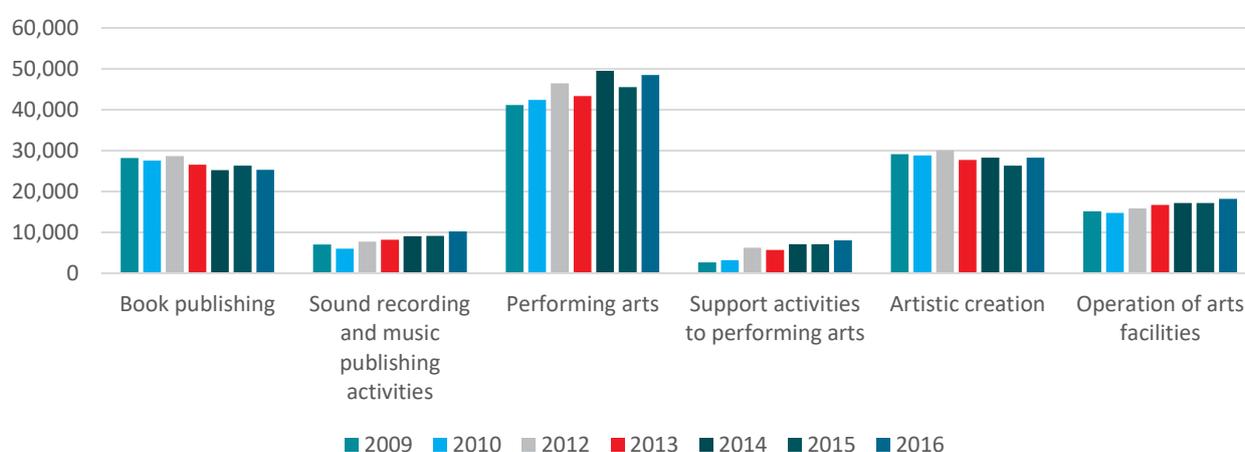


Source: ONS Business Register and Employment Survey 2009-16, Cebr analysis

As illustrated in Figure 6, the performing arts category was the largest contributor to employment in the arts and culture industry, responsible for 48,472 jobs in the UK in 2016, or 35 per cent. Book publishing was the next largest activity by employment, responsible for 21 per cent in 2016, or 28,276 jobs. Artistic creation was responsible for approximately 18 per cent of employment in the UK arts and culture industry in 2016 at 25,284 jobs.

The smallest activity by employment size in 2016 was support activities to performing arts. This activity was responsible for 6 per cent of arts and culture employment in the UK, or 8,079 jobs.

Figure 6: Arts and culture employment by activity, 2009-16, £m



Source: ONS Business Register and Employment Survey 2009-16, Cebr analysis

3.4 Employee compensation in the arts and culture industry

This section examines the economic contribution of the arts and culture industry through employee compensation, normally accounting for the largest share of any industry's GVA contributions to GDP. Compensation of employees is the total remuneration, in cash or in-kind, payable by an employer to an employee in return for work done.

Figure 7, overleaf, illustrates that the employee compensation contribution of the market segment of the arts and culture industry amounted to £4.9bn in 2016. This represents growth of 4 per cent in 2015, following a growth of 9 per cent in 2014. This is in line with GVA increases as a whole over these two years.

Figure 7: Employee compensation of the arts and culture enterprises in the UK, 2009-16, £m



Source: ONS Supply Use Tables 2009-16, Cebr analysis

Table 2 below provides details of the additional contributions of the non-market segments of the industry. It is estimated that, in 2016, non-market provision of arts and culture resulted in the generation of an additional £1.2bn in employee compensation, on top of the £4.85bn generated by private enterprise. The latter accounts for an 80 per cent share, whilst government and third sector provision account for 14 and 6 per cent shares, respectively.

Table 2: Arts and Culture employee compensation breakdown, 2013-16, £m

Arts and culture	Employee compensation 2013	Employee compensation 2014	Employee compensation 2015	Employee compensation 2016	Percentage of total
Market	4,058	4,285	4,674	4,851	80%
Government	710	750	818	849	14%
NPISH	304	321	351	364	6%
Total	5,073	5,356	5,843	6,064	100%

Source: ONS supply use tables 2013-2016, Cebr analysis

4 The wider multiplier impacts of the arts and culture

The aggregate economic impact of arts and culture is given by the sum of direct, indirect and induced impacts. This section presents the multiplier impacts, which capture the additional economic activity that is supported in the economy for every unit of direct contribution by the arts and culture industry. These multipliers are then applied to the direct impact to estimate the aggregate economic contribution of the arts and culture industry to the UK economy.

The economic modelling framework starts with the ONS supply-use tables, from which direct contributions to gross industry output and value added are established. Using this framework to analyse the arts and culture industry is one of the best means of ensuring consistency with the national accounting framework. The set of productive activities that make up the arts and culture industry (as defined under the SIC framework) is then assigned an explicit role within Cebr's input-output models. Doing so provides the foundation for estimating the indirect and induced multiplier impacts of the arts and culture industry on the UK economy.

In line with the analysis in Section 3, the economic impacts are estimated for turnover, GVA, employment and the compensation of employees.

4.1 Gross domestic output multiplier impacts

Conceptually, gross domestic output is roughly analogous to aggregate economy-wide turnover in business accounting. It is comprised of all revenues earned before any costs are subtracted. Excluding taxes and subsidies, these revenues must cover wages paid to employees, a reasonable rate of return on capital and what is paid to suppliers for the inputs required for the relevant industry's production process. This measure is typically larger than GVA as it still includes the costs of intermediate inputs, but is generally smaller than turnover because it excludes all non-VAT indirect taxes on goods and services. As with turnover, VAT is also excluded.

The gross domestic output of the entire arts and culture industry (including the market and non-market segments) is estimated at £21.2bn in 2016, increasing from £20.2bn in 2015.

In providing its products and services, the arts and culture industry draws upon inputs from many sectors of the economy. Cebr's input-output modelling suggests that the arts and culture industry's gross domestic output multiplier is 2.24, as illustrated in Figure 8 overleaf. This means that for every £1 of arts and culture output, the economy-wide impact including direct, indirect and induced impacts is £2.24.

This multiplier effect and the arts and culture industry's direct contribution to gross domestic output of £21.2bn in 2016 combines to produce an estimated aggregate contribution, including indirect and induced multiplier impacts, of £47.5bn.

Figure 8: 'Industrial' output multiplier for the arts and culture



Source: Cebr analysis

4.2 GVA multiplier impacts

The results of Cebr's input-output modelling estimates of the indirect and induced multiplier impacts of the arts and culture sector's contribution to GVA are presented in Figure 9. The Type I multiplier is the sum of direct and indirect impacts and is equal to 1.45, meaning that for every £1 of GVA directly generated by the arts and culture industry, an additional £0.45 of GVA is supported indirectly in the supply chains of arts and culture organisations.

The Type II multiplier, which is the sum of the direct, indirect and induced impacts, is equal to 2.14. The additional induced impact of £0.69 represents the additional GVA stimulated in firms when households associated with the direct and indirect benefits spend their additional earnings in the wider economy.

This means that for every £1 of arts and culture's GVA, an estimated £2.14 of GVA will have been or will be supported in the economy as a whole, due to the combination of direct, indirect and induced multiplier impacts.

Based on the arts and culture sector's direct GVA impact in 2016 of £10.8bn, it is estimated that its aggregate GVA contribution to GDP, including direct, indirect and induced impacts, amounted to approximately £23bn. Of this, at least £18.4bn is attributable to the direct and multiplier impacts of the market segment of the industry.

Figure 9: The arts and culture industry's GVA multiplier



Source: Cebr analysis

4.3 Employment multiplier impacts

The estimate of the direct employment contribution of the arts and culture industry to employment is outlined in Section 3, where an estimate of 137,250 in employment in the arts and culture industry in 2016 was presented. But, again, the employment impact of the arts and culture industry is not confined to these direct contributions.

As illustrated in Figure 10, using input-output models it is estimated that the arts and culture industry has an employment multiplier impact of 2.65. This means that for every job directly provided by the arts and culture industry, an additional 1.65 jobs are supported in the wider economy, through indirect and induced multiplier impacts. This employment multiplier produces an estimated aggregate employment impact of about 363,713 jobs in 2016.

Figure 10: The arts and culture industry's employment multiplier



Source: Cebr analysis

4.4 Employee compensation multiplier impacts

Based on official earnings data taken from the Annual Survey of Hours and Earnings (ASHE), the arts and culture industry paid a median salary of £32,566 in 2016, compared to £30,789 per employee in 2015.

Using Cebr's input-output modelling, it is estimated that for every £1 of income from employment generated in the arts and culture, an additional £1.21 of income from employment is generated in the wider economy through indirect and induced multiplier impacts, as illustrated in Figure 11 overleaf.

This means that for every average gross salary of £32,566 paid by the arts and culture industry in 2016, a further £39,405 worth of gross salary was earned elsewhere in the economy through the industry's indirect and induced multiplier impacts.

Figure 11: The arts and culture industry's income multiplier



Source: Cebr analysis

This multiplier effect and the arts and culture industry's total employee compensation of £6.1bn in 2016 combines to produce an estimated aggregate contribution, including indirect and induced multiplier impacts, of £13.4bn.

5 Other aspects of the economic contribution of the arts and culture

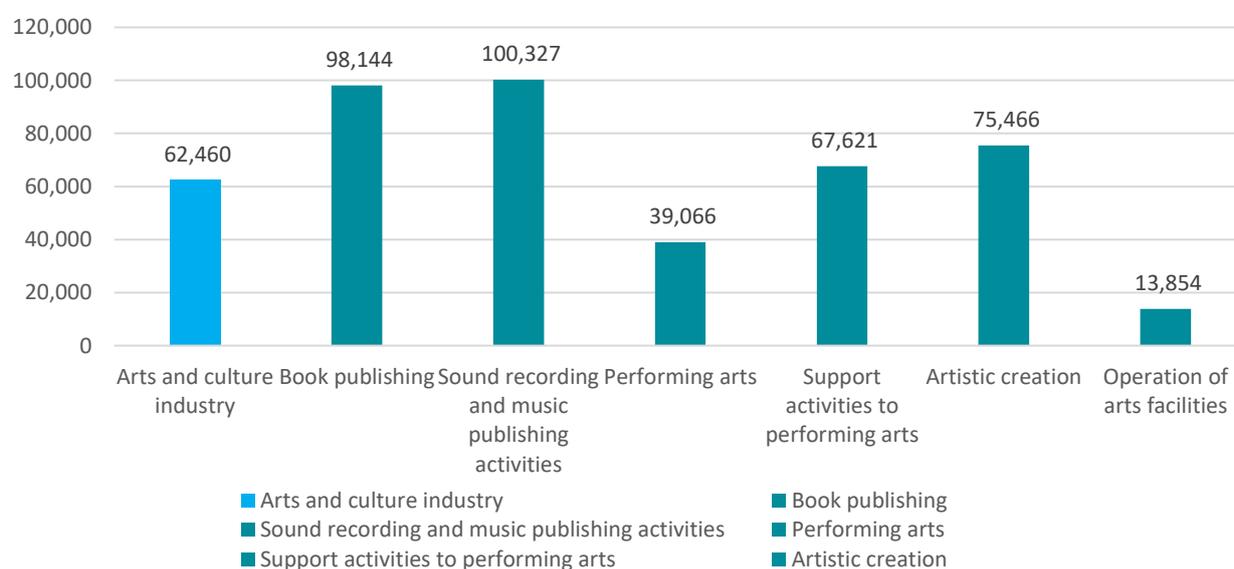
This section considers some other aspects of how the arts and culture industry contributes to the economy.

