

CULTURE: Canadian Creativity in a Global Market

Prepared for the Canadian Centre for Policy Analysis by Andrew David Terris, 3 January 2005

Culture is at the very foundation of who we are as Canadians. More than any other factor, it is our culture that makes us unique and distinct in an increasingly homogenized world.

It is through the creators of culture – our writers, musicians, filmmakers, animators, painters, sculptors, actors and dancers – that we come to know ourselves as a country and as a people.

Our cultural industries create Canadian cultural products and distribute them across the country and around the world, while our heritage institutions, our museums, libraries, and archives, ensure that our culture is preserved for future generations.

Culture, in all its many aspects, is fundamental to a high standard of living, quality of life and social cohesion in Canadian communities large and small.

As important as Canada's culture is as a source of self-awareness, national pride, and healthy communities, it has also become a singularly important provider of wealth. According to Statistics Canada, the economic impact of the culture sector is \$33 billion and 733,000 jobs¹. Even more impressive has been the sector's ability to create jobs. Between 1971 and 2001, the culture sector labour force grew twice as fast the overall labour force (160% vs. 81%), and it maintained this pace consistently over three decades².

Despite these impressive numbers, the wealth is not well distributed. Within the culture sector, average income is 6% lower, self-employed income 28% lower and artists' income 26% lower than the average for the total labour force³.

Income	Culture Sector	Labour Force	Difference (\$)	Difference (%)
Average	\$ 29,951.00	\$ 31,757.00	\$ 1,806.00	5.7%
Employment	\$ 32,124.00	\$ 32,334.00	\$ 210.00	0.6%
Self-Employment	\$ 21,907.00	\$ 30,431.00	\$ 8,524.00	28.0%
Art Occupations	\$ 23,500.00	\$ 31,757.00	\$ 8,257.00	26.0%

Much of the wealth and many of the jobs in Canada's culture sector are in the cultural industries, i.e. broadcasting, film, publishing, sound recording, and new media. It is here that the work of our creators is turned into cultural products for mass consumption.

Understanding the symbiotic relationship and dynamic continuum between artist and industry is critical for the success of federal programs for culture in Canada. Without the vision of creative artists, the cultural industries would grind to a halt. Conversely, many artists earn a substantial proportion of their livelihood through their work in and for the cultural industries.

For the past 50 years, the federal government has played a fundamental role in the growth and vitality of Canada's culture sector by means of legislation, regulation, policies, programs and funding. It has done this directly through departments (mainly Canadian Heritage) and indirectly via its agencies (e.g. CRTC, NFB) and Crown corporations (e.g. CBC, Canada Council, Telefilm, etc.).

If we are to preserve cultural diversity and a wide range of creative expression, both nationally and internationally, we must devise budgetary measures which ensure a wide range of creative voices within Canada and a strong cultural voice for Canada in the world.

There are currently a number of critical issues of concern to all aspects of the creative continuum, from the individual artist to entire cultural industry. In its ongoing role as key advocate of Canadian culture, the federal government should move quickly to address these issues.

Tax Relief for Artists

There are four pressing tax reforms which would make the system fairer for self-employed artists and creators as well as encouraging artistic creation.

