

## ***Valuing Culture: Measuring and Understanding Canada's Creative Economy***

August 2008 report by the Conference Board of Canada

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The Board prepared this 53-page report for the International Forum on the Creative Economy held by the Board this past March 17-18, 2008, at Lac Leamy in Gatineau, Quebec (<http://www.conferenceboard.ca/conf/mar08/creative/agenda.pdf>). The report's 8-page bibliography lists a variety of primary materials of interest to researchers in the cultural sector.

### **Highlights from *Valuing Culture***

- In 2007 the cultural sector's 'economic footprint' in Canada amounted to just over \$84 billion (\$84.6B), or 7.4% of the country's GDP (pages 4 and 32, Conference Board of Canada, *Valuing Culture: Measuring and Understanding Canada's Creative Economy*, August 2008)
- The Conference Board estimates that "for every \$1 of real value-added GDP produced by Canada's culture industries, roughly \$1.84 is added to overall real GDP." (p. 29)
- Although Canada imported more culture goods and services than it exported, the Conference Board estimated that exported culture goods and services amounted to approximately \$5 billion in 2007, or about 1% of total Canadian exports to the world (p. 28 and 49)
- The strong appreciation of the Canadian dollar led exports of culture goods to decrease by almost 22% between 2002 and 2006, and by 12.9% from 2006 to 2007 (p. 28)
- In 2005, Canadian consumers spent \$25.1 billion on goods and services from the cultural sector, more than three times the \$7.7 billion spent by all levels of government in 2003/94 (p. 16)
- The cultural sector employed 616,000 people directly in 2003, or about 3.9% of total employment, and –when the sector's indirect and other effects are included – over 1.1 million people in 2007 (p. 22 and 24)
- In 2007 the average household spent a little more than \$500 on broadcasting (ie, cable or DTH), just over \$400 on printed media, roughly \$350 on film and music, just over \$100 on the performing arts, just less than \$100 on visual arts, approximately \$80 on photography and approximately \$10 on libraries (p. 27, Chart 2: note, precise figures were not provided)
- In real terms, government spending on culture measured as a percentage of GDP is now 0.3% lower than in 1999 (p. 29)
- Interactive media involving digital technology generated an estimated \$5 billion of revenue in 2005, and employed more than 50,000 people (p. 24)
- Almost 12 million Canadians (45% of the 16 year or older population) who volunteered an average of 120 hours every year for arts or culture organizations (p. 5)
- Toronto, Montreal and Vancouver accounted for 64% of cultural industry workers (p. 8)

- New digital technologies affect much of the cultural sector, offering “efficiencies and enhanced quality in creation, production and distribution” (p. 6)

## **Conclusions and comments of interest from *Valuing Culture***

### **Importance of culture to the economy**

- Creative communities are important drivers in Canada’s economy. They project unique identities that act as magnets for skilled and creative people and for business investment. An important challenge for all levels of government is to ensure that communities have the means necessary to support creativity and diversity, and to build a thriving culture sector. (p. 53, Conference Board of Canada, *Valuing Culture: Measuring and Understanding Canada’s Creative Economy*, August 2008).
- Current economic theories suggest that advanced industrial nations are transforming into knowledge-based, service-oriented, and creative economies. In the industrial economy, competitiveness was driven by physical resources such as coal and oil and by commodities such as steel, automobiles, and machinery. While many of these continue to be important to Canada’s economy, in the knowledge economy competitiveness is driven by people. The economic success of nations and cities depends increasingly on their scientific capacity and on their capacity to generate innovative business models and increase productivity. Creativity is the source of innovation. (p. 18)
- In this dynamic environment of global competition, demographic change, and migration of people, Canada’s culture sector plays a critical role in attracting people, businesses and investment; stimulating creativity and innovation; and distinguishing Canada as a dynamic and exciting place, where people can celebrate their heritage and realize personal and professional fulfilment. (p. 2)
- The culture sector is integral to Canada’s creative economy and to Canada’s overall economic performance. Many forces are driving culture to a place of greater prominence, particularly in Canadian cities. Measuring the multiple dimensions of arts and culture in Canada and internationally is challenging; nevertheless, the evidence points to significant social and economic benefits. Many of these benefits are not quantifiable but are well established in the evidence base. Among these, culture shapes our individual and national identity, fosters community and urban development, and promotes cultural understanding. Culture plays a crucial role in the attraction and retention of talent and investment. (p. 8)
- The Conference Board holds that “if Canada’s largest cities are to become world-class centres of design, architecture, and culture, and attract young, talented, creative people, they will have to do more than invest in physical infrastructure. They will have to sustain vibrant cultures and become centres of excellence in education . . . Cities that offer a high quality of life attract and retain firms and workers in the knowledge-intensive and creative fields.” (p. 8)