5.1 Labour productivity

In an efficient labour market, the contribution of an employee should reflect the employer's valuation of their marginal or average productivity to the business – that is, the value of the output that they should be capable of generating. Labour productivity is often analysed in terms of GVA per worker, as it provides a useful indicator of what a given supply of labour in a sector has been able to produce with the fixed capital and technological progress available to them.

The direct GVA contribution of the arts and culture industry in the UK, along with employment data, has been used to produce estimates of apparent levels of worker productivity in the industry as a whole and in the different categories of activity that fall within our industry definition.

Figure 12: Average labour productivity of the arts and culture industry and its subsets, measured in terms of total GVA per full time job, 2009-16, £ current prices



Source: ONS Business Register and Employment Survey and Annual Business Survey, 2009-16, Cebr analysis

As illustrated in Figure 12, GVA per full time job in the arts and culture industry averaged £62,460 over the period 2009-16. This is greater than the equivalent figure for the UK as a whole, which was approximately £47,600 over the same period.⁴ This indicates that many workers in the arts and culture industry produce value at a high rate.

A number of segments of the arts and culture industry have higher productivity when compared to the sector as a whole. For example, GVA per full time job in book publishing, sound recording and music publishing activities were significantly above the average for the industry as a whole, with a GVA per worker of approximately £98,000 and £100,000, respectively.

Apart from artistic creation, all categories have witnessed increases in labour productivity over the period 2009-16. The greatest growth was in book publishing, which increased by 93 per cent over the period. Meanwhile, support activities to performing arts saw an increase in productivity of 59 per cent. Performing arts and operation of arts facilities experienced 55 per cent and 50 per cent growth in labour productivity respectively over the same period.

These findings provide strong economic evidence that the arts and culture industry is contributing positively to UK productivity and to the growth of the economy.

5.2 Exchequer contributions by the arts and culture industry

The arts and culture industry is a significant recipient of public funding. But, as a result of its productive revenue and value-generating activities, it also contributes to the exchequer via tax. The estimated contribution of the arts and culture industry to the exchequer, broken down by type of tax, over the period 2015-16 is illustrated in Table 3. It is estimated that around £2.8bn was paid in exchequer contributions in 2016.

Table 3: Tax contributions of the arts and culture 2015-16, £m

Type of tax	Tax paid (£m)	Percentage of UK
VAT	1,187	1.20%
Corporation tax	280	0.64%
Income tax	553	0.34%
NICs	779	0.63%

Source: ONS, HMRC, Cebr analysis

⁴ This corresponds to the UK business economy only. Total economy productivity would be expected to be lower.

6 Structural characteristics of the arts and culture industry

This section considers some of the other economic characteristics of the arts and culture industry. This includes market structure, the structure of income from employment and the importance of household consumption of arts and culture.

6.1 Market structure of the arts and culture industry

Using the Business Population Estimates 2016 dataset, this report examines the market structure of the broad industries from which the arts and culture industry, as defined for this report, is drawn. This helps to illustrate the numbers of enterprises in different employment size bands, as illustrated in Table 4. The industries that make up Cebr's definition of the arts and culture industry, as detailed in the [Appendix 1](#), include a large number of small enterprises. Large organisations typically account for a relatively small proportion of the total enterprises within the arts and culture industry.

Table 4: Market structure of the broader sector groups from which the arts and culture industry is drawn, enterprise size by employment in the UK, 2016

Employment size bands	SIC J58: Publishing activities		SIC J59: Motion picture, video and television programme production, sound recording and music publishing activities		SIC R90: Creative, arts and entertainment activities		All industries	
	# of firms	% of firms	# of firms	% of firms	# of firms	% of firms	# of firms	% of firms
With zero employees	38,325	85.3	45,900	86.3	136,080	94.1	4,172,185	75.9
1	155	0.4	245	0.5	1,235	0.9	156,690	2.9
2-4	3,095	8.1	5,030	9.5	5,335	3.7	683,095	12.4
5-9	1,070	2.8	995	1.9	1,105	0.8	241,640	4.4
10-19	640	1.7	555	1	490	0.3	133,430	2.4
20-49	385	1	250	0.5	175	0.1	70,120	1.3
50-99	135	0.4	105	0.2	65	0	22,005	0.4
100-199	50	0.1	40	0.1	20	0	9,375	0.2
200-249	15	0	5	0	5	0	1,930	0
250-499	30	0.1	15	0	5	0	3,695	0.1
500 or more	45	0.1	20	0	5	0	3,505	0.1

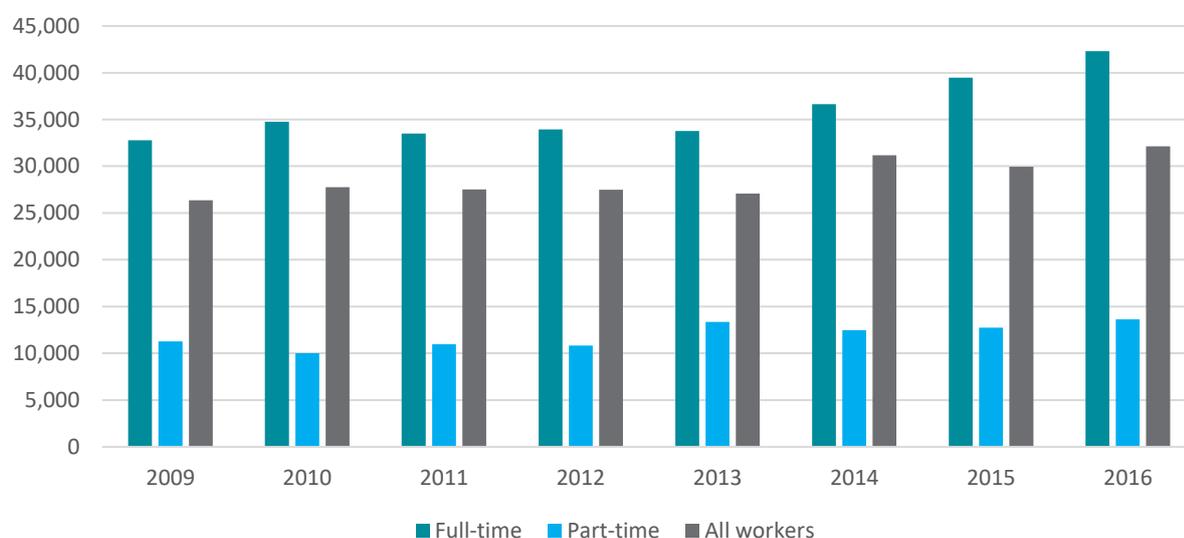
Source: Department for Business Innovation and Skills, Cebr analysis

In 2016, firms with one or no employees made up 92 per cent of the businesses operating within the wider sectors from which Cebr's definition of the arts and culture industry is taken. Firms employing 250 or more employees accounted for less than 0.1 per cent. In the wider economy, the share of firms with one or no employees is much lower, accounting for 76 per cent of businesses. Education is the only sector that has a comparably high proportion of firms of this size, at approximately 94 per cent.

6.2 Structure of incomes from employment in the arts and culture industry

The analysis of the structure of income from employment in the industry is also based on the most recent data from the Annual Survey of Hours and Earnings (ASHE). As illustrated in Figure 13, in creative, arts and entertainment activities (SIC R90), average full-time gross pay in 2016 was £42,295. Over the period 2009-16, full-time earnings increased by 29 per cent and part-time earnings by 21 per cent.

Figure 13: Comparison between UK full-time and part-time earnings in SIC R90: creative, arts and entertainment activities, 2009-16, £



Source: ONS Annual Survey of Hours and Earnings 2009-16, Cebr analysis

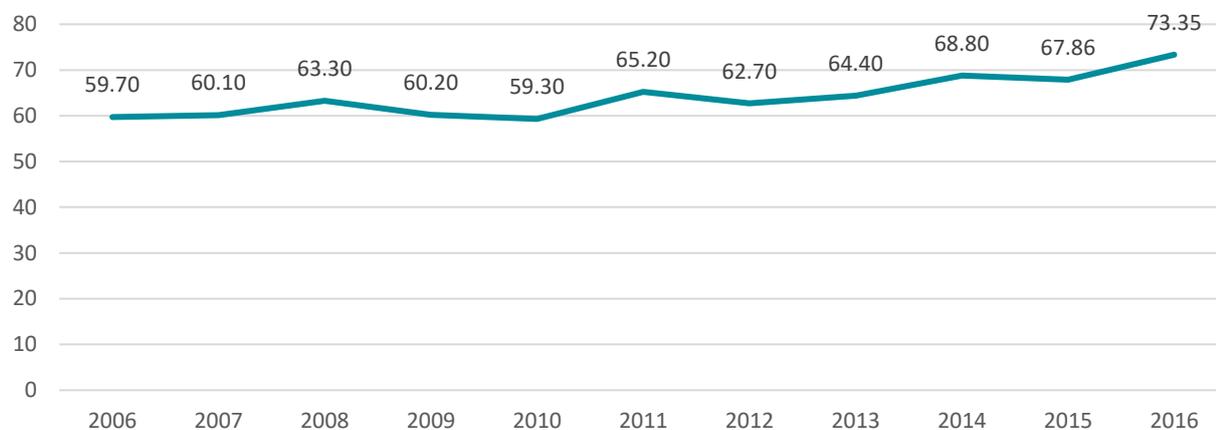
6.3 Consumer expenditure on the arts and culture

ONS Family Spending data is used to gain some understanding of how spending on arts and culture has changed over time. The data set provides the spending patterns of UK households of different ages and income brackets on different expenditure categories.