1. **Income Averaging:** This would benefit those who experience large year-to-year income fluctuations, for example a writer who spends years working on a novel (no income, no taxes) and then sells it for a high price (high income, high taxes). Income averaging, which has been recommended by numerous government committees, evens out the tax burden and prevents unduly high tax rates in windfall years. The AFB will allow artists, writers and performers to average their income for tax purposes over five years to a maximum of \$50,000 per year.
2. **Employment Status:** Most performing artists, such as symphony musicians and theatre actors, consider themselves to be independent contractors, hence self-employed. As such, they can write off various costs as business expenses, while the organizations which contract them can save on costs associated with EI, CPP, and administration. Despite numerous precedents and prior agreements, the Canada Revenue Agency appears to be on a campaign to define all such independent contractors as employees, and it is making life extremely difficult for performing arts companies across the country. The AFB will work with the cultural community to clarify the employment status of artists. Improvements to the EI and retirement system will provide artists and creators with greater benefits under the EI system while also improving the public retirement income system for all Canadians (see below).
3. **Expectation of Profit:** Many professional artists subsidize their artistic production through other employment. However, the "expectation of profit" test, as currently applied under the *Income Tax Act*, prevents many of them from claiming legitimate production costs as business expenses. This test should be eliminated for all legitimate professional artists as defined under the federal *Status of the Artist Act*.
4. **Tax Exemption:** This reform would encourage artistic creation by exempting a certain amount of annual copyright income from taxation. Such is currently the case in Quebec, where income up to \$30,000 is tax free, while income between \$30,000 and \$60,000 is taxed on a sliding scale. In Ireland, all artistic income is completely tax exempt. Private members' bills to exempt a portion of copyright income have been introduced in Parliament, but they have failed to achieve the necessary support. The AFB will allow up to \$30,000 per year in copyright income to be exempt from federal income tax. This is expected to reduce federal income taxes by up to \$10 million per year⁴.

Benefits for Artists

The rate of self-employment in the culture sector (20.9%) is considerably higher than in the total workforce (7.7%), reaching a high of 44.4% amongst those who work in the arts⁵. Combined

with generally lower incomes and the absence of benefits (EI, health insurance, pension plans), working artists enjoy almost none of the financial security that many of their employed colleagues take for granted. This same condition holds for many self-employed outside the culture sector.

Given the rapid rise in the number of self-employed Canadians (from 1.2 million in 1976 to 2.4 million in 2003⁶), the AFB will undertake a thorough investigation of self-employment in the Canadian labour market. Such a study should focus on access to social benefits and employment insurance for self-employed workers.

In particular, the AFB will reform the EI system to ensure much greater access to EI benefits for artists, modeled on the fishers' benefit. Artists will pay EI in a portion equivalent to the employee contribution based on an earnings formula and the government will contribute an amount equivalent to the employer's portion (see *Employment Chapter*).

The AFB will also increase retirement benefits through the OAS, CPP and the GIS to provide adequate retirement incomes for all, particularly lower-income Canadians who will not be able to benefit from employer pension plans (see *Retirement and Seniors Chapter*).

The AFB will also greatly improve access to affordable housing, which will help to improve the economic security of artists (see *Housing Chapter*).

Tomorrow Starts Today

Tomorrow Starts Today began as a three year federal program in the Department of Canadian Heritage. Between 2001 and 2003, it invested \$560 million in the culture sector, thus reversing some of the cuts suffered during the 1990s. Under intense pressure from the sector, the provincial ministers of culture, and the Federation of Canadian Municipalities, the program was extended into 2004 (\$207 million) and again into 2005 (\$192 million).

Tomorrow Starts Today has become an essential component of sector funding, supporting a wide range of existing agencies, institutions, festivals, and programs. It has also permitted development of new programs, such as Cultural Capitals of Canada, an incentive for municipalities to invest in their cultural communities and develop municipal cultural policies.

While additional *Tomorrow Starts Today* funding is welcome, the year-to-year uncertainty of renewal has begun to take its toll. Confirmation of renewal at the end of the budget year makes planning difficult for both funders and recipients and demonstrates a lack of long term vision.

The AFB will make a strong commitment to increased, stable, multi-year funding to Canada's cultural institutions and agencies by renewing *Tomorrow Starts Today* for a minimum of five years at a cost of \$1 billion over five years.

The Cultural Marketplace

There are four aspects to the looming question of Canadian control of its cultural marketplace:

1. **Concentration of Ownership:** This is a global phenomenon in which convergent media empires are controlled by an ever-smaller number of corporate owners. Such empires (Time Warner, Disney, Bertelsmann, Viacom, News Corp, etc.) include all aspects of cultural output (books, newspapers, magazines, film, television, music, commercial theatre, theme parks, etc.) plus many of the distribution channels (broadcasting, cable, satellite, internet,

telephone, etc.). Canada's media empires (Bell Globemedia, CanWest Global, Hollinger, Quebecor, Torstar, etc.) are markedly smaller, but no less problematic, especially if they are eventually swallowed by one of the media giants. The control of cultural expression by a small handful of companies is as probable as it is unacceptable.

