

The economic impact of the cultural sector in Scotland

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FAI/CCPR 2004

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Preface

This report from the Fraser of Allander Institute for Research on the Scottish Economy (FAI), University of Strathclyde, and the Centre for Cultural Policy Research (CCPR), University of Glasgow, attempts to estimate the economic impact of the cultural sector in Scotland.

We believe that this research will make a worthwhile contribution to the current policy debate on the importance of the cultural sector in Scotland.

In 1988 John Myerscough's report *The Economic Importance of the Arts in Britain* (London: Policy Studies Institute, 1988), with its analysis of the economic importance of the arts in Glasgow, had a significant effect on the city's view of its arts organisations and the contribution of the arts to Glasgow's economic well being, not least contributing to the city's commitment to and investment in the City of Culture year of 1990. This research, more than a decade on from Myerscough's study, takes a view across the whole of Scotland and, thus, aims to inform key policy debates around Scotland's National Cultural Strategy, not least the new policy agenda to be developed following the First Minister's speech on the future of culture in Scotland made on St Andrew's Day 2003. The study allows us to compare the economic impact by type of institution and by type of artistic activity. Significantly, it also adopts methods – outlined in section 2 below – that allow comparison across Scotland's other economic sectors.

The research was undertaken in stages between July 2003 and January 2004. The first stage was to develop a coherent framework for the study and confirm the scope of our work. The issue of how the cultural sector is defined – both in cultural and economic terms – is outlined in section one. We undertook primary data gathering through a survey of arts organisations core funded by the Scottish Arts Council and all Scottish museums and galleries, or at least those that were participants in the Scottish Museums Council's (SMC) report *A Collective Insight, Scotland's National Audit* (Edinburgh: SMC, 2002). We have taken the results of this survey work and also made use of published data in these sectors – particularly *A Collective Insight, Scotland's National Audit* – to arrive at conclusions about the economic activity of the cultural sector. The research project also encompassed a review of recent surveys carried out in the cultural sector by other researchers using their own approaches and methods to identify links with our approach. Drawing on all this material we make some conclusions both about the economic activity of this sector and on issues of definition and consistency of data collection.

Acknowledgments

The research was led by Stewart Dunlop of the FAI, with Susan Galloway, Christine Hamilton and Adrienne Scullion of the CCPR as co-authors. The research assistant on the project was Eeva Sarkinen of the FAI.

The research team is grateful to all those who contributed to the project and especially to the SMC for providing data. We also received invaluable advice and information from the Scottish Arts Council: we are pleased to acknowledge its financial support for this project along with that from Scotecon.

Section 1 – Introduction

This principal aim of this study is to measure the volume of economic activity that is supported in Scotland, both directly and indirectly, by the cultural sector.¹ The first step is, therefore, to define the cultural sector. Many different terms are commonly used to refer to cultural activities, including the arts, the cultural sector, the cultural and the creative industries. But even the meanings of these terms are shifting, context specific, and, therefore, ambiguous. Our discussion of definitions refers to the terminology currently used by government and public bodies, as well as by academics. However, this does have the potential to lead to confusion because there is – in public policy at least – no consistent use of these terms. In our discussion of definitions we have tried to clarify potential confusions by, at the very least, maintaining consistency in our own use of terms.

Definitions

We first examine the question of definitions with reference to discussions around the term ‘cultural industries’. What activities occur within the cultural sector? What criteria should be used if we wish to include an activity within the cultural sector? In this section we examine this from both cultural and economic perspectives.

An examination from first principles goes some way towards answering this question of definition and we therefore begin by considering the meaning of the term ‘culture’ itself. Even here it is not always easy to pin down a precise meaning – indeed, the cultural critic Raymond Williams began his classic discussion of the term with a warning to all future commentators that culture is ‘one of the two or three most complicated words in the English language.’² Williams, and many other commentators, acknowledge that this is because of the different senses in which the word is commonly used, ranging from a general and all-encompassing anthropological understanding to a narrower labelling of a subset of art forms. However, as the present study is principally concerned with the economic aspects of the cultural sector, we have chosen to focus on definitions drawn from recent work on the economics of culture. In addition, we also felt that it was appropriate to examine recent official work in this area. The UK government and the Scottish Executive have developed policy initiatives in favour of the ‘creative industries’. These government definitions of ‘creative industries’ include within them what are termed as ‘cultural industries’. This approach is also implicit in Scottish policy initiatives developed by Scottish Enterprise (SE). An examination of the relationship between the ‘cultural’ and the ‘creative’ industries is, therefore, important, and is discussed in the following sections.

¹In economic terminology the words ‘sector’ and ‘industries’ are used interchangeably, and this is the practice throughout this report.

²Raymond Williams, *Keywords: A Vocabulary of Culture and Society* (London: Fontana, 1976), p. 76.

In his 2001 study, *Economics and Culture*, David Throsby presents a set of arguments that address many of the questions about the appropriate definition of culture and, through this, of cultural industries.³ Throsby's analysis is persuasive precisely because he considers both the economic and cultural sides of this issue.

Throsby begins by examining the etymology of the term culture and shows that, while it was originally defined in terms of cultivating the soil, the meaning of culture was later refined to encompass individual intellectual and artistic cultivation: it is for this reason that we continue to refer to a person who is conversant in the arts as 'cultivated'.⁴ In its original sense, therefore, culture was used to describe activities that contributed to the intellectual and artistic development of individuals.

However, during the nineteenth century the use of the term 'culture' was expanded, and it began to be applied in a wider sense to describe the development of civilisations, and especially to describe the set of beliefs held in common by different societies. In the context of nineteenth-century nation building the term culture was refined further so that it began to refer particularly to the development of individual nations. It thus evolved from describing the intellectual development of the individual, and began to be applied to describing features such as the belief system, customs, expressions, and so on, of a people or society. Subsequent development of this latter usage simply extends the definition further, and it has come to be used at a more micro level to describe a set of attitudes, expressions and customs common to or shared by groups within societies. For example, we now commonly talk about a 'drug culture', 'youth culture', 'Scottish culture' and, at the very micro level, even of companies having a 'corporate culture'. As both types of usage are now widespread, we should, in defining the cultural sector, employ a definition that encompasses both the individual and communal aspects of 'culture'.

However, it is also clear that, whatever group of people within society is under discussion, our definition of the cultural sector should include those activities that involve the generation or communication of meaning. Such meaning may concern either the intellectual, moral or spiritual development of an individual, or it may communicate what it means to be part of a group. Producing culture is, thus, essentially about generating and communicating some type of meaning.

Throsby develops three objective measures that allow a definition of the cultural industries. These provide a clear economic basis for the cultural industries and, therefore, a firm theoretical framework for this study. Throsby argues that:

1. the activities of the cultural industries involve some form of creativity in their production;

³David Throsby, *Economics and Culture* (Cambridge: Cambridge University Press, 2001).

2. the cultural industries are concerned with the generation and communication of symbolic meaning; and,
3. their output embodies, at least potentially, some form of intellectual property.

The third condition, the creation of intellectual property, simply ensures that the cultural 'industry' generates something that can be sold, and this aspect is clearly not confined to the cultural industries. With this in mind, we can turn to look in detail at the first and second conditions.

The first condition – the involvement of creativity – would seem, almost tautologically, to define the 'creative industries' (as discussed above, the focus of recent policy initiatives in this area), since any industry that involves creativity would necessarily be 'creative'. However, defining 'creative industries' against such a measure is, if nothing else, far too wide to be useful for any purpose. Any innovation – including scientific and technical innovations – of any sort in any industry is creative, and, in such terms, any industry is, therefore, potentially a 'creative industry'. Simply defining an industry in which some form of creation occurs does not provide an adequate basis for defining either the 'cultural' or 'creative industries'. We return to this point later when we consider the definition of the 'creative industries' in more detail.

Throsby's second condition – that cultural industries are those that generate and communicate symbolic meaning – has been discussed above.

Taking the first two conditions together would seem to allow us to define the cultural industries. The first condition means that the activity involves some type of creativity, while the second limits this to symbolic meaning, importantly excluding the generation of scientific or functional knowledge. All three of Throsby's conditions are necessary to decide whether an industry is part of the cultural industries, and together they provide a clear set of criteria for doing so.

While it appears possible to define the basis on which industries are 'cultural', other aspects also need to be borne in mind when we come to consider which particular industries should be included as part of the cultural sector. These have the unfortunate result of increasing the difficulties of deciding whether, and to what extent, individual industries create culture and, thus, should be included within the scope of the cultural industries.

For example, Throsby extends his analysis to define a three-fold classification of cultural industries. At the centre of this industry model lie creative arts such as music, dance, theatre, literature, visual arts,

⁴Throsby, *Economics and Culture*, p. 3.

crafts, plus newer forms such as video art and multimedia. Throsby argues that the principal purpose of these industries is to generate and/or communicate meaning about the intellectual, moral and/or spiritual behaviour of the individual and/or the beliefs, values, norms, and other expressions of groups in society. We may disagree about the extent to which individual productions achieve this end, but these industries should properly be defined within the cultural sector because generating and communicating meaning is the main output of each.

Throsby's analysis, thus far, also seems to be consistent with the industrial classification schemes developed and employed by governments, which form the basis for the majority of industry data. For example, most UK industrial data are based on the Standard Industrial Classification (SIC) where economic activities are grouped, and industries defined, based on the use of some similar input and/or production process – so we have the textiles, electronics, engineering industries, and so forth.⁵ Using this procedure, we would define the cultural industries as above, that is, as those where the common link is that the creative input generates and communicates symbolic meaning. A SIC-type approach would, therefore, appear to be consistent with both the economic and cultural aspects of our study.

However, Throsby next extends his approach to include a wider set of activities centred on the creative arts, and it is at this point that difficulties begin to appear. He broadens his definition in two ways: the first is to include industries that produce goods which involve some degree of cultural output, but where it is difficult to ascertain the proportion of cultural and non-cultural output – in economic terminology, these activities produce 'joint goods'; the second extension involves industries that involve some cultural input into finished goods and services.

The first extension includes industries that may produce some cultural goods in the sense used above, but where industry output also involves the production of non-cultural goods – that is, the proportion of 'core' cultural goods is lower than in the creative arts.

One example of this would be architecture, where the design of buildings may make cultural statements that extend beyond purely functional aspects. We would then have to decide what proportion of this output is 'cultural' as opposed to 'functional'. Similarly, advertising and design may produce genuinely cultural statements, and the value created is both cultural and non-cultural. Clearly, however, the balance is extremely difficult to identify.

Information, and thus the media, may create particular problems in this regard. To take an example from television, one issue is that while drama productions would probably be considered as lying within

⁵Roger Clarke, *Industrial Economics* (Oxford & New York: Blackwell, 1985), p. 21.

the cultural sector, news reporting is less likely to be included. Some type of creation is clearly involved in reporting and current affairs. However, this focuses on assimilating and communicating information, not the generation or communication of symbolic meaning, and it is not, therefore, 'cultural' in the sense discussed above. To find the value of cultural goods produced by television, we would again have to make decisions about the proportions of cultural and non-cultural output.

But, there is room for argument about information. For example, it might be argued that even simply providing information about current events is an essential component of understanding our place in the world. Also, television, newspapers, and so forth may include arts reviews, and some parts of the media are wholly devoted to cultural matters. While these provide information in the same way as news reporting, it could be argued that, when they interpret recent developments in the arts, they are themselves contributing to cultural development. If so, this output should then be counted as part of the cultural sector.

The main problem with joint goods is that it is clearly difficult to identify the proportion of output that is cultural. We would also have to make a judgement on whether the provision of information is itself culture or simply something that may help us to understand how to interpret other more direct forms of culture. In addition, a decision would have to be made about whether providing information on culture itself (for example, by way of commentary in newspapers and magazines) should also be counted as part of the cultural sector. All of these questions need to be settled before we can decide whether any particular activity should properly be considered as a part of the cultural sector.