Figure 14, overleaf, illustrates how spending on recreation and culture in the UK has changed from 2006-16. Spending on recreation and culture increased steadily from 2006-08 from £59.70 per week to £63.30 but fell in the recession year of 2009 to £60.20 per week. Weekly spending on recreation and culture recovered in 2011, reaching £65.20 per week, higher than the pre-recession levels. It then fell slightly in 2012 before recovering again in 2013 to £64.40 per week.

In 2016, average weekly household spending on recreation and culture stood at £73.35, an 8 per cent increase on the 2015 value of £67.86.

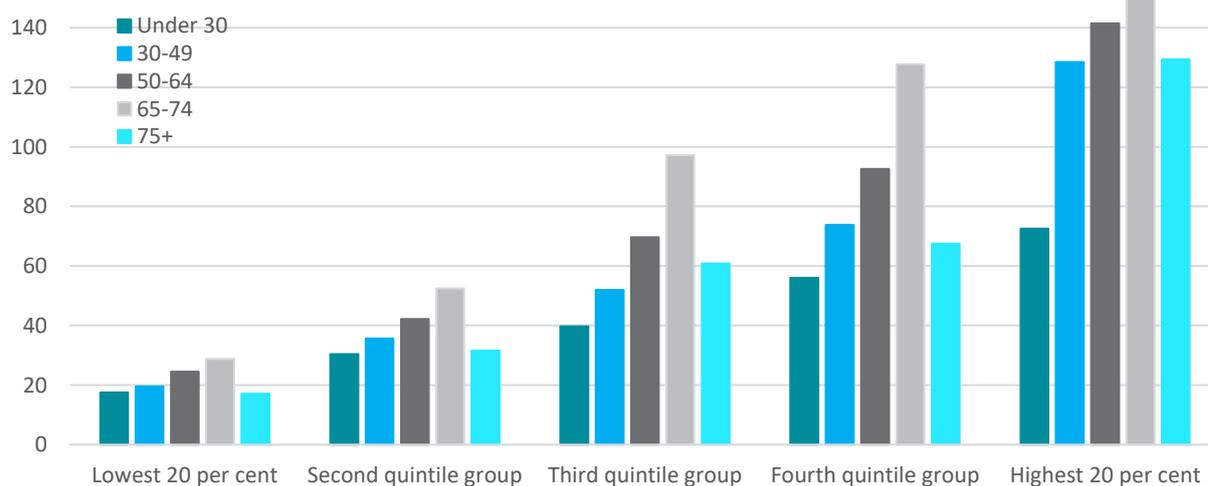
Figure 14: Weekly expenditure on recreation and culture, 2006-16, 2014 prices, £



Source: ONS Family Spending Survey 2006-16

A breakdown of spending on recreation and culture by household income level and age profile is presented in Figure 15. This data suggests that, as household income increases, so does spending on recreation and cultural activities. Across all age groups, average weekly household spending on recreation and culture is highest among 65-74 year-olds.

Figure 15: Average weekly household spend on recreation and culture, by income quintile and age of household reference person, 2014-16, £



Source: ONS Family Spending Survey, 2014-2016

7 The economic impact of National Portfolio Organisation activity

The analysis thus far has used industry-level data to estimate the economic contribution of the arts and culture industry. Whilst the most efficient methodology for calculating economic impacts on the scale of an entire industry, using industry level data inevitably misses out on some of the insights gained from conducting a survey.

As such, this section considers a subset of the arts and culture industry (the National Portfolio Organisations), and estimates the resulting economic impacts using data provided within annual submissions.

- Section 7.1 provides an overview of ACE funding for NPOs and how that funding compares with other income sources.
- Section 7.2 analyses the economic impact of the NPO activities by looking at the direct and multiplier impacts through employment, output and gross value added (GVA).
- Section 7.3 considers the international footprint of NPOs and, in particular, analyses the income raised by touring abroad.

7.1 Funding of the National Portfolio Organisations (NPOs)

NPOs are unlikely to fully represent the typical funding structure of all arts and culture organisations. However, they do account for a significant proportion of the aggregate economic activities of the industry.

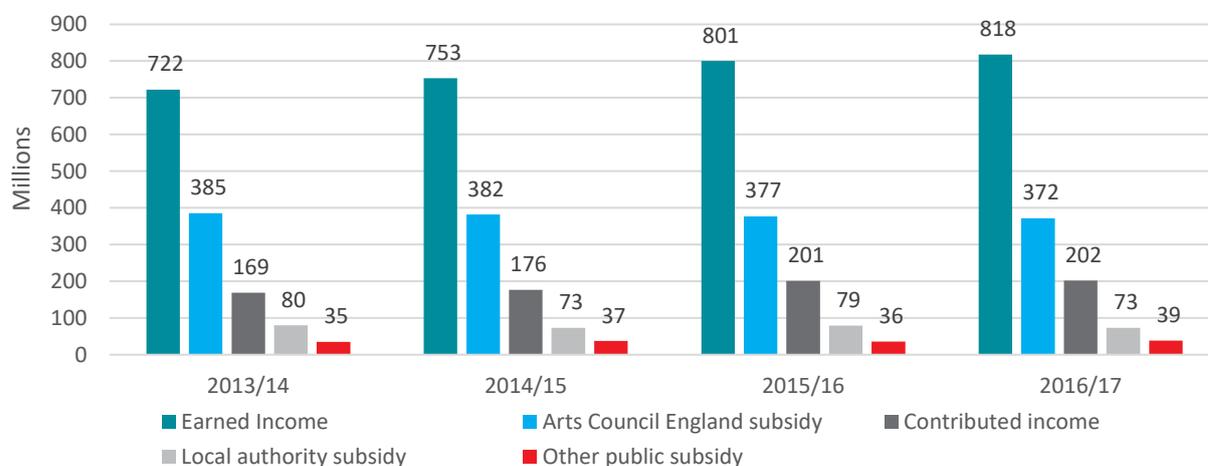
Funding of the arts and culture industry is derived from three main channels: earned income, such as from ticket sales and merchandise; public funding, for example from Arts Council England, local authorities and other public bodies; and contributed income, which includes sponsorship, trusts and donations.

Figure 16, overleaf, illustrates the value of each income stream for the financial years between 2013/14 and 2016/17. This data covers all regions and all arts and culture disciplines with the exception of museums. The total income of these organisations has steadily increased since 2013/14. In 2016/17, NPOs received £1.5bn – a 1 per cent increase on the 2015/2016 total income.

Most of the total NPO income comes from earned income and ACE subsidies. In 2016/17 this represented 54 and 25 per cent of total income, respectively.

Contributed income and earned income saw the greatest increases between 2013/14 and 2016/17, increasing by 20 and 13 per cent, respectively. Conversely, local authority subsidy (-9 per cent) and ACE subsidy (-3 per cent) decreased over the same period.

Figure 16: Arts Council England's National Portfolio Organisations (excluding museums) income by source, 2013-17, £m



Source: ACE, Cebr analysis

7.2 The direct and aggregate economic impacts of NPO activities

It is assumed that the employees who work at NPOs are as productive as the average arts and culture employee. Combining the productivity data for the wider industry from the ONS with the number of permanent staff members who work at NPOs, an estimate for the total GVA contributions of NPOs to the UK economy was formed. GVA-to-output ratios observed in the arts and culture industry were then used to compute the output contributions of NPOs to the UK economy.

Figure 17 below presents the results. In 2016, NPOs employed around 22,300 people. This represents a 37 per cent increase on the 2013 figure of 16,300.

In output terms, Cebr estimates that the NPO contribution to the UK economy stood at £2.4bn in 2016, an increase of 37 per cent across the period as a whole.

The contribution of NPOs to UK GDP in terms of gross value added (GVA) also underwent significant growth between 2013 and 2016. NPOs contributed £1.2bn to the arts and culture industry in 2016, up from the £860m recorded in 2013.

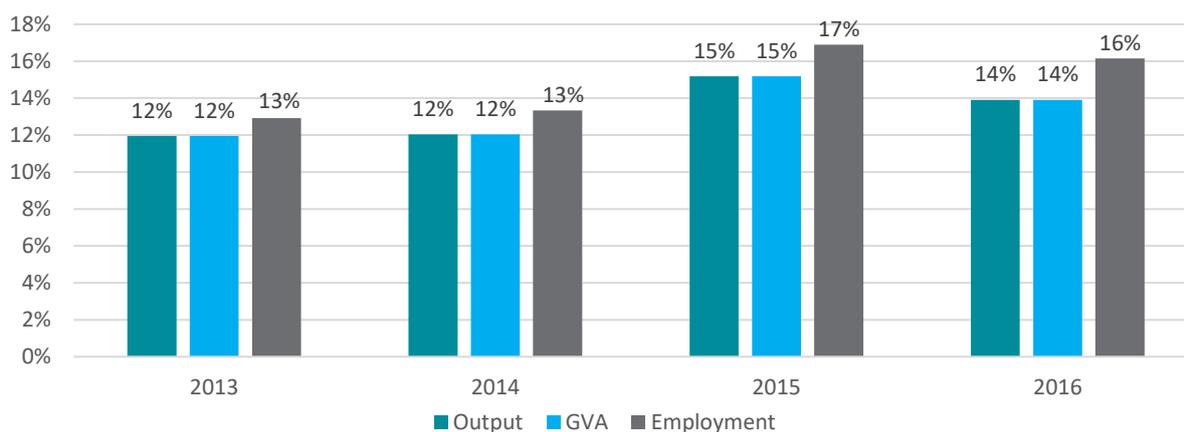
Figure 17: NPOs' arts and culture direct impact to the UK economy, 2013-2016

Direct impacts	2013	2014	2015	2016
Employment	16,300	18,000	22,500	22,300
Output (£m)	£1,724	£1,737	£2,388	£2,358
GVA (£m)	£860	£915	£1,259	£1,196

Source: ACE, Cebr analysis

Figure 18 presents the impact of NPOs as a share of the entire arts and culture industry. Despite making up a small percentage of the organisations in the wider industry, NPOs make a considerable contribution. In 2016, 16 per cent of the employment in the arts and culture industry could be attributed to NPOs. Further, 14 per cent of both the output and GVA within the arts and culture industry can be linked to the economic activities of NPOs in 2016.

Figure 18: NPO impact as a share of arts and culture total impact in the UK, 2013-2016



Source: ACE, Cebr analysis

Using the multipliers calculated in Section 4, the aggregate impact of the NPOs can be estimated. Figure 19 outlines the results.