2. **Foreign Ownership:** There is already immense pressure on the federal government to open our telecommunications industry to higher levels of foreign ownership. The problem is that "convergence" has led to conglomerates which integrate communication and cultural functions. Opening the door to foreign ownership of our telecom companies could easily result in foreign control of our cultural industries and thus of our cultural production.
3. **Balance of Trade:** According to Statistics Canada, our trade deficit was \$1.3 billion for cultural goods⁷ and \$0.9 billion for cultural services⁸ in 2002. This means that Canadians spent far more on foreign culture than foreigners spent on Canadian culture, and it is a clear indicator of foreign (primarily American) penetration and domination of Canada's cultural marketplace.
4. **Content Regulation:** The rapid evolution of communications technologies is making it increasingly difficult to regulate content. Satellite broadcasting and the Internet have turned borders porous, making such regulation difficult, if not impossible. Given this reality, how can Canada ensure a place for Canadian voices in domestic and global media? How can we make sure that our artists and creators have access to audiences, both at home and abroad?

The rise of borderless technologies and the burgeoning tendency towards homogenization, centralization, and concentration of ownership in our most influential media (broadcasting, publishing, film, radio, television, etc.) must be addressed immediately by the Departments of Industry and Canadian Heritage. The AFB will appoint a federal task force to address these critical issues and to make recommendations that will ensure a robust diversity of voices, viewpoints, and ownership in Canada's media and cultural industries.

Public Broadcasting

The single most effective measure for dealing with media concentration, foreign ownership, the balance of trade, and content regulation in Canada is a strong, dynamic, independent public broadcasting system.

The Canadian Broadcasting Corporation must become the foremost champion of Canadian content in both the domestic and global marketplace. It must be allowed to innovate and find new ways to maintain old audiences and reach new ones. It must restore and expand its regional production capacity, which directly assists the development of local talent in almost all of the cultural professions. It must ensure that cultural diversity is a priority so that all Canadians can see themselves reflected in the heterogeneity of our national culture.

The AFB will increase federal funding for the CBC by \$1 billion over four years, conditional upon presentation of a clearly articulated plan indicating how additional funding will be used to: (1) produce, commission, and purchase more TV drama and documentaries, (2) greatly increase regional production, (3) support the work of independent Canadian creators, (4) engage diverse communities, and (5) bring together Canadian creators and Canadian audiences in new and innovative ways that respect the needs of both.

Endnotes

- ¹ Statistics Canada. (2002). *Canada: A Portrait*, 57th edition, Ottawa, p. 99.
- ² Hill Strategies. (2004). *Canada's Cultural Sector Labour Force*. Ottawa: Cultural Human Resources Council, pp. 37-39.
- ³ Hill Strategies. (2004). *Canada's Cultural Sector Labour Force*. Ottawa: Cultural Human Resources Council, pp. 30-34.
- ⁴ Based on estimates from a similar provision in Quebec, which is estimated to cost \$3 million per year. Quebec (2003). *Tax Expenditures 2003 Edition*. Québec: Ministère des Finances, de l'Économie et de la Recherche, March 2003, p. 35.
- ⁵ Hill Strategies. (2004). *Canada's Cultural Sector Labour Force*. Ottawa: Cultural Human Resources Council, p. 21.
- ⁶ Statistics Canada. (2004), CANSIM, Table 282-0012, Catalogue no. 89F0133XIE.
- ⁷ Statistics Canada. "International Trade In Culture Goods (2002)", *The Daily*, 9 July 2003.
- ⁸ Statistics Canada. "Culture Services Trade (1996 to 2002)", *The Daily*, 9 September 2004.