Throsby, then, further extends the boundaries of the cultural industries to include industries that operate essentially outside the cultural sphere, but where some cultural input into final production may be required. Advertising, design and architecture, for example, in addition to producing culture as discussed above, may in some instances also use material drawn from the creative arts as inputs into final products. In doing so, it could thus be argued that they generate and communicate symbolic meaning.

This issue is probably easier to deal with since the suggestion here is that culture is an input into the production process of other industries. If, for example, an advertising campaign uses a reference taken from a painting, then it uses the output of a cultural industry to produce its own output. Advertising, and other industries that use cultural output may thus help to propagate culture, but they are not themselves a part of the cultural industries.

Definitions and policy

While some questions remain, the above analysis does suggest that it is possible to develop a working definition of the cultural industries. We now examine how the above relates to the definitions of the cultural sector used in official documents.

The definitions employed in official circles tend to take a wide view of the term culture. For example, in the Scottish Executive's approach to cultural planning, it is argued that culture has both a material and non-material dimension. A wide definition of culture could thus embrace:

ideas, customs and traditions, beliefs, habits of thinking, religions, languages, identities, mythologies and histories, and the expression of these in myriad forms such as poetry and prose, visual arts, music, song, theatre, comedy, dance, architecture, design, costume, film, photography and a range of crafts. It is represented in the natural and historical landscape; archaeology; buildings; museum, gallery and library collections; archives and records; and shared memories and experiences. It includes aspects of lifestyle, such as sport and leisure.⁶

The Department for Culture Media and Sport (DCMS), like the Scottish Executive, acknowledges the material and non-material aspects of culture, but it takes the view that, for practical purposes, a working definition of the 'cultural sector' must focus on *material* culture. This is understood to be 'the sum of activities and necessary resources (tools, instruments and artefacts) involved in the whole cycle of creation, making, dissemination, exhibition/reception, archiving/preservation, and education/understanding relating to cultural products and services'.⁷

The concept of a 'cultural production chain' or 'cycle', on which the DCMS definition is based, has been adopted by the EU and UNESCO and forms the basis of the data frameworks developed by a number of national governments.⁸ This 'production chain' approach has also been adopted by Scottish Enterprise, whose own definition of the 'creative industries', first developed in the late 1990s, is based on this concept.⁹

There does appear to be some correspondence between Throsby's approach and the analysis conducted by government bodies, in that official views of what constitute the cultural sector concern 'the

⁶Scottish Executive, *Creating our Future... Minding our Past: Scotland's National cultural strategy* (Edinburgh: Scottish Executive, 2000), p. 4.

⁷Department for Culture Media and Sport, *Regional Cultural Data Framework: Final Technical Report*. (London: DCMS, 2002), p. 13.

⁸DCMS, *Regional Cultural Data Framework*, p. 10. See also Andy Pratt, 'Understanding the cultural industries: is more less?' *Culturelink* (Special Issue) 2001, pp. 51-65.

⁹Andy Pratt, *Employment in the Creative Industries in Scotland, 1981-1996*. (Glasgow: Scottish Enterprise, 1999).

sum of activities relating to cultural products and services'.¹⁰ However, we would make two comments on official approaches to defining the cultural sector.

One issue is that the underlying analysis of culture cited above also forms the basis of the definition of the 'creative industries', and we believe that difficulties arise when we make this transition. Government interest in the 'creative industries' appears to stem from a belief that the UK has a strong track record in areas where individual creativity is important (in industries such as film and music), and an interest in capitalising on any potential competitive advantages.

According to the DCMS Creative Industries Task Force, 'creative industries' are:

those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.¹¹

The DCMS definition of 'creative industries', therefore, includes two of the three conditions used by Throsby to define cultural industries – involving creativity and generating intellectual property. The common link between 'cultural' and 'creative industries' appears to be the use of creativity. But the problem is that, while the cultural industries can be defined as those that generate symbolic meaning, official definitions of the 'creative industries' make no reference to symbolic meaning and could involve *any* type of creative activity. Individual creativity could equally well include developing scientific innovations, yet industries that develop these are not typically included in definitions of the creative sector. The difficulty in identifying specific types of 'individual creativity' makes it very difficult to decide which industries are 'creative'. This clearly causes considerable problems if we want to measure the importance of the 'creative industries' to the economy.

In Scotland, Scottish Enterprise's (SE) Creative Industries Team has also identified a set of 'creative industries', and we can draw a similar conclusion to that above. When defining 'creative industries', for example, SE advances the notion that 'creative industries are those in which creativity fundamentally is the enterprise'.¹² This could include any industry, however, and the meaning of the 'creative industries' is, to say the least, difficult to pin down.

¹⁰DCMS, *Regional cultural data framework: final technical report*, p. 13

¹¹See the *Creative Industries Mapping Document* prepared for the DCMS Creative Industries Task Force, October 1998.

¹²Scottish Enterprise Creative Industries Team, *Creativity and Enterprise* (Glasgow: Scottish Enterprise, 1999), p. 4.

SE defines the 'creative industries' as including the following: Film, TV and Radio; Multimedia; Interactive Leisure Software; Publishing; Music; Design (including Fashion Design and Crafts); Advertising; Architecture; and, Arts and Cultural Industries.¹³

It is clearly extremely difficult, on the basis of the definition supplied by SE, to know the extent to which these industries are 'creative industries' and thus to develop an appropriate set of policy responses. It may include those specified by SE but, if the criterion for entry is that 'creativity fundamentally is the enterprise', we could equally well include a range of other industries.

Our second comment concerns the 'production cycle approach' used in official documents to measure the size of the cultural and creative sectors. The argument in favour of this approach is that it is policy focused and deepens our understanding of the cultural sector. It includes the inputs that are used in the 'making' of culture, for example, the inclusion of manufacturing activities such as the making of television and radio transmission equipment, as well as commercial means of 'disseminating' cultural products such as distribution and retailing. It is also argued that it helps to clarify the inter-relationships between industries, for example, the way in which advertising may be a training ground for film production or the way in which literature and poetry might feed into the performing arts. In so doing, it is argued, the definition also helps our understanding of the complex relationship between the commercial and publicly supported areas of cultural activity.

We have noted above that an industry usually means a collection of activities, which use some common input and/or technology. However, the term is also used to describe the wider grouping of activities necessary to produce a final product (as in, for example, the 'music' industry or the 'film' industry).¹⁴ This more common usage also obviously underlies the 'production cycle approach' employed in official attempts to classify both the 'cultural' and 'creative industries'. Using the term in this sense, SE claims that the 'creative industries' provide 70,000 jobs and £5 billion worth of economic activity in Scotland.

However, we should note that using this wider definition (which counts all parts of the production chain necessary for the creative input itself to be marketed as part of the cultural or creative sector itself) might lead to confusion about the economic impact of that industry.

An example may make this clear. Suppose a theatre purchases costumes to use in a drama production. If we were to include both those employed in the drama *and* those employed in the textile industry within the cultural sector, we are clearly overstating the numbers employed in the cultural sector – employment in textiles is supported by the cultural sector, but is not itself a part of it.

¹³ See Appendix 2.

The problems with the SE estimates become apparent if we look more closely at the activities that SE counts within what *they* term the ‘creative industries’ (see Appendix 2, column 2). To take one example, within TV/Radio, SE includes areas such as the manufacture of valves and tubes and other electronic components (SIC 3-digit sector 32.1). It is clearly open to question whether this sector should itself be counted as part of the creative sector, for essentially the same reason as above: the creative industry may support valve production, but producing valves is not itself part of the creative sector. We could quote many further examples, but instead again refer the interested reader to Appendix 2, which details the economic activities, defined by SIC code, that SE includes within the ‘creative industries’.

We would argue that the correct way to determine the total volume of activity supported by either the creative or cultural sectors (irrespective of how one chooses to define them) is actually to undertake the type of analysis performed here. An Input-Output analysis of the cultural and creative sectors allows us to determine the total amount of economic activity that is supported, both directly within these sectors and through purchases placed with other industries in order to undertake the cultural or creative activity itself.

A working definition

Using the three-fold definition of culture established by Throsby, we have focused on those activities – the creative arts – that lie at the centre of his model. These are the activities that meet all three of Throsby’s criteria for culture – they are what Throsby terms ‘traditional artistic activities’¹⁵, such as music, dance, theatre, literature, visual arts, crafts, plus newer forms such as video art and multi-media. These are activities for which the Scottish Arts Council is responsible at a national level, and its core funded organisations are, therefore, of key interest to this study.

Our definition also focuses on the museums and galleries sector. There are two reasons for this. Firstly, the museums and galleries sector is an inter-dependent part of the visual arts sector in Scotland; it is very difficult to separate the two. For example, in terms of local authority provision, museums and galleries are typically combined, meaning that exhibition space for the contemporary visual arts is housed along with heritage. At present, disaggregating the two is not a possibility. Secondly, the vital interpretative role of museums and galleries means that they are, to a significant extent, involved in the process of creating and generating symbolic meaning, in a way that libraries, for example, are not. Against this backdrop, Scottish museums and galleries that were participants in the SMC’s *A Collective Insight, Scotland’s National Audit* are, therefore, the second main constituency of our study.

¹⁴Throsby, *Economics and Culture*, p. 112.

We also include some of the sectors that fall within Throsby's category of 'joint goods'; that is, activities that are centred upon the creative arts and that produce goods that involve some degree of cultural output. These are film, television and radio, and publishing – all of which fall within official definitions of the 'creative industries'.

Excluded from our definition are libraries which, although commonly regarded as part of the cultural sector, are, in the context of Throsby's model, a subsidiary and not directly a 'cultural' activity.

We have also chosen not to employ the 'production cycle approach' in our research, and thus have not chosen to include the ancillary activities needed to develop and market the cultural activities. This on the grounds that the Input-Output method used to develop the results reported here actually measures the economic activity that is supported by the core cultural activities.

¹⁵ Throsby, *Economics and Culture*, p. 15

Section 2 – The research project

The key aim of this study has been to identify the total amount of economic activity, in terms of employment and income, supported by the cultural sector in Scotland. This section explains the broad framework within which such estimates are made.

Data for the economic impact study were gathered by means of self-completion questionnaires sent to all Scottish Arts Council core funded organisations and to all museums and galleries that were participants in the SMC's *A Collective Insight, Scotland's National Audit*. We distributed 104 questionnaires to Scottish Arts Council core funded organisations, and 56 were completed and returned to us (a response rate of 54%).¹⁶ A total of 165 questionnaires were distributed to museums and galleries that were participants in the SMC's *A Collective Insight, Scotland's National Audit* and 22 were returned, a response rate of 13.3%. In light of the relatively low response from museums and galleries, we supplemented data for museums and galleries with direct expenditure estimates for large local Authorities in Scotland taken from the Group of Large Local Authority Museums (GLLAM) survey undertaken by the University of Leicester. We have taken the results of this survey work and also made use of published data in these sectors – particularly the SMC's *A Collective Insight, Scotland's National Audit* – to arrive at conclusions about the economic activity of the cultural sector.

A number of other important studies have recently been carried out to assess the economic value of some of the cultural industries in Scotland. For this reason it was decided, after careful consideration, not to survey organisations within the publishing and screen industries but, as part of this project, to review recent studies made of them to try and give as wide a view as possible of the economic impact of the wider creative sector.

The total activity created by the cultural sector must be measured at two levels. Firstly, any cultural activity, simply through the normal commercial operations of paying wages and purchasing supplies, creates employment and income in Scotland. The initial economic benefit to Scotland of the cultural sector is, therefore, to create economic activity in Scotland as a result of its ordinary business operations. This is termed the initial (or direct) impact of the cultural sector on the Scottish economy.