Figure 19: NPO arts and culture aggregate impacts, 2016

Aggregate impacts (2016)	Type II multiplier	Aggregate impact
Employment	2.65	59,095
Output (£m)	2.24	£5,282
GVA (£m)	2.14	£2,559

Source: ACE, Cebr analysis

Based on input-output models, it is estimated that the arts and culture industry has an employment multiplier impact of 2.65. This means that for every job directly provided by the arts and culture industry, an additional 1.65 jobs are supported in the wider economy, through indirect and induced multiplier impacts. This employment multiplier produces an estimated aggregate employment impact for the NPOs of 59,095 jobs in 2016.

When considering output, Cebr's models suggest that the arts and culture industry's gross domestic output multiplier is 2.24. This means that for every £1 in output directly produced by NPOs, an additional £1.24 in output is supported in the wider economy, through indirect and induced multiplier impacts. Combining this multiplier effect with the output contribution of NPOs, an aggregate contribution of £5.3bn worth of output in 2016 is estimated.

Finally, it is estimated that for every £1 of GVA generated by the arts and culture industry, an additional £1.14 of GVA is generated in the wider economy through indirect and induced multiplier impacts. Based on the direct GVA contribution of NPOs in 2016 of £1.2bn, it is estimated that the aggregate GVA contribution to GDP from NPOs, including the additional indirect and induced multiplier impacts, amounted to £2.6bn.

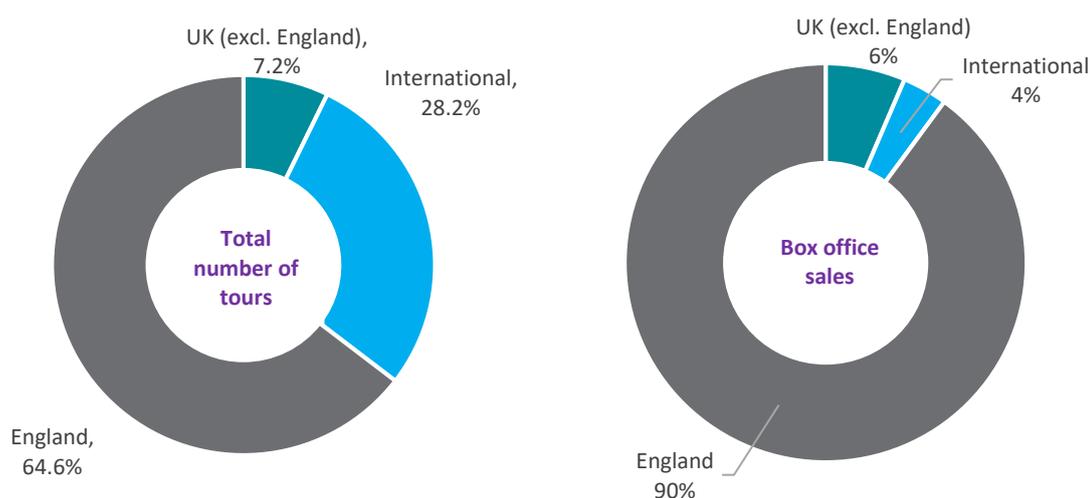
7.3 The international footprint of NPOs

Perhaps unsurprisingly given the prominence of the UK arts and culture industry globally, NPOs have a significant international footprint. This international programme includes touring and performing abroad. In its broadest sense, 'touring' in the context of arts and culture organisations refers to activities undertaken away from the base venue. By conducting such tours, NPOs raise income through the sale of tickets (referred to as Box Office Sales).

Figure 20 below shows the number of tour performances and total box office sales disaggregated by location. It is calculated that 28 per cent of all performances in 2016/17 by NPOs were outside of the UK.

In contrast to the distribution of tours, 90 per cent of all box office sales occurred from tours within England. Tours in the rest of the UK and international did add significant amounts to box office sales however, contributing 6 per cent and 4 per cent of total sales, respectively.

Figure 20: Total number of touring activities and value of box office sales, 2016/17



Source: ACE NPO survey 2016/17, Cebr analysis

More generally, it is estimated that 6.4 per cent of all NPOs earned income comes from international sources.

8 The spillover impacts of arts and culture organisations

Arts and culture organisations provide benefits which far exceed those just at the point of use. In this section, findings on the ‘spillover’ impacts of arts and culture organisations are discussed. These spillovers include, for example, developing the skills of volunteers, encouraging innovation and contributing to the regeneration of areas. To do so survey data from NPOs and other arts and culture organisations is used. Details of this survey can be found in Appendix II, III and IV.

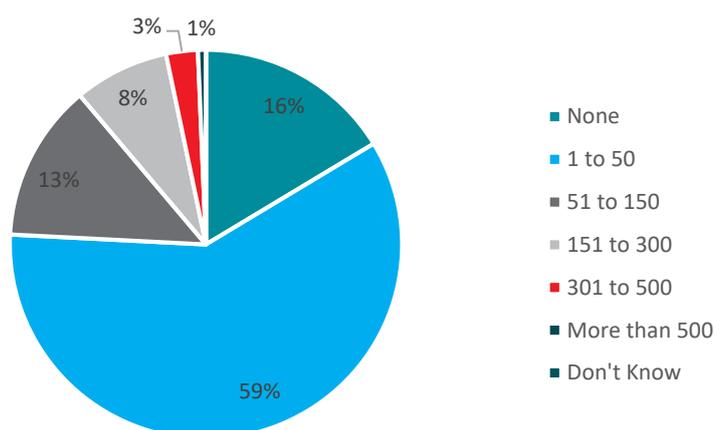
8.1 Volunteers in arts and culture organisations

Evidence from the Cebr survey indicates that volunteers play a key role in the industry. Against a backdrop of public funding cuts, organisations in the arts and culture industry are increasingly becoming reliant on volunteers to sustain their operations. Of the organisations surveyed, 66 per cent tasked volunteers with event help or the running of activities. 43 per cent with administration duties and 36 per cent had volunteers involved in research activities.

This demonstrates the importance of volunteers to organisations in maintaining the quality of their events and exhibitions, the smooth running of the organisation themselves and the development of ideas, all at lower or no cost to the organisations.

The breakdown of the number of volunteers employed by the organisations surveyed is shown in Figure 21. All but 16 per cent of those surveyed had at least one volunteer while more than a quarter had employed more than 50 different volunteers within the past year.

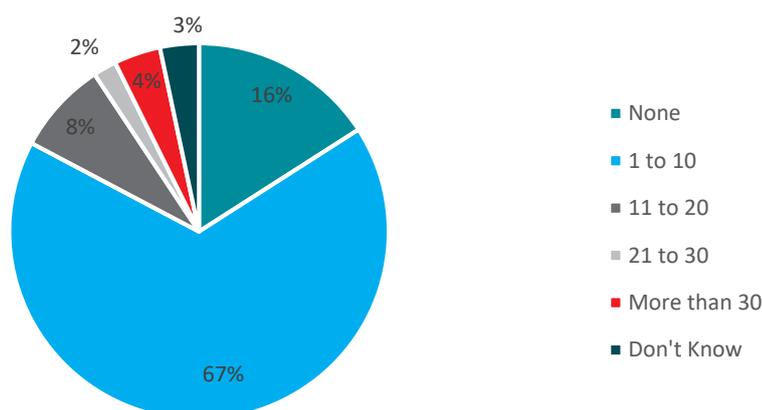
Figure 21: Number of volunteers employed within the past year



Source: Cebr surveys and analysis 2018

Figure 22 illustrates that, in around two-thirds of organisations, the average volunteer spends between 1 to 10 hours volunteering per week. For 8 per cent of organisations the average volunteer spends between 11 to 20 hours working per week, while the average is greater than 30 hours in 6 per cent of organisations.

Figure 22: Average number of hours of a volunteer per week



Source: Cebr surveys and analysis 2018

The above figures are consistent with data from ONS showing that, between 2000 and 2015, the proportion of the population who volunteer has increased but the amount of time which they spend volunteering has decreased.⁵

Volunteering in arts and culture brings about significant benefits to the individuals who volunteer. Volunteers are given opportunities to develop new skills and gain experience. These range from personal skills such as communication, teamwork and leadership, to organisational skills such as improved confidence, strategic development and planning.⁶

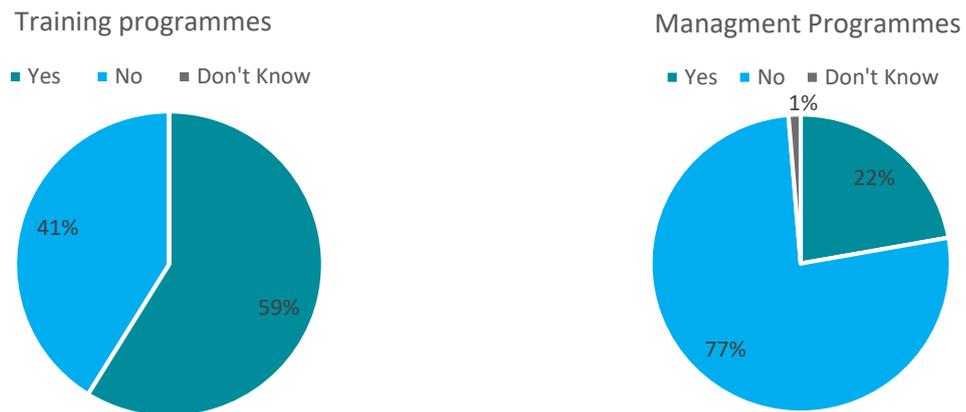
For example, many of the organisations surveyed provide training and management programs that volunteers are able to benefit from. There is strong evidence to suggest that skills learned from engaging in such programmes are transferable and can help with pursuing a career both within the arts and culture industry and elsewhere.

⁵Office for National Statistics, (2017), Challenges in the value and division of unpaid volunteering in the UK: 2000 to 2015.

⁶Stocktil, T, (2007), *How art forms can address business issues*, Artful Development.

Figure 23 illustrates that 59 per cent of the organisations surveyed offered volunteer training, while 22 per cent of the organisations had volunteer management programmes.

Figure 23: Volunteer Training and Volunteer Management Programme



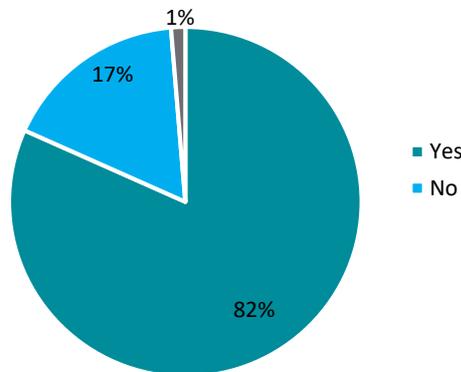
Source: Cebr surveys and analysis 2018

8.2 The role of arts and culture in nurturing innovation and fostering growth in the commercial creative industries

This section considers the strong commitment of arts and culture organisations in supporting local artists and creative commercial businesses.