### **Impact of culture on the GDP and employment**

- Cultural activities generate substantial consumer spending on culture goods and services. In addition, they generate significant indirect spending effects that are realized through related spending on, for example, restaurants, hotels, and transportation services. Indirect benefits are also derived from culture employees spending their earnings, business owners spending (or investing) the profits they generate, and government spending the additional tax revenues generated by those wages and profits. In turn, these purchases lead to further increases in employment, wages, income, and tax revenues that can be felt across a wide range of industries. (p. 16)
- When governments create a business environment favourable to research and development (R&D), when business-education-government partnerships support the development of entrepreneurial skills and local talent, and when players in the cluster network internally and externally, they increase their chances of innovating, including in the area of commercially viable creative products and services.

Innovation—in the context of this chapter, the commercializing of creative value—is assisted by the concerted efforts of business, education, and government to turn cities into magnets for creative workers and investment capital. (p. 37)

- The Conference Board of Canada estimates that the real value-added output by culture sector industries totalled \$46 billion in 2007, approximately 3.8 per cent of total gross domestic product (GDP). The economic footprint of the culture sector is much larger, when accounting for combined direct, indirect, and induced effects. The Conference Board calculates this full contribution was valued at \$84.6 billion, about 7.4 per cent of total real GDP, in 2007. (p. 4)
- Statistics Canada estimates that the culture sector directly employed 616,000 workers in 2003. The largest three culture subsectors in terms of employment in 2003 were written media, broadcasting, and the film industry. They accounted for 26.6 per cent, 9.2 per cent, and 14.8 per cent of culture sector employment respectively. Considering the effect of culture industries on other sectors of the economy, including direct, indirect, and induced effects combined, culture and related industries employed over 1.1 million people in 2007. (p. 5)

### **Culture as a good or service**

- The United States accounts for over 90 per cent of Canada's culture goods exports. Exports of culture goods to the United States totalled \$1.9 billion in 2006, down from \$2.2 billion in 2005. Imports of culture goods from the U.S. totalled \$3 billion in 2006.

China ranks second in terms of culture goods imports. Canada imported \$295 million worth of culture goods from China, while exports from Canada to China totalled \$13.8 million in 2006.

France is Canada's third largest trading partner in terms of culture goods. Imports from France totalled \$168 million, while exports of culture goods to France totalled \$30.5 million in 2006. Imports from the United Kingdom, Canada's fourth largest trading

partner for culture goods, totalled \$138 million, while exports totalled \$36 million in 2006. (p. 48)

- The United States is the primary destination for Canada's culture services exports, accounting for an estimated \$2.4 billion (78 per cent) in 2004. Exports of Canada's culture services to the European Union totalled \$411 million, of which \$112 million was exported to the United Kingdom. (p. 49)

### **Examples of culture in the new world 'marketplace'**

- In reaching out to potential consumers, firms seek to assert their own creative presence in the virtual marketplace—a form of user content creation—and tap the creativity of potential consumers to co-create a brand with them and generate sales. ...

Terry McBride, CEO of the Canadian-based Nettwerk Music Group, whose client roster includes Avril Lavigne, Sarah McLachlan, and the Barenaked Ladies, has made a deliberate effort to use digital technologies to experiment with new ways of commoditizing the music experience. By taking advantage of peer-to-peer networks, the iPod, and digital technologies, McBride focuses on making money through multiple revenue channels that leave copyright with the bands and cater to fans and firms hungry for ring tones, concert tickets, and licensing agreements with TV shows and video games. McBride recognized that giving away the ProTool vocals, guitars, drums, and bass files for a new album by the Barenaked Ladies on MySpace to allow fans to make their own mixes was actually a way of increasing rather than undercutting revenues. McBride converted the band's 29 new songs into more than 200 musical assets—including a CD, four different digital versions, a 14-track collection for Starbucks in Canada, ring tones, acoustic versions, concert recordings, and a selection of 45 assets on a USB drive—that can be used by listeners on their own or in conjunction with others to create products.

The central message here is that producers and consumers co-drive the creative economy. Creative production and consumption allow creative producers and consumers to recognize elements of shared experience and spark off each other in a creative and responsive cycle of demand and supply. (p. 35-36)