However, as the recipients of the expenditure made by cultural organisations subsequently re-spend money within Scotland, two further economic benefits to the Scottish economy result from these activities. Firstly, employees will spend wages and salaries on goods and services produced or distributed within Scotland (induced effects); secondly, Scottish suppliers to arts and cultural

¹⁶Copies of the questionnaires sent to both sets of organisations are included as Appendices 3 and 4.

organisations will themselves make expenditures on staff and Scottish goods and services, leading to further rounds of expenditure within the Scottish economy (indirect effects). Both types of re-expenditure mean that the final amount of economic activity supported by the cultural sector is greater than its direct impact.

The relationship between the initial and final amount of activity supported is often summarised by the derivation of a multiplier, which shows the relationship between the direct and total impacts. For example, a (hypothetical) employment multiplier of 1.5 would mean that every one person employed in the arts supports a further 0.5 of a job elsewhere in Scotland. The sum of the direct, indirect and induced effects outlined above must be estimated before we can derive multipliers, and measure the total economic impact of the cultural sector on the Scottish economy. (In short, the initial activity is first calculated; this is then subjected to a modelling procedure that calculates indirect and induced effects; and, the multiplier is then derived from this process.)

Deriving multiplier results

The multiplier results reported above were derived as the solution of a Leontief inverse problem, with cultural wage and commodity expenditures used as the initial injection. A 19 x 19 coefficients matrix (to include employee's commodity purchases by industry) was firstly derived from the 1999 Scottish Input-Output Tables, and a Leontief Inverse derived from this.

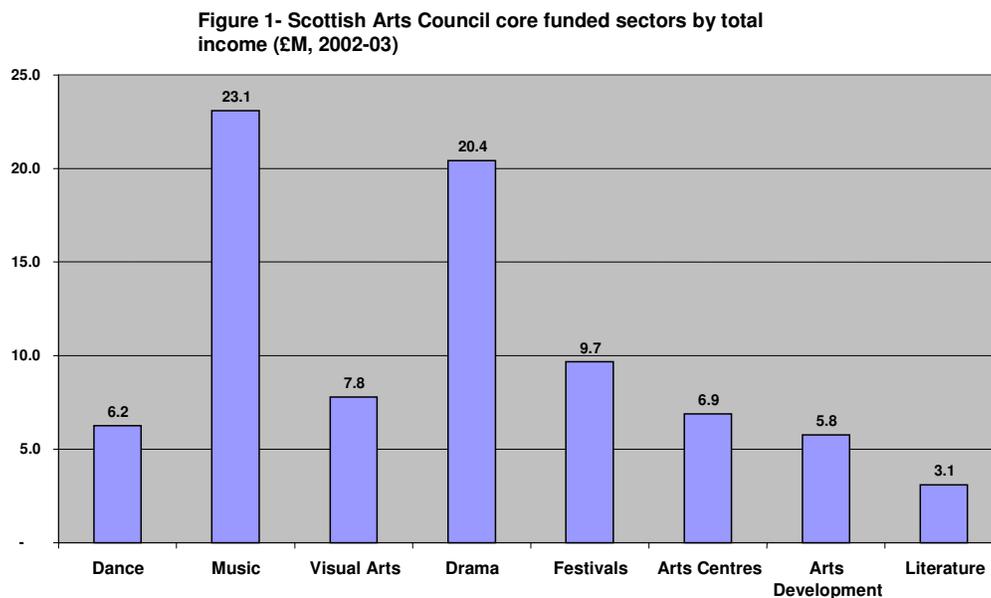
The expenditures made by the cultural sector in Scotland (the wage and intermediate commodity expenditures) derived from the survey questionnaires were then recoded into Input-Output categories that matched the reduced coefficients matrix. Multiplying by this initial injection produced income multipliers, defined as the additional income created outside the cultural sector by direct cultural income, and employment multipliers were subsequently derived by deriving income/employment ratios. The multipliers reported in the text are defined as the ratio of direct plus indirect plus induced income (or employment) over direct income (or employment).

Section 3 – Scottish Arts Council core-funded organisations

We can gain an initial appreciation of the impact of the Scottish arts sector, in particular the size of the arts as a whole and the relative size of the sectors within the arts, by examining some of the Scottish Arts Council's own figures.¹⁷ The Scottish Arts Council provided us with data on the income sources for its eight main arts sectors, and we now examine these to gain an initial impression of *some* aspects of the main arts sectors – that is, the core funded organisations.¹⁸

Income

Figure 1 uses total income to give an initial indication of the relative economic importance of the various sectors within the arts. The total income received by Scottish Arts Council core funded organisations from all sources is equal to £82.94 Million (M).¹⁹ Figure 1 shows that Music is the largest sector, with an annual income of £23.1M, and that two sectors, Music and Drama, account for just over half (52.5%) of all income received by all Scottish Arts Council core funded organisations. The smallest sector is Literature, where the organisations involved earned an income of only £3.1M, equal to 3.7% of recorded income across the arts as a whole.



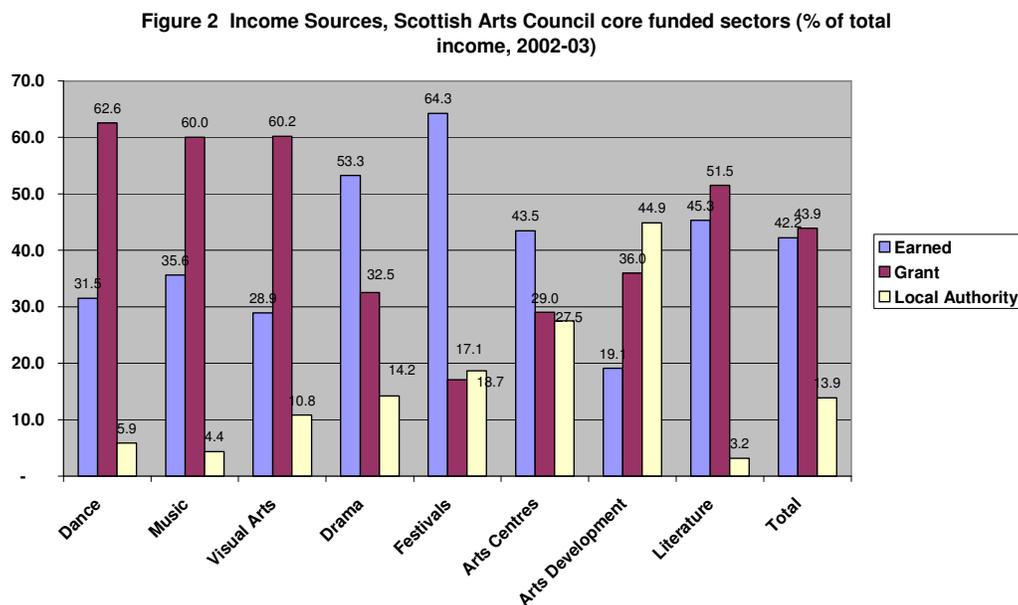
Source: Scottish Arts Council

¹⁷ In this context size means economic size. As no employment data were available, we have used income as a proxy.

¹⁸ These SAC figures are also used later in the report to gross up our sample returns.

¹⁹ Income sources are discussed in more detail below.

Figure 2 below shows the proportion of income, by sector, obtained from three main sources, Earned Income (which includes box office/programme income, business sponsorship, trusts/friends, donations and ancillary and other income), Scottish Arts Council funding (which includes lottery funding), and Local Authority (which also includes small elements of other public funding).



Source: Scottish Arts Council

The main point to emerge from Figure 2 is clearly the extent to which the arts in Scotland depend on public support, both overall and at the sectoral level. Across the arts as a whole, almost 60% (57.8%) of income is obtained from public sources (including both Scottish Arts Council grant and Local Authority funding). The proportion of public funding is substantial in all sectors, but is particularly high in Dance, Music and Visual Arts, although one evident reason for this is the presence of the national companies in two of these areas.

There are, of course, arguments about why the public sector provides support for the arts.²⁰ The essence of these is that the arts create benefits not only for those who consume them directly but also for society as a whole – including both those who attend arts events (private benefits) *and* those who do not attend (non-private benefits). Some of these non-private benefits cannot be charged for by the market and must be captured by state provision. For example, a drama production may provide a benefit to those who attend (enjoyment of the drama) but also provide additional benefits (for example, international prestige, spin-off of ideas for commercial television) both for those who do attend and for those who do not. If these arguments hold, then an efficiently operating arts institution should be in a

²⁰See, for example, John O'Hagan, *The State and the Arts: An Analysis of Key Economic Policy Issues in Europe and the United States* (Cheltenham: Edward Elgar, 1998).

position where costs exceed private income. The resulting deficit should be paid from the public purse as a payment for the non-private benefit that the arts create.

However, it is also notable that Earned Income (through various sources, including box-office) accounts for over two-fifths (42.2%) of all income. The two largest sectors (Music and Drama) both receive around one-third of all income from the private sector, and earned income represents over half of all receipts in Drama, the other main performance area.

Finally, we note the substantial funding element provided by Local Authorities, whose 13.9% contribution to total income represents a significant funding role. This contribution is particularly high in some sectors, most notably for Arts Development where 45% of funding comes from local authorities.

The data set

Collecting an original data set from cultural organisations through a questionnaire survey was a key element in allowing us to develop a reliable and up to date estimate of the local economic impact of the artistic and cultural sector. One very obvious reason for this is clearly that the actual levels of employment and expenditure are the main elements of our estimate of the initial size of any sector and also a key driver of its further impact – that is, the initial size of the cultural sector is an important indicator of its initial economic impact, while expenditure by cultural organisations is the key driver of the impact estimates developed later. Expenditure data are not available from official sources. Indeed, the only data source that provides any detail on the expenditure pattern of the arts, the Scottish Executive's Input-Output Tables, includes the arts alongside a range of other recreational and sporting activities.

With regard to expenditure, it was also of particular importance that we were able to collect reliable figures on two particular aspects of this. The first is that we required, to a detailed level, the type of goods and services purchased by cultural organisations. This was principally because the Input-Output model used to derive the additional impact of culture requires that we identify the types of commodities purchased by cultural organisations. Secondly, we also required details on the extent to which goods and services were purchased locally in Scotland, since only Scottish purchases will create further demands for other Scottish goods and services.²¹ For all of these reasons, it was important that we attempted to gather up to date and reliable data directly from the cultural organisations.

Considerable thought was, therefore, given to this aspect of the study and, in particular, to the design of a questionnaire that would allow us to collect the necessary data. We were aware that our data requirements might seem onerous, and that this could affect the response rate. We, therefore, gave

extensive thought to how the questionnaire could be designed in a way that made sense in terms of the pattern of expenditures made by cultural organisations.²²

As indicated in section 2, the questionnaire was sent to both the Scottish Arts Council core funded organisations and museums and galleries that were participants in the SMC's *A Collective Insight, Scotland's National Audit*. The questionnaire sought information on nine key expenditure categories, as follows:

- Wage spending
- Premises and Equipment spending
- Principal Artistic Activity spending (Scottish Arts Council) / Exhibitions and Conservation spending (Museums and galleries)
- Marketing and Promotion spending
- Education spending
- Information Technology (IT) spending
- Retail spending
- Other spending

A successful response from the organisations surveyed would put us in a position to present useful data on several aspects of both Scottish Arts Council core funded organisations and those museums and galleries that were participants in the SMC's *A Collective Insight, Scotland's National Audit*. This would include knowledge of both the level and type of expenditures required to allow the arts to function, the extent to which Scottish arts are able to make these purchases locally and, of course, the extent to which the cultural sector in Scotland supports economic activity in other Scottish industries. As noted above, none of these questions can currently be satisfactorily addressed through an examination of the data presently available.