Figure 24, overleaf, illustrates that 82 per cent of surveyed organisations reported that they provide some kind of support to local artists or creative commercial businesses. This support helps recipients develop skills that may make them more employable and more productive with higher earnings potential.

Figure 24: Provide support to local artists or creative businesses

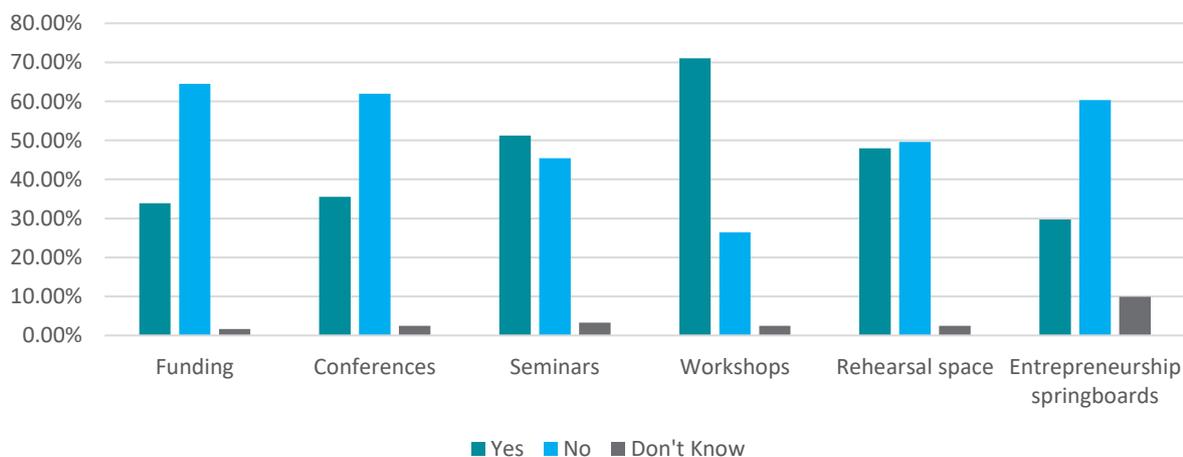


Source: Cebr surveys and analysis 2018

When asked why this support is provided, developing creative skills and improving access into the creative industries was cited as a key ambition for many arts and culture organisations. In particular, some organisations are concerned about the future prospects of the industry in England and actively seek to encourage young people to engage in arts and culture. For example, Nottingham Playhouse stated: ‘We have always nurtured new talent and now that entry points to the industry are getting scarcer, it is the only way to future proof the industry.’

The type of support received by local artists and creative businesses from arts and culture organisations is wide ranging. Figure 25 illustrates that 71 per cent of the organisations provide workshops, the most popular method of support. Offering seminars and rehearsal space is also common, with 51 per cent and 48 per cent of organisations offering these, respectively. Around a third of organisations offer funding to local artists or creative industries, while fewer organisations offer entrepreneurial springboards.

Figure 25: Percentage of organisations which offer support in each activity

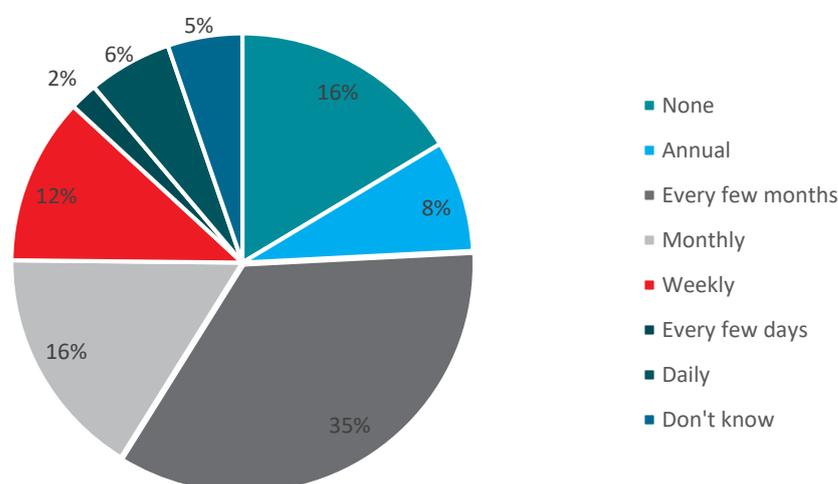


Source: Cebr surveys and analysis 2018

Figure 26 illustrates that most organisations tend to offer this support sporadically, with 75 per cent offering support once a month or less. Conversely, 6 per cent of surveyed organisations offer daily support to local artists or creative businesses, while a further 14 percent offer support on at least a weekly basis.

This could be a result of the nature of the support provided by arts and culture organisations. For example, workshops and seminars provided by may be more specialised and therefore occur less regularly. Similarly, an arts and culture organisation may be more likely to provide funding for a specific event, rather than a regular stream of funding.

Figure 26: Frequency of support to local artists or creative businesses



Source: Cebr surveys and analysis 2018

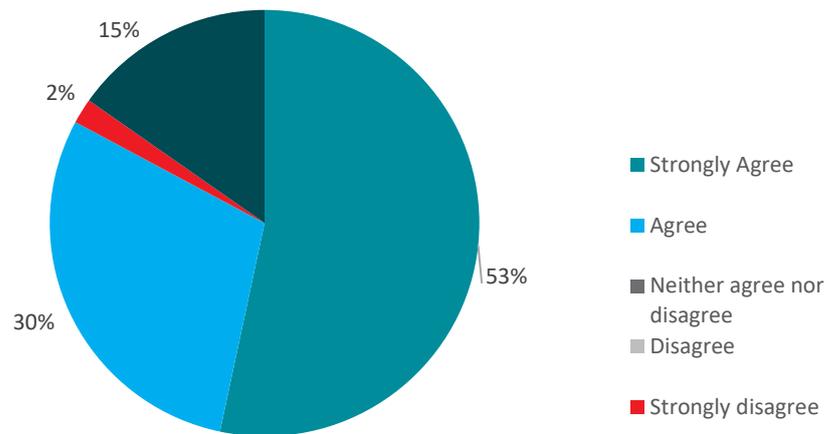
As presented in Figure 27, overleaf, feedback from the support given by arts and culture organisations in general was positive, with only 2 of 153 organisations surveyed reporting negative feedback from businesses. 53 per cent of these organisations strongly agreed that the feedback was positive, highlighting that local artists and creative businesses have gained significantly from the support provided.

For example, Proteus, a theatre company in Basingstoke, reported that their support provides opportunities for professional development by offering space and networking opportunities.

Similarly, Quench Arts C.I.C, working in the West Midlands, indicated that their workshops and courses, among other methods of support, 'help to develop local workforce and thus upskill potential staff whilst improving the quality of provision in the local area.'

The Birmingham Museums Trust reported that they recently developed a commercial gallery providing a marketing space for local artists. Positive feedback on their previous forms of support has led to the creation of the 'Jeweller in Residence' competition, where the winning jeweller wins a retail contract for their design and a £1,000 cash prize funded through a private donor. Through this competition, local artists are given an opportunity to develop their jewellery making skills and help to provide a path into the industry.

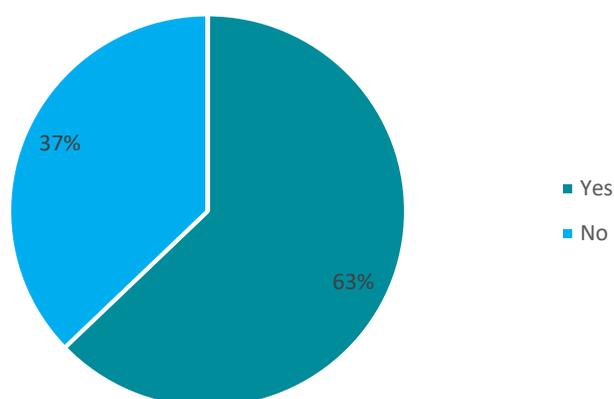
Figure 27: The extent to which the organisations agree that 'Feedback from the businesses that use these services is positive'.



Source: Cebr surveys and analysis 2018

Creative ideas and skills from arts and culture organisations often spillover into commercial industry by providing talented and productive workers to these industries. As illustrated in Figure 28, 63 per cent of the surveyed organisations reported that their organisation plays an important role in maintaining the flow of talent to commercial creative industries.

Figure 28: Organisation plays an important role in maintaining the flow of talent to commercial creative industries



Source: Cebr surveys and analysis 2018

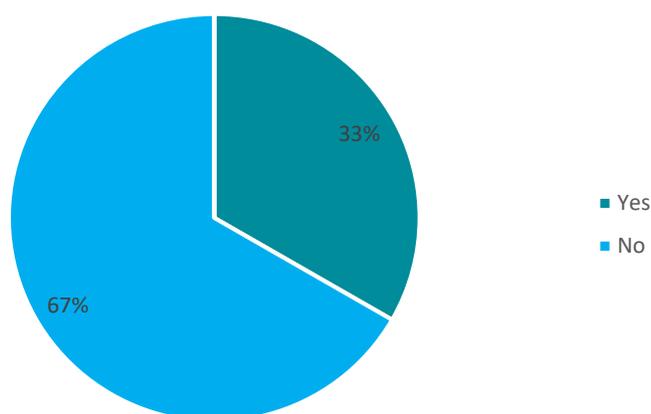
There is evidence of arts and culture organisations acting as a training ground for professional staff provided in many of the survey responses. A number of organisations gave specific examples of how previous employees or students have progressed to become professional actors, writers, musicians or gain employment in other creative jobs within creative commercial industries.

For example, 1623 Theatre Company, based in the Derby, stated that ‘Artists who train on our training courses are able to use these skills in their careers, which include commercial activities’.

Similarly, One Thoresby Street, which offers space for practise and mentoring at their studio in Nottingham, reported that the skills development and training offered by them have allowed many of the participants to progress into a diverse range of careers, such as digital media, design, business start-ups, film making, animation, sound design and creative technologies.

Survey response also indicated that creative ideas from arts and culture organisations spillover into the technology sector through digital partnerships. Figure 29 illustrates that 33 per cent of the organisations surveyed were in partnerships with one or more digital businesses.

Figure 29: Partnership with digital business



Source: Cebr surveys and analysis 2018

A good example of this was given by the Serpentine Galleries, London, who work in partnership with companies developing advanced technologies, such as virtual and augmented reality, artificial intelligence and blockchain. They indicated that their presence in these partnerships helps to ensure that creative ideas put forward by artists are taken into consideration when these businesses make decisions.

Partnerships of this nature lead to more creative and innovative product development for the digital businesses. In return, digital industries can provide benefits to arts and culture organisations by sharing their knowledge, for example, by helping with creating more entertaining and interactive exhibitions that improve the services offered.

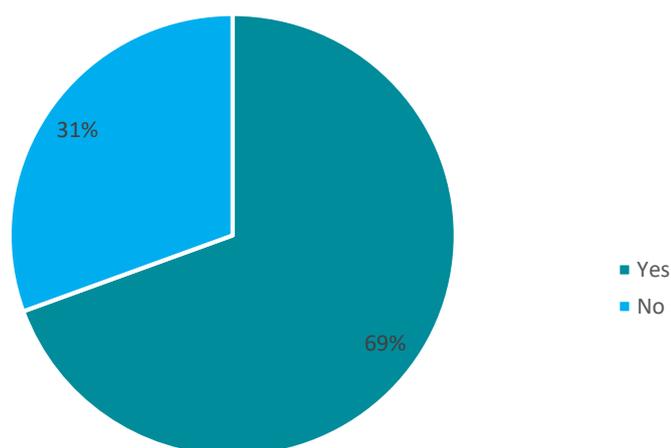
8.3 The role of arts and culture in regenerating areas

There has been increasing evidence in recent years that arts and culture can act as a catalyst for local regeneration. In 2004, the Department for Digital, Culture, Media and Sport (DCMS) published its first major policy objective for regeneration in a Green Paper entitled 'Culture at the heart of regeneration'. The idea was that creative workers are more willing to live and work in regenerated urban quarters with good cultural offerings. Creative industries, in turn, are attracted to these areas in order to capitalise on the skills and productive capacity of these workers.

Evidence from the survey suggests that when creative businesses agglomerate and have links to other local cultural organisations, a creative cluster is likely to form. Businesses in creative industries benefit from a vibrant arts and culture scene which helps to improve the attractiveness of urban areas to skilled creative workers.⁷

Figure 30 illustrates that 69 per cent of the surveyed organisations feel part of a creative cluster.

Figure 30: Consider themselves part of a creative cluster



Source: Cebr surveys and analysis 2018

Some boroughs in East London provide good examples of areas which have undergone transformations through creative clusters. Powered by the rapid expansion of the UK's digital sector and cultural offering, Islington has in recent years attracted a wide variety of artists and start-up businesses. This has also spilled over to neighbouring Hackney. Once perceived as an underperforming borough, Hackney has fast becoming a burgeoning technical and creative hub.

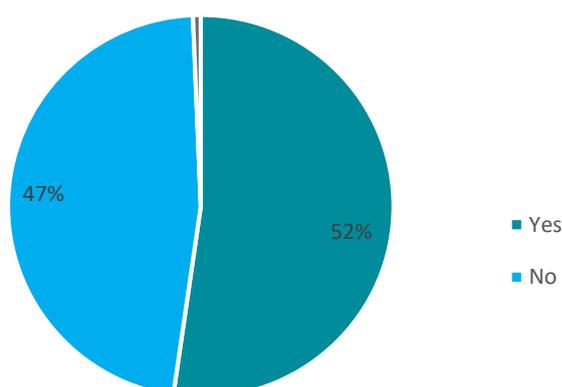
⁷ CISAC, (2015), *the first global map of cultural and creative industries*, EY Cultural Times.

The creative and cultural hub has also sparked a spur in local regeneration. The National Centre for Circus Arts observed signs of this happening in Hoxton and stated: ‘we arrived here nearly 30 years ago to a derelict building surrounded by un-redeveloped bomb sites’ and they are now ‘surrounded by bars, restaurants, clubs, cafes and shops as well as galleries and huge numbers of creative companies in a vibrant area of the city’. During this period their building has developed into a world-class training and creation space.

A similar account was given by the SS Great Britain Trust in Bristol, which reported that the area around their site was redeveloped and re-energised as a consequence of the restoration of their museum-ship in the Great Western Dockyard in 2005.

Figure 31 illustrates that just over half of the organisations surveyed indicated that they are directly involved in local regeneration networks.

Figure 31: Involved in local regeneration networks

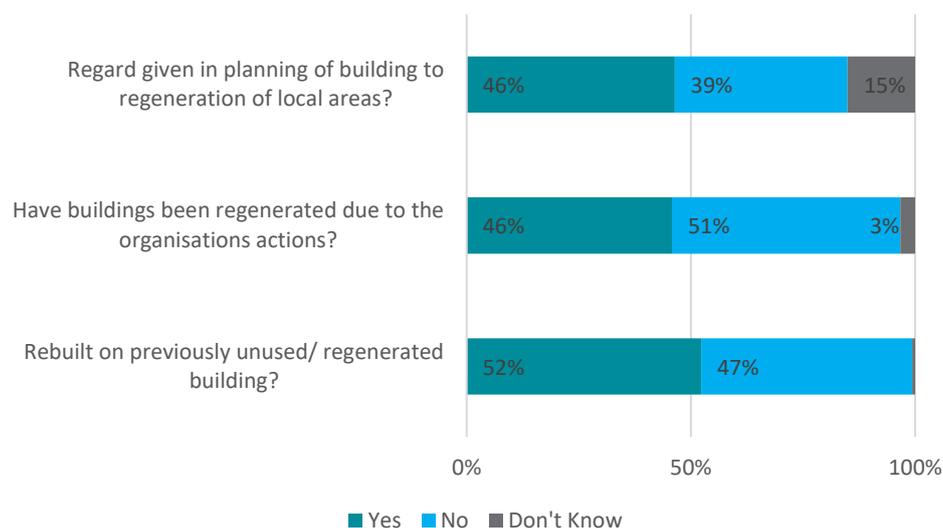


Source: Cebr surveys and analysis 2018

Most of these organisations reported that a wide variety of cafés, restaurants, housing, hotels, Airbnbs, shops and other art installations have sprung up since their organisation started operating in the area. These smaller businesses in turn benefit from the pull of tourists and residents brought in by the vibrant arts and culture scene in the area.

Furthermore, 46 per cent of the respondents reported that regeneration considerations were an integral part of their planning stages for the construction of new buildings or arts and culture sites. Similarly, 46 per cent had buildings regenerated as a result of their direct action and 52 per cent of the organisations had rebuilt on previously unused or regenerated building. This is presented in Figure 32, overleaf.

Figure 32: Direct impacts on regeneration



Source: Cebr surveys and analysis 2018

For example, an area of Folkestone in Kent was renamed ‘the Creative Quarter’ in 2002 when the Creative Foundation, a charity that targets regeneration through creative activity, launched in the area. The Creative Foundation said: ‘Before the Foundation developed the Creative Quarter, it was an area, with many empty shops, blighted by drugs and alcohol. Since we started our operation in the area, the shops, studios, apartments, live and work spaces, cafes and restaurants are full to capacity.’

The presence of arts and culture organisations and the visitors and residents attracted to them have also been evidenced to improve local transportation infrastructure. Since its creation, for example, The Midi Music Company, based in Southeast London, has seen the increased transport links in its local area with the addition of the DLR and refurbishment of Deptford train station. Similarly, Tandem Oxford CIC reported that there is increased train and bus connections during their annual festival. Other organisations have reported improved road networks and bike lanes, as well as access to railway infrastructure. Improved transportation services in the local area also has the added value of attracting more tourists, residents and businesses to settle in the area; encouraging further regeneration.

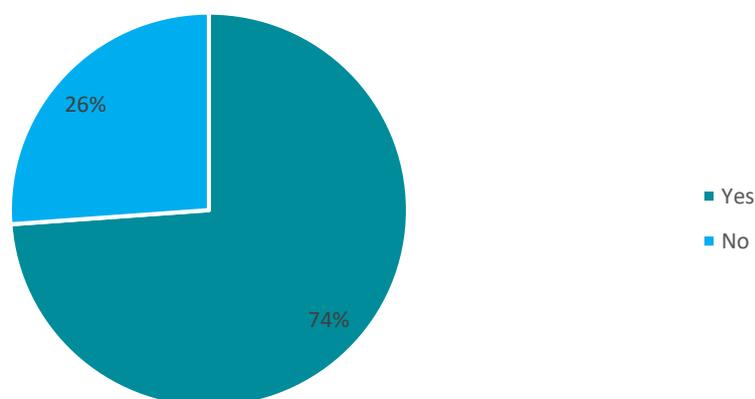
9 The impact of public funding cuts on art and culture organisations

This section explores public funding cuts in the context of arts and culture organisations. It investigates how organisations have been affected and whether they have been able to compensate for any funding reductions. To do so, once again data from a survey of NPOs and arts and cultural organisations is used. The survey is detailed in Appendix II, III and IV.

Public funding is an extremely important source of finance for arts and culture organisations, particularly in encouraging innovation. Developing new content, methods or ideas inevitably entails financial costs, but with completely new ideas it is difficult to determine beforehand whether they will be successful and whether the project value will be recouped. This creates a failure in the market: projects may struggle to obtain financial support from commercial lenders if they cannot demonstrate a reasonable likelihood of success. Public funding in arts and culture organisations can be seen as an intervention to address this failure and encourage innovation.

Figure 33 illustrates that 74 per cent of surveyed organisations reported that they have been affected by public funding cuts. In general, more recently-formed organisations were less likely to be affected.

Figure 33: Affected by funding cuts



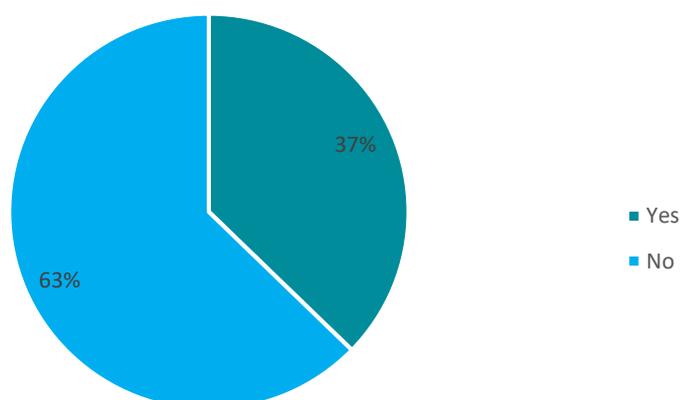
Source: Cebr surveys and analysis 2018

Feedback frequently suggested that uncertainty over future budgets and delayed notices of funding cuts presented some challenges. When asked how they were affected by funding cuts, a common response was linked to the affordability of staff. Many organisations have had frozen wages for their staff and some have also seen staff reductions.

The Royal Philharmonic Orchestra, London, reported that the impact of local government cuts to culture budgets is having an adverse effect on regional venues' staffing capacity, resulting in some venues 'suffering a lack of expertise and knowledge of orchestral music'. Moreover, this over-stretch of resources has impacted negatively upon earned income from ticket sales, which now forms the majority of the income that the RPO relies upon to support its regional programmes.