The questionnaire sought to collect employment and expenditure data from the main arts organisations in Scotland. The major arts organisations surveyed were the recipients of Scottish Arts Council core funding grants. Scottish Arts Council core funding covers a total of 104 organisations in eight major art sectors. The sectors core funded by the Scottish Arts Council, and the number of organisations in each sector, are listed in Table 1 below.

²¹This means that we are thus excluding the possibility of feedback effects from, for example, purchases made outside Scotland creating further demands for Scottish goods and services.

²²We also designed individual questionnaires for the main elements of the arts and cultural sector (SAC core funded companies and Museums and Galleries) and both were piloted before a final design was settled on.

Dance	8
Music	17
Visual Arts	23
Drama	22
Festivals	5
Arts Centres	10
Arts Development	9
Literature	10
Total	104

Source: Scottish Arts Council

The main intention of the study is to estimate the economic impact made by the cultural sector to the Scottish economy. The validity of the results we present clearly depends on a number of factors: in having asked the correct questions (that is, how the questionnaire was designed); and, on receiving a 'reasonable' number of answers (that is, on the response rate). With regard to this second aspect, while the questionnaire survey to Scottish Arts Council core funded organisations was unlikely to achieve a 100% response rate, we believed that it was important that we attempt to include as much of the relevant data for Scottish Arts Council core funded organisations as possible.

However, a 'reasonable' response involves more than simply an adequate return in terms of the numbers responding to the questionnaire. In addition, since we aim to present results for each sector, we also require an acceptable response from all of the main Scottish Arts Council core funded sectors listed in Table 1 above. Because the main driver of the impact estimates is the expenditure made by arts organisations, we also felt that it was important that we obtained responses from the larger organisations in each sector, and we therefore attempted to ensure that we received responses from the national companies. In short, for the study to be representative we sought to capture as much expenditure as possible and so we required to obtain responses from the larger companies, and particularly from the Nationals.

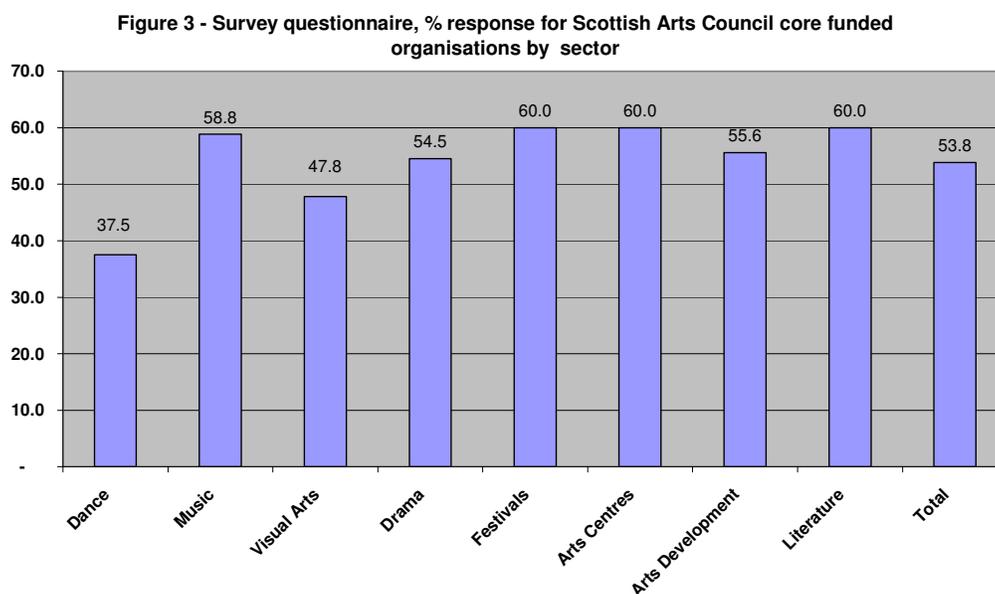
The numbers responding to the questionnaire are detailed in Table 2 below, and the percentage responding by sector is shown in Figure 3.

The returns received from SAC Core Funded Organisations cover the period 2002-2003. In total, 56 organisations replied to the survey questionnaire. These 56 organisations represent 54% of all Scottish Arts Council core funded organisations. This high response rate from the core funded organisations, in terms of the numbers responding and the expenditure they represent, does suggest that we have an adequate basis on which to infer the overall effect of the arts on the Scottish economy.

Table 2 – Scottish Arts Council core funded organisations survey response by sector	
Dance	3
Music	10
Visual Arts	11
Drama	12
Festivals	3
Arts Centres	6
Arts Development	5
Literature	6
Total	56

Source - FAI/CCPR

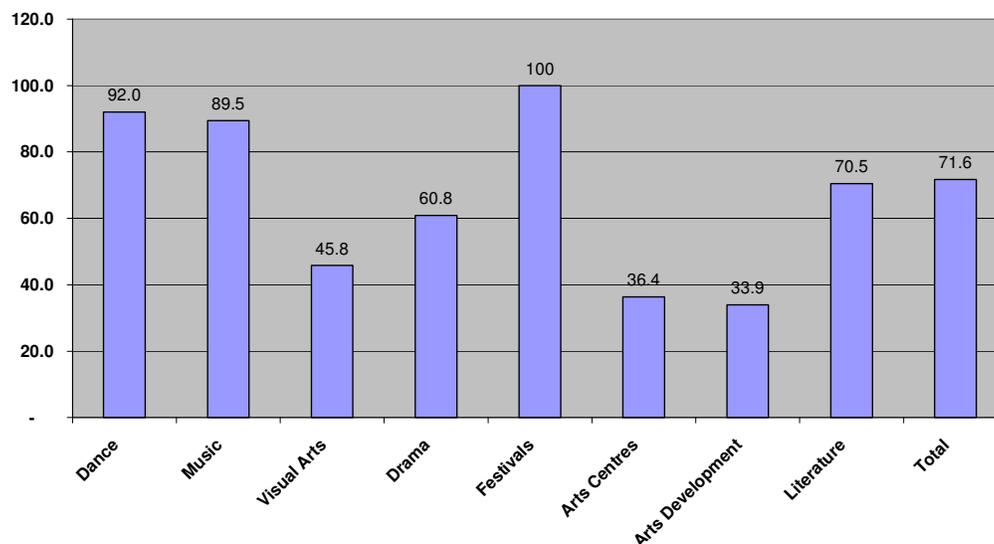
The percentage response rate by sector is shown in Figure 3 below. We would argue that we also have a sufficient number of respondents within each sector to allow us to make reasonable inferences on the total impact of each separate sector within the arts (results for which are presented below). With the exception of Dance and Visual Arts, at least 50% of all organisations within each sector completed our detailed questionnaire, with the proportion in Visual Arts just below 50%.



Source - FAI/CCPR

Given the significance of expenditures to the study, it is also important that the responses cover an adequate proportion of expenditures made by arts organisations, particularly on a sectoral basis, and Figure 4 below examines this aspect of the responses.

Figure 4 - Survey Questionnaire, % response by total expenditure of respondents



Source - FAI/CCPR

We believe that the figures detailed in Figure 4 show that the survey response is sufficient to allow us to gross up our study to represent all expenditures made by Scottish Arts Council core funded organisations. Even where the response rate by expenditure is smaller, the questionnaire returns account for at least one-third of all estimated spending (and the expenditure response in most sectors is actually above this). With regard to Dance (where Figure 3 showed the proportion of organisations responding was relatively small) the percentage of expenditures represented is much higher, largely due to the inclusion of Scottish Ballet. We estimate that these 56 respondents spent a total of £59.4M, equivalent to 71.6% of the estimated total expenditures made by all Scottish Arts Council core funded organisations.

Expenditure

This section of the report uses questionnaire returns to examine both total expenditure and the pattern of expenditure made by Scottish Arts Council core funded organisations. Initial findings are detailed in Table 3, which shows expenditures based on the returns from the 56 Scottish Arts Council funded organisations that responded to our questionnaire.

The largest proportion, equal to just over one-third of all expenditure is spent by Music (which spent almost £21M). Music was earlier seen to be the largest sector within the arts (although the figures in

Table 3 reflect both the fact that Music is the highest recipient of all Scottish Arts Council funding and also that we obtained a very good response from companies within the Music sector).

Table 3 – Expenditure by Scottish Arts Council core funded organisations, survey respondents by sector (£M, 2002-2003)	Estimated Expenditure	% of Total
Dance	5.7	9.7
Music	20.7	34.8
Visual Arts	3.6	6.0
Drama	12.4	20.9
Festivals	10.4	17.5
Arts Centres	2.5	4.2
Arts Development	2.0	3.3
Literature	2.2	3.7
Totals	59.4	100

Source - FAI/CCPR

We later use the survey returns to estimate the economic impact of all Scottish Arts Council core funded bodies, by grossing up the questionnaire returns to take account of non-respondents. We do this by assuming that expenditure by Scottish Arts Council core funded sector is equivalent to income by sector, which assumes that the Scottish Arts Council core funded bodies spend all of their income in any given year. This procedure seems acceptable, particularly given the not-for-profit nature of these organisations, and the fact that, as demonstrated above, all sectors cover costs through relying heavily on public funding.

The questionnaire sent to Scottish Arts Council core funded organisations sought details on the wage and commodity expenditures made by each organisation. The division between these two types of expenditure is detailed in Table 4 below, which shows that just over 46% of all spending was on wages, the remainder being used to purchase a range of goods and services. However, the proportion of goods and services expenditure is particularly high in the Festivals sector, partly because of spending on travel, accommodation and artists expenses made by the Edinburgh International Festival during the festival period, and that sector's relatively low levels of core staff. If we exclude Festivals, the division between goods and services/wages varies between 53 and 47%.

Table 4 Breakdown of expenditure by Scottish Arts Council core funded organisations by sector (£M 2002-2003)	Goods and Services	%	Wages	%
Dance	2.5	44.2	3.2	55.8
Music	10.5	50.8	10.2	49.2
Visual Arts	2.1	57.7	1.5	42.3
Drama	5.4	43.9	7.0	56.1
Festivals	8.3	80.1	2.1	19.9
Arts Centres	1.1	42.0	1.5	58.0
Arts Development	0.8	42.2	1.1	57.8
Literature	1.3	61.4	0.8	38.6
Totals	32.1	54.0	27.3	46.0

Source - FAI/CCPR

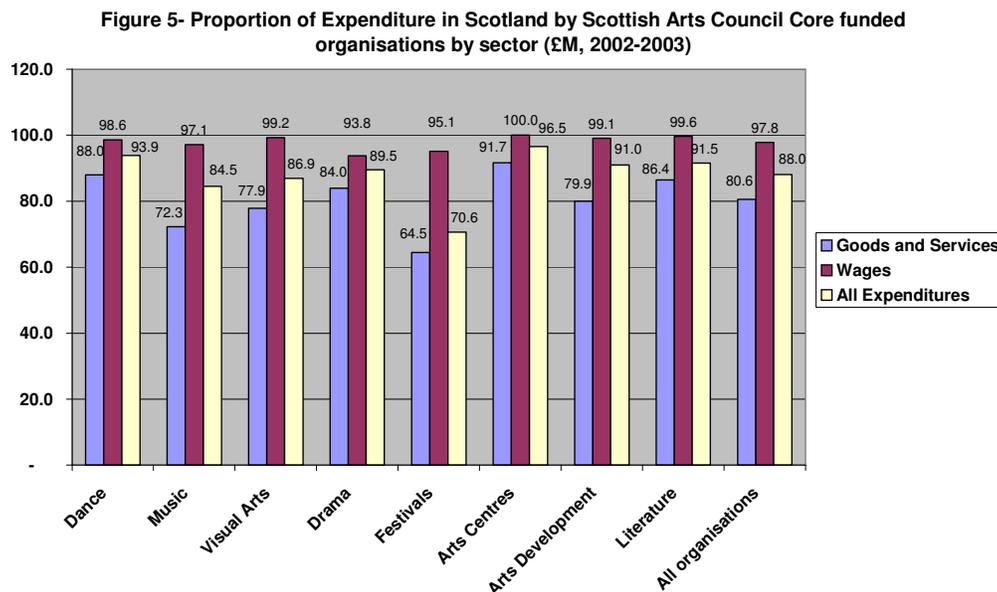
The division of expenditure detailed in Table 4 is of some interest because it tells us something about the type of spending necessary to allow the arts to function. However, what is perhaps more interesting in the present context is how much of these two types of expenditure is made locally in Scotland. Arts organisations could very well source both labour and commodities from outside Scotland but our survey finds that a high proportion of all expenditures is made locally. Examining this issue allows us to say something about the extent to which these organisations make use of Scottish-based resources to develop and present Scottish arts, and this issue is important in two respects.

The first is that any additional economic activity generated by the arts in Scotland will increase as the proportion of expenditures made in Scotland by these organisations increases. The division of expenditure between Scotland and elsewhere is of direct relevance to the present study, and the multiplier estimates presented later depend on both local wage spending and local goods and services spending made by arts organisations. It is, therefore, of interest that arts organisations sampled place a very high proportion of both types of spending locally – see Figure 5 below.

Findings, that the majority of both wage and commodity spending by the arts is spent locally, also show the extent to which the arts in Scotland rely on local resources, both in terms of labour and suppliers. With regard to wage expenditure, it might be expected that most wage expenditures would be placed in Scotland. However, a number of Scottish Arts Council core funded bodies (perhaps most commonly in the opera and festivals sectors) will spend some part of their wage bill on national or international performers to headline presentations, and may also make use of internationally-based directors, designers and so on. Given this, we were interested in the extent to which wages are spent on developing locally based artists. It is clear from the figures shown below – not least the headline figure that 97.8% of the expenditure of the Scottish Arts Council's core funded organisations was spent in Scotland – that the majority of wage spending goes to local residents, and it therefore seems reasonable to infer that most wage spending will indeed help to develop Scottish-based artistic excellence and expertise.

A finding that most spending on goods and services is placed locally would also show that the Scottish arts sector is supplied by a range of local companies. This relates to the important issue of whether Scotland is able to provide the kind of specialist supporting services necessary to allow the arts to perform. Clearly, not all expenditures made in order to allow the arts to function will be specialised in terms of supplying the arts, some expenditure items are clearly much more routine. However, the figures below, particularly the high proportion of spending on Artistic Activity that is placed locally (see Figure 6), suggest that there are some grounds for believing that the Scottish cultural sector does support local companies who have developed at least some degree of specialist arts services. Figure 5

below addresses the extent of local purchasing across the range of Scottish Arts Council-funded activity.²³



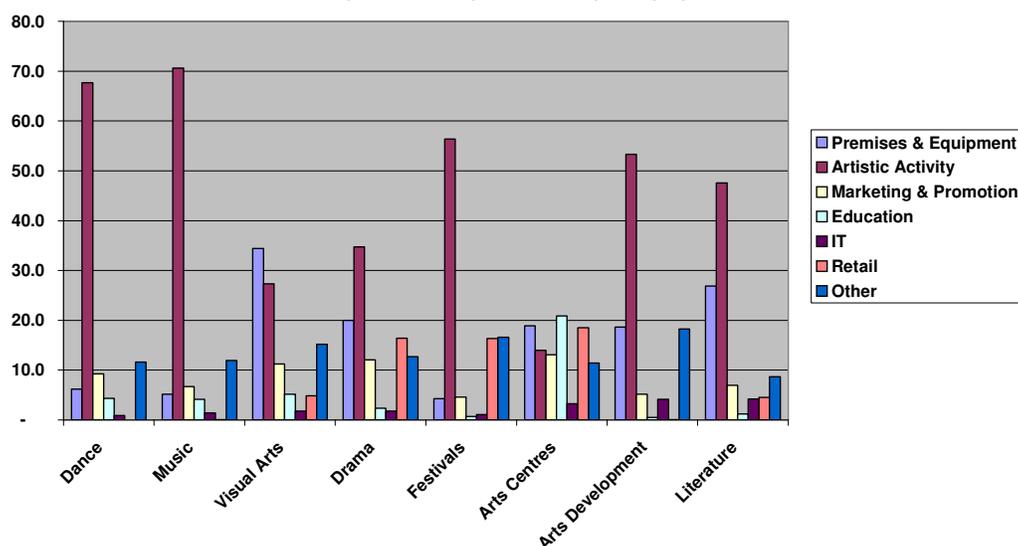
Source - FAI/CCPR

While there are some differences in the proportion of spending in Scotland, both between the various arts sectors and in terms of the two expenditure categories, what is very clear from Figure 5 are the high proportions spent in Scotland by the Scottish Arts Council core funded arts organisations. On average, 98% of all wage expenditures are made in Scotland. Across all sectors, just over 80% of all goods and services expenditures are also made in Scotland. The findings reported in Figure 5 make clear the extent to which Scottish Arts Council core funding is therefore used to support Scottish artistic development.

As discussed earlier, the questionnaire sought details on both the total expenditures made by these organisations, and on how this total expenditure was distributed across a number of categories (Premises and Equipment, Artistic Activity, Marketing and Promotion, Education, IT, Retail and Other Expenditures). Figure 6 below details how Scottish Arts Council funded organisations goods and services expenditures look when examined against these categories.

²³The data in Figure 5 is from the questionnaire survey and apply to the year 2003/2004.

Figure 6 Spending in Scotland by category, Scottish Arts Council core funded organisations by sector (% by category)



Source - FAI/CCPR

In most sectors, the largest proportion of total spending clearly goes on maintaining the principal artistic activity. There are some exceptions, most notably in Visual Arts, although one reason why spending on premises is so high in this sector may be that it includes organisations whose *raison d'être* is to provide workshop space for artists to create their work. Similarly, Drama and Festivals spend just under one-fifth of all expenditure on supporting a retail function, which would itself generate funding for these sectors.

Employment

The survey questionnaire also sought details on employment, and Table 5 below details the estimated employment in the 56 organisations who responded.²⁴ At just over 1,367, direct FTE employment is relatively small – average employment across all sectors is equal to only 24.4 FTE employees.

²⁴ Respondents were asked to detail full time, part time and seasonal employment, and the figures shown in Table 5 cover the total annual Full Time Equivalent (FTE) employment within arts companies over the period of their response.

Table 5 – Estimated employment in respondent Scottish Arts Council core funded organisations by sector	FTE
Dance	104
Music	396
Visual Arts	74
Drama	448
Festivals	88
Arts Centres	156
Arts Development	64
Literature	36
Total	1,367

Source - FAI/CCPR

The employment figures from respondent organisations can, of course, be used to estimate total direct employment across all Scottish Arts Council core funded organisations. By grossing up the sample returns, on the assumption that total employment will increase with total income, we estimate that all Scottish Arts Council core funded organisations (including non-respondents) employ a total of 2,206 FTE employees.

Table 6 below shows the distribution of employment across Scotland in respondent organisations, and shows that employment is concentrated in the four main cities, which account for 68.8% of all jobs (the low proportion in Aberdeen may reflect that the figures are for sampled organisations only). However, areas outwith the four cities account for just less than one-third of all employment, and around one in every seven jobs is located in the Highlands and Islands.

Table 6 – % distribution of employment in respondent Scottish Arts Council core funded organisations	%
Aberdeen	0.1
Dundee	8.3
Edinburgh	21.5
Glasgow	38.9
Highlands & Islands	13.9
Other	17.4
Total	100

Source - FAI/CCPR

Table 7 below shows the total employment created by the 56 Scottish Arts Council core funded organisations that responded to the survey questionnaire. We estimate that the initial 1,367 FTE employees support a *further* 1,266 FTE employees in other industries in Scotland, meaning that a total of 2,592 FTE jobs in Scotland are supported both directly and indirectly by these organisations.²⁵

²⁵Note that the multiplier for survey respondents is 1.90, while that shown in Table 7, which covers all SAC core funded companies, is 1.83. The differences arise because different sectors are weighted differently when the survey results are grossed up to cover all SAC core funded companies.

Table 7 – Total employment created in respondent Scottish Arts Council core funded organisations by sector (2002-2003)	Initial Employment	Additional Employment Created	Total Employment Created
Dance	104	67.0	171.2
Music	396	325.4	721.7
Visual Arts	74	80.4	154.4
Drama	448	423.2	871.2
Festivals	88	186.7	274.7
Arts Centres	156	62.7	218.8
Arts Development	64	34.9	99.0
Literature	36	45.3	81.6
Total	1,367	1,226	2,592

Source - FAI/CCPR

Table 8 shows our estimate of the employment created by *all* Scottish Arts Council core funded companies, including an estimate for those who did not respond to our survey questionnaire.

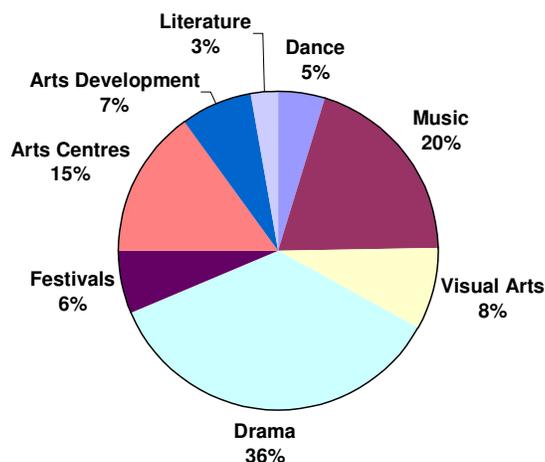
Table 8 – Total employment created in all Scottish Arts Council core funded organisations by sector (2002-2003)	Initial Employment	Additional Employment Created	Total Employment Created
Dance	113	72.8	186.1
Music	443	363.7	806.7
Visual Arts	162	175.7	337.2
Drama	736	695.7	1,432
Festivals	82	173.4	255.2
Arts Centres	429	172.2	601.1
Arts Development	189	102.9	291.9
Literature	52	64.3	115.8
Total	2,206	1,821	4,026

Source - FAI/CCPR

We estimate that the 2,026 FTE employees in Scottish Arts Council core funded companies support an additional 1,821 FTE jobs in other Scottish industrial sectors, and, therefore, support a total of 4,026 jobs in total across Scotland.

Figure 7 below shows that two sectors, Music and Drama together support over half (56%) of all employment supported by this part of the Scottish culture sector.

Figure 7 - Employment supported by Scottish Arts Council core funded organisations - % by Scottish Arts Council sector



Source - FAI/CCPR

Multiplier effects

The key aim of this study is to estimate the economic effects of the cultural sector on the Scottish economy and, in particular, to estimate the multiplier impact of the cultural sector. Prior to presenting these results, we therefore discuss multiplier effects in general, and next discuss how we have developed the results presented here.

Multiplier estimates are derived principally from expenditures, and the analysis above has therefore focused on the expenditures made by cultural organisations. These expenditures by cultural organisations are termed direct expenditures, that is, those made directly by these organisations in order to provide a cultural 'commodity'. Performing a concert or opera or a presenting display in a museum will involve expenditures, principally on wages and on goods and services. The latter will include spending on items necessary to performing the arts (such as instruments, costumes, display materials, etc), but will also include a range of other expenditures needed to allow the organisation to present a cultural commodity (for example, spending on premises/equipment, IT, marketing, and so on).

Although perhaps not strictly part of their conventional artistic activities, many cultural organisations also fulfil an educational role. Government and its agencies attach an increasing importance to the educational role which arts organisations fulfil. The amount spent on this area of activity is separately identified in Figure 6, and is included because it will have knock-on effects. Finally, a number of organisations also spend in order to provide retail facilities (restaurants, bookshops, etc) and these expenditures are also included.