This also has an impact on organisational decision-making. Figure 34 highlights that 37 per cent of the organisations have become more risk averse as a result of funding cuts.

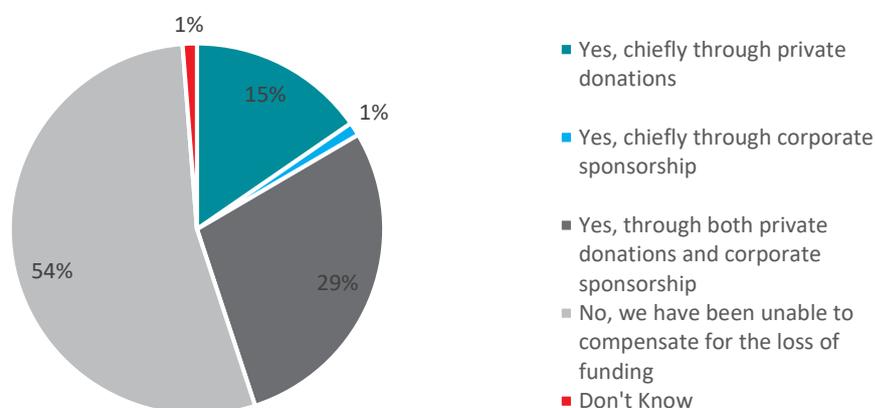
Figure 34: More risk averse due to funding cuts



Source: Cebr surveys and analysis 2018

Furthermore, Figure 35 illustrates that 54 per cent of the organisations facing funding cuts indicated that they were unable to compensate for the loss of funding. Among organisations which were able to compensate for the funding cuts there proved to be far more reliance on private donations; 15 per cent relied primarily on private donations and a further 29 per cent on a combination of private donations and corporate sponsorships.

Figure 35: Ability to compensate for the public funding cuts



Source: Cebr surveys and analysis 2018

Appendix I: SIC-based definition of the arts and culture industry

Sector	Division	4-digit SIC	5-digit SIC
J Information and communication	58 Publishing activities	58.11 Book publishing	58110 Architectural drawing publishing 58110 Atlas publishing 58110 Audio book publishing 58110 Book publishing 58110 Brochure publishing 58110 Chart publishing 58110 Dictionary publishing 58110 Electronic publishing of books 58110 Encyclopaedia publishing 58110 Engineering drawing publishing 58110 Geographical publishing 58110 Leaflet publishing 58110 Map and plan publishing 58110 On-line book publishing 58110 Pamphlet publishing 58110 Publishing on CD- ROM 58110 Religious Tract publishing 58110 The Stationery Office
	59 Motion picture, video and television, sound recording and music publishing activities	59.2 Sound recording and music publishing	59200 Compact disc sound recording publishing 59200 Copyright acquisition and registration for musical compositions 59200 Gramophone record publishing 59200 Matrice for record production 59200 Music (printed) publishing 59200 Music downloads (on-line publishing with provision of downloaded content) 59200 Music tape publishing 59200 Printing of sound tracks 59200 Publishing of music and sheet books 59200 Recording studio (radio) 59200 Sound recording publishing 59200 Sound recording studios 59200 Taped radio programming production
R Arts, entertainment and recreation	90 Creative, arts and entertainment activities	90.01 Performing arts	90010 Actors 90010 Aerobatic display 90010 Animal training for circuses, etc. 90010 Ballet company 90010 Band (musical) 90010 Circus 90010 Concerts production 90010 Conjuror 90010 Dance band 90010 Dance productions 90010 Impresario 90010 Lecturers 90010 Musicians 90010 Opera production 90010 Orchestras 90010 Organist (own account) 90010 Pop group 90010 Public speaker 90010 Repertory company 90010 Revue company

Sector	Division	4-digit SIC	5-digit SIC
			90010 Singer (own account) 90010 Speakers (after dinner etc) 90010 Stage productions 90010 Street musician or singer 90010 Theatrical presentations (live production) 90010 Theatrical touring company 90010 Travelling show 90010 Variety artiste (own account) 90010 Ventriloquist
R Arts, entertainment and recreation	90 Creative, arts and entertainment activities	90.02 Support activities to performing arts	90020 Direction, production and support activities to circus performances 90020 Directors (theatre) 90020 Performing arts support activities 90020 Scene shifters and lighting engineers 90020 Stage set designers and builders 90020 Support activities to performing arts e.g. stage set-up, costume and lighting design etc.
		90.03 Artistic creation	90030 Art expert 90030 Artist 90030 Author 90030 Cartoonists 90030 Copper plate engraver (artistic) 90030 Designing (artistic) 90030 Engravers 90030 Etchers 90030 Fine art expert 90030 Freelance journalist 90030 Heraldic painting 90030 Illuminating (illustrating) 90030 Journalists 90030 Librettist 90030 Lithographic artist (own account) 90030 Lyric author 90030 Music composer 90030 Music copyist and transcriber (own account) 90030 Painters (artistic) 90030 Picture restoring 90030 Playwright 90030 Poet 90030 Repair and restoration of works of art 90030 Scenario writer 90030 Scenic artist 90030 Sculptors 90030 Song writer 90030 Technical and training manual authors 90030 Wood engraver (artistic)
		90.04 Operation of arts facilities	90040 Arts facilities operation 90040 Concert halls operation 90040 Local authority concert halls and theatres 90040 Music hall 90040 Opera house 90040 Theatre halls operation

Appendix II: Details of primary research

Primary data collection was relied upon to better understand the spillover effects of arts and culture and the effect of public spending cuts on the arts and culture industry.

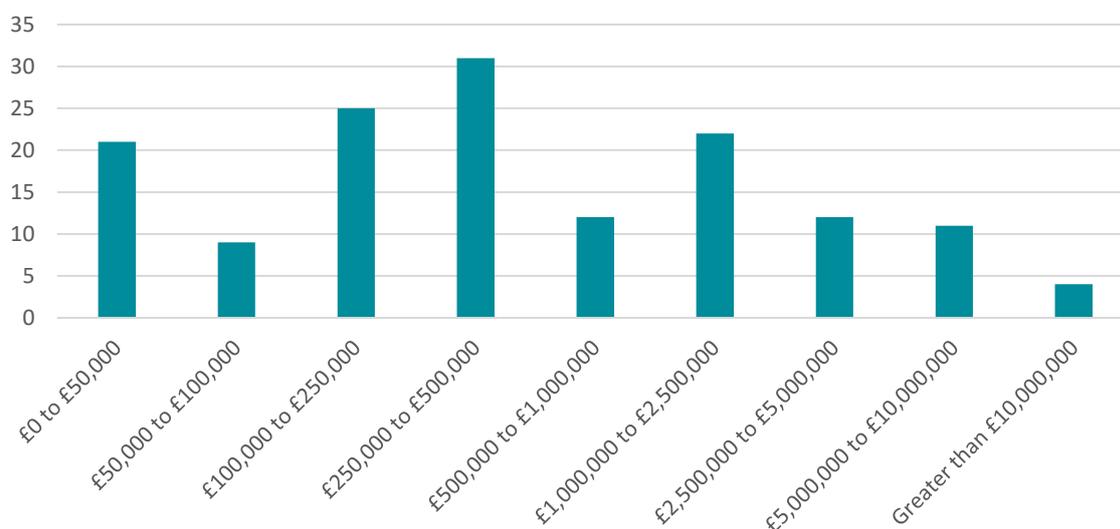
The analysis conducted by Cebr was based on results from a combination of two in-depth surveys. Our initial survey conducted in November 2017 was specific to arts and culture organisations located in the North of England and attracted responses from 54 arts and culture organisations. This survey was used as evidence for our previous work for ACE “The economic value of arts and culture in the North of England”, which was released in January 2018.

In an attempt to broaden the survey, in August 2018, arts and culture organisations from other parts of England were invited to take part in the survey, which for comparability reasons remained broadly unchanged compared to the previous survey. This survey received 99 respondents, making the total number of arts and culture organisations surveyed equal 153.

The principal activity of the organisations surveyed ranged across multiple different art forms. 30 per cent of the organisations surveyed listed their principal activity as combined art, 25 per cent as theatre, 16 per cent as visual arts, 12 per cent as music, 10 per cent as museums, 6 per cent as dance and 1 per cent as literature.

The organisations surveyed also varied in size as evidenced by the turnover data given in Figure 36. Despite the average turnover of around £1.7m per year, there was a varied distribution, with 21 organisations having turnover of less than £50,000 and four organisations having turnover of over £10m.

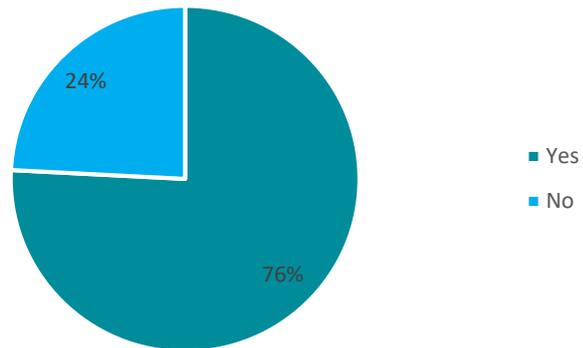
Figure 36: Number of organisations surveyed in each annual turnover bracket



Source: Cebr surveys and analysis 2018

The majority of the arts and culture organisations surveyed were funded by ACE, as shown in Figure 37. 76 per cent of organisations surveyed were in receipt of ACE funding.