However, while these expenditures create economic activity directly (within cultural organisations themselves), they do not measure the total economic activity created by these organisations, because the expenditures made by cultural organisations have two important further economic impacts. As noted earlier, the expenditures made by cultural organisations will create demand at companies that supply these bodies. In turn, the increased demand at cultural suppliers will increase demand at *their* suppliers (and so on down the supply chain). This effect is termed the indirect economic impact of the cultural organisations. Secondly, these direct and indirect impacts will affect household income (because of the increased employment they generate) and some proportion of this increased income will be re-spent on commodities produced in Scotland, an effect known as the induced impact. The sum of direct, indirect and induced impacts measure the total economic effects of the cultural sector on Scotland.

We measure the total economic effects of the cultural sector by developing the following measures:

- Employment Impact – this measures the total employment created by culture, both within the cultural sector itself and arising from the demands it creates across other sectors of the Scottish economy.
- Income Impact – this measures the total income created both within the cultural sector itself and due to the demands it creates across other sectors of the Scottish economy.

The employment and income multipliers are the sums of the direct, indirect and induced employment and income created over the initial employment and income respectively.

Table 9 shows the total wage income created by the Scottish Arts Council core funded organisations. We estimate that payments to their own employees create £38.8M worth of direct income, and that this creates a further £33.7M to employees in other industrial sectors in Scotland. In total, therefore, Scottish Arts Council core funded organisations are responsible for supporting some £72.5M worth of wage income across Scottish industry.

Table 9 - Total Income created by Scottish Arts Council core funded organisations by sector (2002-03)	Initial Income £M	Additional Income Created £M	Total Income Created £M
Dance	3.4	1.5	4.9
Music	11.0	9.3	20.3
Visual Arts	3.3	3.6	6.9
Drama	10.8	9.7	20.5
Festivals	1.8	3.3	5.1
Arts Centres	4.0	2.8	6.8
Arts Development	3.3	2.1	5.4
Literature	1.2	1.4	2.6
Total	38.8	33.7	72.5

Source - FAI/CCPR

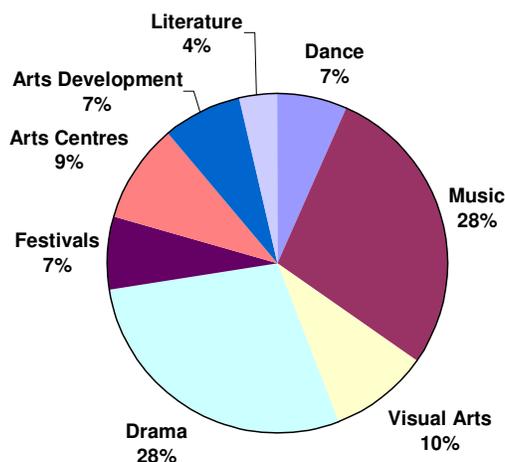
Table 10- Income multipliers by Scottish Arts Council core funded sector	Estimated Income Multiplier
Dance	1.43
Music	1.84
Visual Arts	2.11
Drama	1.90
Festivals	2.80
Arts Centres	1.71
Arts Development	1.63
Literature	2.18
Total	1.87

Source - FAI/CCPR

Table 10 above shows the income multipliers by Scottish Arts Council sector. Overall, we estimate that every £1 of income paid to employees of Scottish Arts Council core funded organisations creates a further £0.87 worth of income in other industries in Scotland. We note that this multiplier figure of 1.87 is again higher than the comparable multiplier reported by the Scottish Executive for the Recreational, Cultural and Sporting Activities sector, which is estimated at 1.79. As above, the additional impact of this part of the cultural sector appears to be above what would be implied if official figures were employed.

Figure 8 shows the proportion of total income supported by each individual Scottish Arts Council sector. Music and Drama again account for the majority, together supporting 56.2% of total supported income.

Figure 8 -Income supported by Scottish Arts Council core funded organisations - % by Scottish Arts Council sector



Source - FAI/CCPR

Table 11 below shows the estimated employment multipliers, both for the Scottish Arts Council companies as a whole and for the individual Scottish Arts Council sectors.²⁶ The total multiplier is estimated at 1.83, which means that every one person employed within the arts supports a further 0.83 of an FTE job in other sectors of the Scottish economy, once indirect and induced effects are taken into account.

Table 11 – Employment multipliers by Scottish Arts Council core funded sectors	Estimated Employment Multiplier
Dance	1.64
Music	1.82
Visual Arts	2.09
Drama	1.94
Festivals	3.12
Arts Centres	1.40
Arts Development	1.54
Literature	2.25
Total	1.83

Source - FAI/CCPR

This finding – that every one job in the arts supports a further 0.83 jobs in other sectors – gives a good indication of how the arts affect the wider economy. However, we can further demonstrate the impact of the arts in two ways. Firstly, Table 12 below compares the employment multiplier derived by this study with that published by the Scottish Executive – the only other comparable figure that allows us to

²⁶The multipliers shown are Type II multipliers, which take account of both indirect and induced effects.

demonstrate the wider employment effects of the arts on the Scottish economy. Note, however, that the figure of 1.66 shown in Table 12 is not for the arts alone, but for the 'Recreational, Cultural and Sporting Activities' sector. This sector contains a number of arts activities, including theatre, operation of arts facilities, museum activities and motion picture production. However, it also contains a number of other activities which would not typically be included within the arts (for example, sporting activities, gambling and betting, botanical and zoological gardens) or would be considered as only tangentially so (for example, news agency activities, fairgrounds and amusements parks). The multiplier derived here is in contrast, one that specifically measures the wider employment impact on the Scottish economy of the 'core' arts activities. It is, therefore, of some interest to note that these employment impacts are estimated to be larger than would be found if official estimates were used.

Table 12		
Employment Multipliers	FAI	Scottish Executive
	1.83	1.66

Source - FAI/CCPR

The Scottish Executive publishes comparable employment multipliers for a total of 128 Scottish industrial sectors, and we note that the employment multiplier derived here (1.83) would mean that the arts ranked as 47th highest, placing it above a number of other important sectors.²⁷ For example, the employment multiplier is above that for Office Machinery (1.633), Retail Distribution (1.245) and Research and Development (1.283).

Secondly, we also note that the employment multiplier of 1.83 is above that for the Scottish Executive sector 'Public Administration', reported as 1.66, a finding which can be interpreted as meaning that expenditure on the arts creates more additional employment per pound than general government expenditure.

This last finding is of interest because it allows us to say something about the issue of displacement as it affects Scottish Arts Council core funded organisations. It could be argued that there might be alternative uses for monies paid out in public support to the cultural sector, and that we should recognise this in estimating the employment supported by the cultural sector. To the extent that monies might alternatively have been used to fund general government spending, the results show that spending on this area (on Scottish Arts Council core funded organisations) creates more employment per pound spent than general government spending.²⁸

²⁷Recreational, Cultural and Sporting Activities is ranked as the 59th highest.

²⁸It was our original intention to address the question of displacement through in the questionnaire sent to SAC core funded organisations. However, the quantity of returns to our questions on this aspect did not allow this.

Section 4 – The museums sector

As discussed above we were concerned to include museums and galleries in our research. Whilst we did undertake data gathering of our own – through the distribution of questionnaire surveys as outlined – above we were also aware of existing recent data on the sector as the result of *A Collective Insight, Scotland's National Audit* commissioned by the Executive and undertaken by the Scottish Museums Council. We drew on this existing data set to supplement the returns elicited by our questionnaire.

As in our examination of Scottish Arts Council core funded organisations, we begin by examining some background data on the museum and galleries sector in Scotland. The background data analysed in this section are taken mainly from SMC's *A Collective Insight, Scotland's National Audit*, which covered the period 2001/2002. The figures discussed in the first section are not, therefore, drawn from our questionnaire, the returns from which are discussed in detail below. Instead, this section uses other data sources, principally the SMC's *A Collective Insight, Scotland's National Audit*, to provide a background analysis on the Scottish museums and galleries sector, and focuses, in particular, on economic areas such as employment and expenditure. Our research report, therefore, uses figures relating to the financial years 2001/2002 and 2002/2003. Information relating to the former is generally used as providing background to the information elicited by our questionnaire which related to the latter year. In terms of gauging the economic impact of the cultural sector this is a reasonable protocol to follow.

Table 13 below shows the number of Scottish museums and galleries that were participants in the SMC's *A Collective Insight, Scotland's National Audit* and who, therefore, provided audit data.

Table 13 – number of Scottish museums and galleries that were participants in the SMC's <i>A Collective Insight, Scotland's National Audit</i>	No.	%
Independents	123	74.5
Universities	10	6.1
Local Authorities	30	18.2
Nationals	2	1.2
Total	165	100

Source - SMC

Most museums and galleries participating in the SMC's *A Collective Insight, Scotland's National Audit* were the smaller independent museums and galleries, who comprise almost three-quarters of the 165 organisations reviewed.

In addition, the SMC's *National Audit* data also include two other Scotland-wide organisations – Historic Scotland and the National Trust for Scotland. However, neither of these institutions fits with the definition of the cultural sector used here (which focuses on museums and galleries), and we have excluded them from the analysis.

However, there are national institutions included in our analysis and they are the National Galleries of Scotland (NGS) and the National Museums of Scotland (NMS), both of which returned our questionnaire. The other museums and galleries covered by the SMC's *A Collective Insight, Scotland's National Audit*, and by our research project, are those of the local authorities and those owned and operated by the universities.

Employment

The much smaller average size in the independent sector means that it accounts for a much smaller proportion of all museums and galleries employment in Scotland – the average employment in the independents is around 4.2 FTE jobs compared to an average of 308.5 FTE jobs in the two national institutions. Table 14 below shows the relative importance by employment. Local Authorities account for just less than 40% of all employment and the Nationals account for around a third. Note, however, that the employment figures quoted in the tables do not include volunteers and numbers of these are considerable, especially in some areas. For example, the SMC estimates that there are 2,391 volunteers in the Independent sector alone. Volunteers certainly make an important contribution to many kinds of museums and galleries, however, since they are not paid, they do not make either a direct or, more importantly, an additional impact in terms of the terms and methods used in this study, and they could not, therefore, be treated adequately in a study designed to measure economic impact. Within these parameters, the results as presented, thus, correctly measure the initial and additional economic activity created by museums and galleries.

Table 14 – % distribution of employment in Scottish museums and galleries that were participants in the SMC's <i>A Collective Insight, Scotland's National Audit</i>	No.	%
Local Authorities	516	25.8
Nationals	75	3.7
Total	795	39.7
	617	30.8
Total	2,003	100

Source - SMC

Table 15 below shows the distribution of employment across Scotland. However, *A Collective Insight, Scotland's National Audit*, from which the figures in Table 14 have been derived, only provides this

breakdown for three of the categories (Independents, Universities and Local Authorities), and so we can only examine this for aspect for these three categories.²⁹

Table 15 – % distribution of employment by location of museums and galleries that were participants in the SMC’s <i>A Collective Insight Scotland’s National Audit</i>	%
	6.7
Dundee	3.1
Edinburgh	6.9
Glasgow	28.4
Highlands & Islands	13.1
Other	41.8
Total	100

Source - SMC

The four main cities, which account for 45.1% of all employment, again account for the majority of all jobs. This figure is considerably below the comparable figure of 68.8% seen in Scottish Arts Council core funded companies (see Table 6 above), but this difference, of course, partly reflects the lack of data for the two national institutions.

Income

A Collective Insight, Scotland’s National Audit collected, instead of actual figures, information on the *percentage* of the total income of participant organisations obtained from different sources. However, it is possible to estimate total public expenditure on museums and galleries making use of other sources. Table 16, below, gives an estimate of total public spending on museums and galleries in 2001-2002. These figures provide a partial picture of overall funding to museums and galleries, omitting income, for example, from private sources, trusts, foundations and business sponsorship. Included in the figures are Scottish Executive grant-in-aid to the National Galleries and National Museums of Scotland, spending by local authorities on their own museums and galleries, and funding for university museums and galleries from the Scottish Higher Education Funding Council (SHEFC).

The figures show that estimated public expenditure on museums and galleries from these sources totalled £72.4M in 2001/2002. The substantial contribution made by Local Authorities – 47.3 % of all expenditure shown– is again evident.

²⁹Although many jobs in national institutions are likely to be based in Edinburgh, the SMC audit data details employment in these only as Scotland wide.

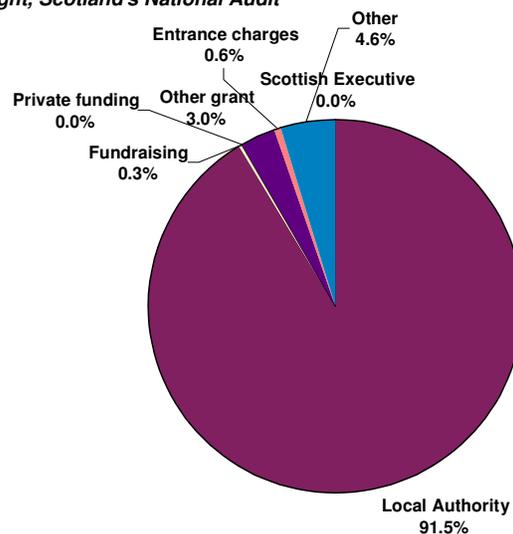
Table 16 – Estimated public expenditure on museums and galleries	Total Expenditure(£M)
Local authority museums and galleries (1)	34.2
Scottish Executive (2)	37.2
Universities (3)	0.93
Estimated Total Expenditure on Visual Arts	72.4

Notes

- (1) Scottish Executive, Scottish Local Government Finance Statistics, 2001-02 (Edinburgh, Scottish Executive National Statistics, 2003).
(2) Total Expenditure, National Galleries of Scotland and National Museums of Scotland (FAI/CCPR Questionnaire data)
(3) SHEFC Museums, Galleries & Collections Grant

Figures 9-12 below uses data from SMC's *A Collective Insight, Scotland's National Audit* to detail the pattern of funding of the four main categories of museum and gallery.

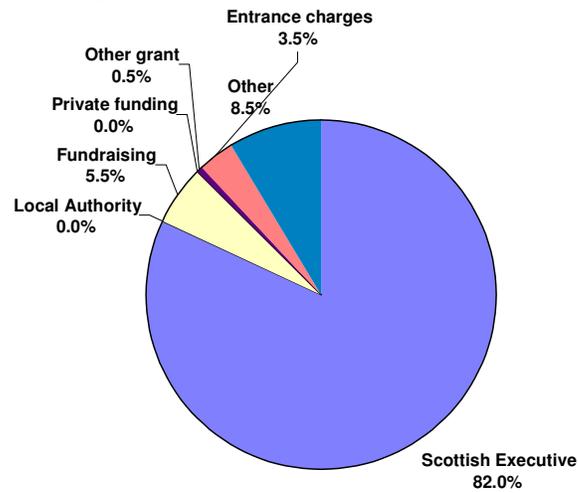
Figure 9- Funding Sources, by %, for local authority museums and galleries that participated in the SMC's *A Collective Insight, Scotland's National Audit*



Source - SMC

Funding by Local Authorities themselves accounts, not surprisingly, for the great majority of income in Local Authority museums and galleries and, bearing in mind that Local Authorities employ around 40% of all staff in Scottish museums and galleries, Figure 9 again shows the important contribution made by Local Authorities to the overall operation of the cultural sector in Scotland. None of the Local Authorities who responded to the SMC audit reported receiving funding from the Scottish Executive.

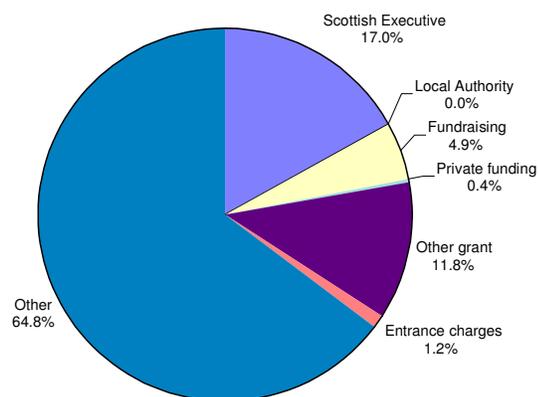
Figure 10- Funding Sources, by %, for National museums and galleries that participated in the SMC's *A Collective Insight, Scotland's National Audit*



Source - SMC

The Scottish Executive does of course underpin the majority of funding for the National Museums and Galleries sector, and accounts for 82% of all funding sources. However, the Nationals also raise 5.5% from fundraising and 3.5% from entrance charges.

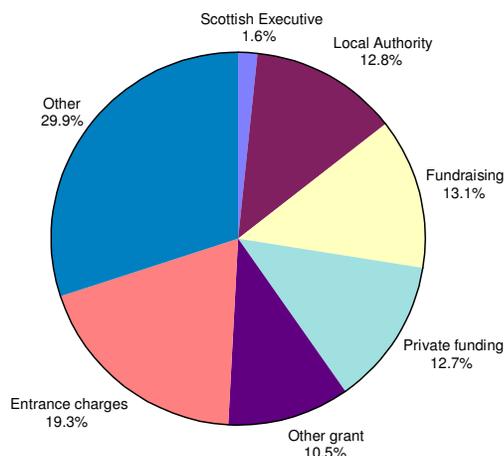
Figure 11- Funding Sources, by %, for university museums and galleries that participated in the SMC's *A Collective Insight, Scotland's National Audit*



Source - SMC

The universities themselves are the principal funders of their museums and galleries: they contribute some two-thirds of the costs of running their museums and galleries. The Scottish Executive contributes a further fifth of the costs, with an additional 5% coming from fundraising.

Figure 10- Funding Sources, by %, for independent museums and galleries that participated in the SMC's *A Collective Insight, Scotland's National Audit*



Source - SMC

Independent museums and galleries show the most diverse range of funding. Public sources (Scottish Executive and Local Authorities) account for only 15% of total income, while funding from private sources (Fundraising, Private Funding and Entrance charges) accounts for 45% of all income.

The data set

Table 17 below shows three things: the numbers of Scottish museums and galleries that were participants in the SMC's *A Collective Insight, Scotland's National Audit*; the numbers of museums and galleries who responded to our questionnaire; and the percentage response rate for the four main sectors within the museum and gallery sector overall. As mentioned above, museums and galleries questionnaire data covers the period 2002-2003.

What is immediately clear is that the response rate from museums and galleries surveyed is considerably below that we managed to achieve from Scottish Arts Council core funded companies. Overall, only 13% of all museums and galleries that were participants in the SMC's *A Collective Insight, Scotland's National Audit* submitted a completed questionnaire. With regard to the separate types of organisation, the response is poorest from Local Authorities which, as discussed above, are estimated to provide almost 40% of all FTE employment in Scottish museums and galleries. We discuss the

actions taken to deal with this below. However, we did receive returns from the two national institutions (the National Galleries of Scotland and NMS), and this is clearly of considerable importance, in view of the fact that these contribute over 30% of all estimated employment (see Table 14 above).

Table 17 – Numbers of museums and galleries	Total Participants	Number of Survey Respondents	%
Independents	123	15	12.2
Universities	10	3	30.0
Local Authorities	30	2	6.7
Nationals	2	2	100
Total	165	22	13.3

Source - SMC/FAI/CCPR

Table 18 below details responses on an employment basis. The importance of the responses received from the two national organisations is again clear. These two organisations account for 30.8% of all employment in the sector and the two responses we received from them account for an estimated 98.9% of all employment in these national institutions. In addition, responses from the larger university institutions mean that we are able to include responses for over 90% of all employees in the university museums and galleries sector.

Table 18 – Employment in museums and galleries by sector and survey response	Total Employment	Employment in Survey Respondents	%
Independents	516	19	3.7
Universities	75	69	92.6
Local Authorities	795	51	6.5
Nationals	617	610	98.9
Total	2,003	750	38.9

Source - SMC/FAI/CCPR

However, the response from both Independents and Local Authorities remains low at 3.7% and 6.5% respectively. This is of most concern with regard to Local Authorities, which, as Table 13 above has shown, are very significant institutions within the museums and galleries sector in Scotland.

We did make especially strenuous attempts during the course of the study to increase the number of survey responses from Local Authorities. However, these attempts to obtain more returns were largely unsuccessful, and the main result of these efforts was that we managed to obtain up to date data on the *total* museum and gallery expenditures made by several of the largest Scottish Local Authorities, including data for all of the main cities.³⁰ These expenditure figures were initially drawn up by these

³⁰Aberdeen, Dundee, Edinburgh, Glasgow and North Lanarkshire provided us with their GLAAM returns.

Local Authorities as part of the Group of Large Local Authority Museums (GLLAM) project run by the University of Leicester. The GLAMM returns were then used to approximate the data sought in the original questionnaire.

Expenditure

Table 19 below shows the breakdown between goods and services and wage expenditure for those museums and galleries who responded to our questionnaire. Survey respondents spent a total of £29.5M, with just over 60% of all expenditure on wages.³¹ However, there are clearly some differences in the proportions spent on wages and goods and services across the four categories of institution, with universities spending a particularly high proportion on wages, in contrast to independent museums and galleries, where wages account for only 43.1% of all spending.

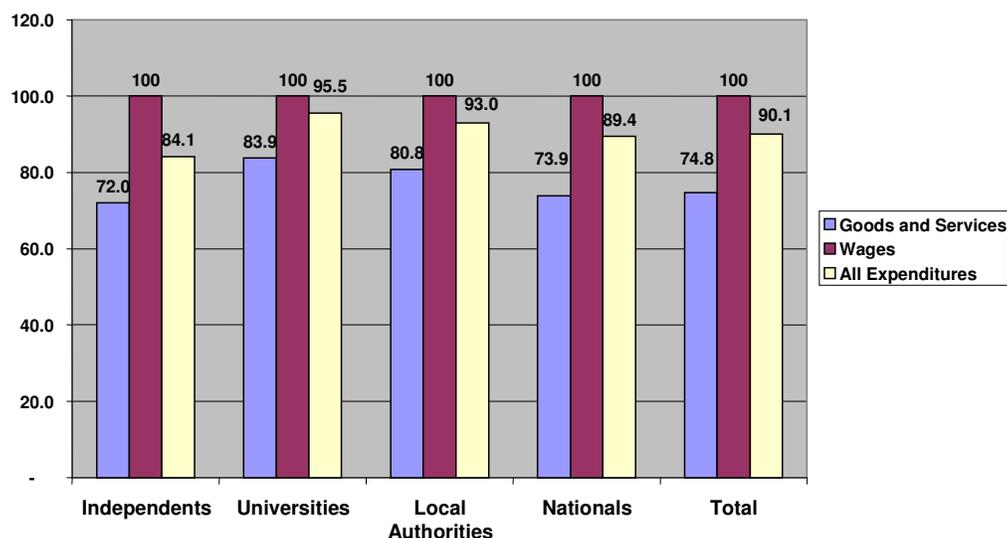
Table 19 – Expenditure in museums and galleries	Goods and Services		Wages	
	£	%	£	%
Independents	283,933	56.9	215,470	43.1
Universities	690,094	27.7	1,804,025	72.3
Local Authorities	582,999	36.3	1,023,143	63.7
Nationals	10,066,514	40.4	14,859,400	59.6
Totals	11,623,540	39.4	17,902,038	60.6

Source - FAI/CCPR

Figure 13 examines the extent to which, based on returns to our survey, the four different types of institutions purchase both labour services and commodities in Scotland. While we recognise that the numbers who responded are limited, Figure 13 does appear to indicate that museums and galleries are similar to the Scottish Arts Council core funded organisations, in that they are highly likely to use local resources to provide a local museums and gallery service in Scotland. For example, all wage spending is Scottish in all four types of institution. The proportion of goods and services purchased locally is also consistently high.