Figure 37: Funding by Arts Council England



Source: Cebr surveys and analysis 2018

Appendix III: Contributors to primary research

- 1 The Boileroom
- 2 Jacksons Lane
- 3 The Mighty Creatives
- 4 City Music Foundation
- 5 CAPCA
- 6 Arts Network Sutton
- 7 NORCA and Sistema in Norwich
- 8 Colchester Arts Centre
- 9 Oxford Contemporary Music
- 10 Artskickers
- 11 Friction Arts
- 12 Carousel
- 13 Hampstead Theatre
- 14 Birmingham Museums Trust
- 15 Tavaziva
- 16 The Pound Arts Trust Ltd
- 17 Multistory
- 18 Serpentine Galleries
- 19 Koestler Trust
- 20 The Tank Museum
- 21 Chineke Foundation
- 22 Mimbres
- 23 SS Great Britain Trust
- 24 UK Young Artists
- 25 Nottingham Playhouse
- 26 Attenborough Arts Centre, University of Leicester
- 27 Geese Theatre Company
- 28 BRIA
- 29 Rural Media
- 30 The Showroom
- 31 National Youth Jazz Orchestra

- 32 Artquest
- 33 British Motor Museum
- 34 Shubbak: A Window on Contemporary Arab Culture
- 35 Almeida Theatre
- 36 Modern Art Oxford
- 37 Poetry Archive
- 38 South London Inclusive Dance Experience
- 39 Museum of East Anglian Life
- 40 The National Holocaust Centre and Museum
- 41 Street factory community interest company
- 42 Face Front Inclusive Theatre
- 43 Lincolnshire Time and Tide Bell
- 44 St Barbe Museum and Art Gallery
- 45 The Flying Gorillas
- 46 Artsreach
- 47 Great Yarmouth Community Trust
- 48 Hertfordshire Festival of Music
- 49 The Creative Foundation
- 50 Friends of Scarr Bandstand
- 51 Independent Cinema Milton Keynes
- 52 The World Village Project Ltd
- 53 Mufti Games
- 54 One Thoresby Street
- 55 Gasworks
- 56 Hounslow Arts Trust Ltd
- 57 Newhampton Arts Centre
- 58 Royal Philharmonic Orchestra
- 59 The nest collective
- 60 ReadingZone Ltd
- 61 27 degrees
- 62 Pavilion Dance South West
- 63 Donna Munday Arts Management
- 64 The Otolith Collective

- 65 NoFit State Community Circus
- 66 Tandem Oxford CIC
- 67 Theatre Royal Plymouth
- 68 The Spring Arts & Heritage Centre
- 69 Tamasha Theatre Company
- 70 Hall For Cornwall Trust
- 71 The Midi Music Company
- 72 Colchester Mercury Theatre
- 73 The Roundhouse Trust
- 74 Ikon Gallery
- 75 Whitstable Biennale
- 76 Barbican
- 77 Experimental Experience C.I.C.
- 78 1623 Theatre company
- 79 Diocese of Canterbury
- 80 Creation Myth Puppets
- 81 BopFest
- 82 Time to Shine Club CIC
- 83 Wellspring Music CIC
- 84 Endelienta
- 85 Dance Research Studio (DRS)
- 86 Stopgap Dance Company
- 87 Crafts Council
- 88 Adrenaline and Endorphin Productions Ltd
- 89 Somerset Art Works
- 90 The Photographers Gallery
- 91 Milton Keynes Arts Centre
- 92 ivo theatre
- 93 Gandini Juggling
- 94 proteus
- 95 St John's Smith Square
- 96 Kensington and Chelsea Social Council
- 97 Quench Arts C.I.C.

- 98 Three Score Dance
- 99 National Centre for Circus Arts
- 100 Freedom Studios
- 101 People's History Museum
- 102 Northern Ballet
- 103 Unfolding Theatre
- 104 Barnsley Museums
- 105 Z-arts
- 106 The Harris Museum, Art Gallery and Library
- 107 Mikron Theatre Co
- 108 The Customs House
- 109 Mind the Gap
- 110 Jazz North
- 111 Brass Bands England
- 112 Chrysalis Arts Development Ltd
- 113 Artlink West Yorkshire
- 114 Amber Film & Photography Collective
- 115 Yorkshire Sculpture Park
- 116 Hull Museums & Galleries
- 117 Leeds Museums and Galleries
- 118 Hull Truck Theatre
- 119 North Lincolnshire Music Education Hub
- 120 Impressions Gallery
- 121 TiPP
- 122 Northern Print
- 123 The Dukes
- 124 We are IVE
- 125 Manchester Craft & Design Centre
- 126 Forced Entertainment
- 127 Theatre in the Mill
- 128 Action Transport Theatre
- 129 Octagon Theatre Bolton
- 130 Theatre Company Blah

- 131 Baltic Centre for Contemporary Art
- 132 Artlink Hull
- 133 Interplay Theatre Trust
- 134 Pocklington Arts Centre
- 135 Freedom Festival Arts Trust
- 136 North Music Trust
- 137 Centre for Chinese Contemporary Art
- 138 Contact Theatre
- 139 Horse + Bamboo Theatre
- 140 Wakefield Metropolitan District Council
- 141 York Museums Trust
- 142 Royal Exchange Theatre
- 143 Square Chapel Trust
- 144 Middle Child Theatre Limited
- 145 Open Eye Gallery
- 146 Cumbria Theatre Trust
- 147 Project Space Leeds - trading as The Tetley
- 148 Kala Sangam
- 149 West Yorkshire Playhouse
- 150 Bluecoat
- 151 Alchemy Anew
- 152 The Maltings Berwick Trust Limited (Maltings Arts Centre)
- 153 20 Stories High

Appendix IV: Survey Questions

Identifier questions

Details will be used for the purposes of this study only.

1. Please provide the name of your organisation.
2. Please indicate whether your organisation is a regularly-funded organisation of Arts Council England:

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No

3. If so, please describe the funding your organisation receives from ACE and its importance to your organisation

4. Please provide the **postcode** of your venue(s).

5. Please indicate whether your **principal activity** can be categorised as one of the 6 art forms listed below or as museums or libraries.

Principal activity	Please tick relevant box
Theatre	<input type="checkbox"/>
Dance	<input type="checkbox"/>
Literature	<input type="checkbox"/>
Visual arts	<input type="checkbox"/>
Music	<input type="checkbox"/>
Combined arts	<input type="checkbox"/>
Museums	<input type="checkbox"/>
Libraries	<input type="checkbox"/>

6. What functions in the list below does your organisation fulfil? Please select all that apply.

Function	Please tick relevant boxes
Performance venue	
Gallery/museum	
Cultural centre	
Heritage site	
Artist live-work space	
Education providers	
Community hub/venue	
Production of art	
Other (please provide details)	

Section 2: Questions about economic activities

7. Have public funding cuts affected your organisation?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No (please go straight to Question 10)

8. Which parts of your programme have been affected? **Please select all that apply.**

<input type="checkbox"/>	Educational Programs
<input type="checkbox"/>	Online offering
<input type="checkbox"/>	Outreach
<input type="checkbox"/>	Other (please specify):

9. Please provide the **number of volunteers** (if any) working for your organisation in the latest available financial year.

<i>Number of volunteers</i>	2016/17 (or latest available)
None	
1 to 5	
6 to 10	
11 to 25	
25 to 50	
More than 50	
Don't Know	

10. If possible, please also select the approximate **number of hours** worked 'on average' per volunteer per week.

<i>Average hours per week worked by volunteers</i>	2016/17 (or latest available)
None	
1 to 10	
11 to 20	
21 to 30	
30 +	
Don't Know	

11. Do you provide any of the below services?

	Yes	No	Don't Know
Volunteer Management Programmes			
Volunteer training			

12. What sort of tasks do volunteers undertake? Please select all that apply.

<input type="checkbox"/>	One-off event help
<input type="checkbox"/>	Help with administrative duties (office work)
<input type="checkbox"/>	Other (please specify):

13. Please indicate a **breakdown of your turnover by core activity and by each ancillary activity, as applies to your organisation**. If these facilities are provided through concessions, please use the rental revenues for the space as the turnover for secondary activities. If you do not know the exact monetary values, please provide an approximate percentage split.

<i>Ancillary Activity</i>	<i>Latest available year</i>
Core Activity output(arts and culture)	
Gift Shop	
Café	
Restaurant	
Other non-Core activities	

Has your organisation become more risk averse as a result of public funding cuts, such that revenue from ticket sales must take priority over the pursuit of innovative content that is less likely to yield revenues in the short term?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No

If you have any further comments on the effect of public funding cuts on your organisation, please detail below. For example, exploratory artistic/cultural programmes that have had to be postponed or abandoned.

14. If your organisation has experienced a loss in funding, have you been able to compensate for some of this funding loss by seeking private donations or corporate sponsorship?

<i>Alternative funding sources</i>	
Yes, through both <i>private donations</i> and <i>corporate sponsorship</i>	<input type="checkbox"/>
Yes, chiefly through <i>corporate sponsorship</i>	<input type="checkbox"/>
Yes, chiefly through <i>private donations</i>	<input type="checkbox"/>
No, we have been unable to compensate for the loss of funding	<input type="checkbox"/>
Not applicable	<input type="checkbox"/>
Don't Know	<input type="checkbox"/>

Section 3: Questions about your organisation's activities

We would welcome any and as much information as you can provide in answer to the following questions.

15. Do you provide any support to **local artists**, or other **creative commercial businesses** in the local area?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No (please go straight to question 17 on the next page)

If so, do you provide...

	Yes	No	Don't Know
... funding?			
... networking space, such as... (select all that apply)			
Conferences			
Seminars			
Workshops			
Rehearsal space			
Entrepreneurship springboards			

How frequent are these provisions?

None	One per year	Every few months	Monthly	Weekly	Every few days	Daily

What prompted you to start offering these schemes?

Please indicate the extent to which you agree or disagree with the following statement "The feedback from the businesses that use these services is positive":

<i>Strongly disagree</i>	<i>Disagree</i>	<i>Neither agree nor disagree</i>	<i>Agree</i>	<i>Strongly Agree</i>

16. Is your arts and culture organisation currently in partnership with any creative digital businesses?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No (please go straight to question 18)

If yes, please provide some details of the partnership with creative digital business. We are interested in how arts and culture organisations are supporting the growth of these industries.

17. Would you say that your arts and culture organisation is important in maintaining a flow of talent to the commercial creative industries?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No (please go straight to question 19 on the next page)

If yes, please provide any comments. Do you have any evidence of the employees of your organisation leaving to work in commercial creative industries?

--

18. Do you consider your arts and culture organisation to be part of a creative cluster?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No (please go straight to question 20)

If yes, please provide any comments. How do you think your organisation benefits from this creative cluster?

--

19. Is your organisation involved in any local regeneration networks?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	Has been in the past, but is no longer
<input type="checkbox"/>	No (please go straight to question 21)

Please provide any comments. What is/was the nature of the involvement?

20. Please take a moment to describe any changes you observed in the amenities in the area surrounding your organisation since its opening date. If possible, please specify. For instance, have you noticed an increase in the quality of transport links, or in the number of restaurants?

21. Please provide details of the **buildings** and **physical spaces** in which your organisation operates.

	Yes	No	Don't Know
Do you occupy or utilise any previously-unused buildings or spaces that have been regenerated?			
Have any physical locations or buildings undergone regeneration due to your organisation's activities?			

<p>Was regard was given when you were planning the redevelopment of buildings to how it would fit with the regeneration of local areas?</p>			
--	--	--	--

22. Please briefly describe what role you believe your organisation plays in the local community in terms of well-being, health and social inclusion.

--END OF SURVEY--

Thank you for taking part in this survey, and for contributing to our research. The information you have provided will be used to inform economic modelling and analysis of the full impacts of the arts and cultural sector in England.

Cebr