³¹However, this figure is clearly affected by the inclusion of the two national institutions.

Figure 13- Proportion of expenditures made in Scotland by museums and galleries



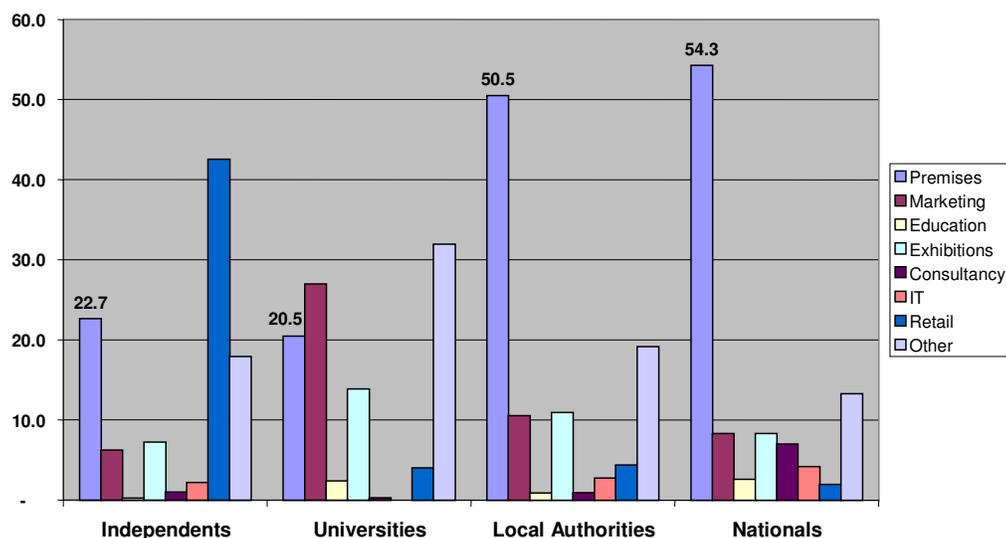
Source - FAI/CCPR

Figure 14 below details information on the proportions spent by the goods and services categories defined in the survey questionnaire. The most outstanding feature is clearly the proportion of all goods and services expenditure that goes on premises and equipment – both Local Authorities and the Nationals spend over half of all expenditure on this category (property expenditures are highlighted in Figure 14). The two Nationals spent a total of £5.4M on premises, including £2.76M on repair, £0.8M on architects' fees and a further £0.6M on rents.³² Clearly, much expenditure by the Nationals goes simply on the extensive properties that they run and maintain, and it appears that a similar finding applies to Local Authorities.

The expenditure pattern differs in the other two types of institution. Independents appear to spend more heavily on purchases to supply their own retail facilities. However, the figures here are heavily influenced by one return, which spent £0.11M on purchases for its retail operation, this representing around 84% of all retail spending made by the independent sector.

³²These are ongoing expenditures, and do not include spending on any major new capital items.

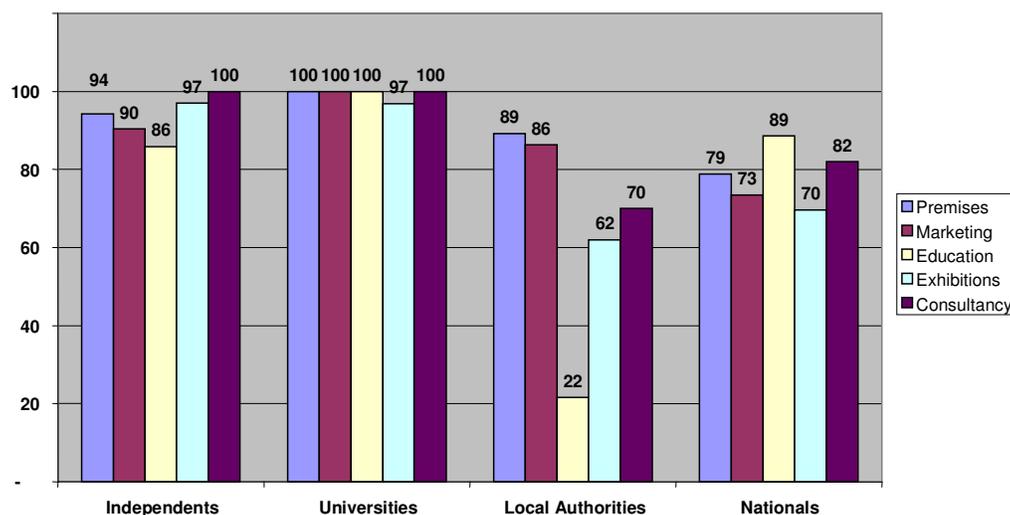
Figure 14 – Spending by questionnaire category by in museums and galleries r



Source - FAI/CCPR

Finally, Figure 15 below shows the proportion of expenditures that are made in Scotland for the major categories of expenditure defined in the survey questionnaire. The use of Scottish resources across most categories is again clear, particularly for independents and universities. In the two larger types (Local Authorities and Nationals), most spending across most categories is also Scottish based, although there is one exception in the case of Local Authorities (Education spending). Here, however, the low spending in Scotland arises because the returns show that one Local Authority spent a large proportion of education spending outwith Scotland, and this result can probably therefore be attributed simply to the low response rate received from the Local Authorities sector.

Figure 15 – Proportion of expenditures made in Scotland, main expenditure categories, by museums and galleries



Source - FAI/CCPR

In discussing the extent to which museums and galleries use Scottish expertise, one result in Figure 15 is of particular note. Over 80% of all spending on Freelance Consultancy made by the national institutions is spent in Scotland. In reality, only one of the two Nationals made any significant expenditure on consultancy, and the survey return from this institution showed that over 85% of all consultancy expenditures were spent in Scotland. We would expect that this expenditure is that most likely to involve highly skilled advisory services, and it is, therefore, interesting to note that such a high percentage was spent locally.³³ This again appears to show that much of the specialist advisory services required by the sector are available locally in Scotland.

Multiplier effects

The following tables show the total impact of the museums and galleries sector, in terms of the total employment and income supported in Scotland by these institutions.

These results are shown on a grossed up basis, that is, the estimates cover all museums and galleries who responded to the SMC's *A Collective Insight, Scotland's National Audit*, a total of 165 organisations. Grossing up from survey respondents to the sector as a whole was in this case done on an employment basis.

³³The only Local Authority to spend a significant amount on Freelance Consultancy purchased 70% of such services in Scotland.

Table 20 below details our estimate of the employment created by all museums and galleries, including those organisations that did not respond to our survey.

Table 20 – Employment created by museums and galleries	Initial Employment	Additional Employment Created	Total Employment Created
Independents	516	419	935
Universities	75	34	109
Local Authorities	795	465	1,260
Nationals	617	364	981
Total	2,003	1,282	3,285

Source - FAI/CCPR

We estimate that the 2,003 FTE employees in museums and galleries support an additional 1,282 FTE jobs in other Scottish industrial sectors, and therefore support a total of 3,285 FTE jobs across Scotland in total. The majority of all jobs is, of course, supported by the two main sectors, with the Local Authorities estimated to support 1,260 jobs (38.4% of all supported employment) and the Nationals 981 (29.9%)

Table 21 below details the employment multipliers for each sector.

Table 21 – Employment multipliers for museums and galleries by sector	
Independents	1.81
Universities	1.46
Local Authorities	1.59
Nationals	1.59
Total	1.64

Source - FAI/CCPR

The key finding is again that every one job within museums and galleries sector supports a further 0.64 jobs in other sectors. However, we note that the employment multiplier of 1.64 derived here is slightly (by 1.2%) below that for recreational and sporting activities (equal to 1.66). The estimated employment multiplier is also marginally below that for public administration (1.66) by the same amount, suggesting that there is little difference in the amount of employment created by expenditure on museums and galleries and general government spending.

Table 22 below shows the income created by Scottish museums and galleries. We estimate that the initial income paid by these organisations amount to just under £39M. Nationals and Local Authorities, who together make around 81.1% of all wage payments, pay the majority of income. The initial wage payments made across the sector support a further £25.2M worth of wages in other sectors of the

Scottish economy, so museums and galleries support, both directly and indirectly, a total of £64.3M worth of income in Scotland.

Table 22 – Income created by museums and galleries	Initial Income	Additional Income Created	Total Income Created
Independents	5.4	7.4	12.8
Universities	1.9	0.7	2.6
Local Authorities	16.8	9.0	25.8
Nationals	14.9	8.2	23.1
Total	39.0	25.3	64.3

Source - FAI/CCPR

Finally, Table 23 shows the income multipliers implied by the figures in Table 21. The overall multiplier is equal to 1.65, meaning that every £1 of income paid by museums and galleries supports a further £0.65 worth of income in other sectors. This is again below the figure the Scottish Executive has estimated for Recreational and Cultural Services (1.79). However, it is above that estimated for Public Administration, which is estimated at 1.38, which implies that expenditure on museums and galleries create more additional income per pound spent than general public expenditure.

Table 23 – Income multipliers for museums and galleries by sector	
Independents	2.36
Universities	1.35
Local Authorities	1.53
Nationals	1.55
Total	1.65

Source - FAI/CCPR

Section 5 – Other sectors

This study focuses on the core of the cultural sector in Scotland, as defined in section 1, and we have included film, radio and television and publishing in our definition. All of these have been subject to recent studies by other organisations, which have used their own methods to assess the economic impact of these sectors. We now turn to these. However, our discussion is restricted largely to how they relate to the present study. We, therefore, look at what they indicate about the economic aspects of these sectors, and the extent to which the results reported in each study are comparable to those discussed here – and, as will be clear, we were able to identify only a few comparable findings.

In addition we examine two other recent studies that deal with the cultural sector. *Crafts Businesses in Scotland* commissioned by the Scottish Arts Council *et al* examines an area which receives some Scottish Arts Council funding but is not included in our discussion of the economic activity of Scottish Arts Council funded organisations, since the businesses that support craft activity in Scotland are not core funded but receive other forms of Scottish Arts Council financial assistance.³⁴ *Mapping the Music Industry in Scotland*, commissioned by SE, examines the wider music sector, including activity supported through Scottish Arts Council core funded organisations. However, it also examines other areas including individual artists, live music venues and the recording industry.³⁵

Screen industries

Data on the size of this sector are available from a recent review undertaken on behalf of the Scottish Executive, SE, Highlands and Islands Enterprise, the Producers Alliance for Cinema and Television (PACT), and Scottish Screen.³⁶ The study deals with seven sub-sectors within the Screen Industries (Television, Feature film, Animation, Radio, Screen-related new media, Video production, and Commercials) and reviews global, UK and Scottish data on these. The audit also includes case studies, discussions of potential business models and a review of overseas developments. However, we concentrate here on the economic data relating to the Screen Industries in Scotland.

Table 24 below details the estimated employment by sub-sector in Scotland, and Table 25 details estimated expenditure as what the study defines as 'content spend'.

³⁴Andrew McAuley and Ian Fillis, *Crafts Businesses in Scotland: A Study for the Scottish Arts Council*, Scottish Enterprise and Scottish Enterprise Glasgow (Glasgow: Scottish Enterprise Network; and Edinburgh: SAC, 2002).

³⁵John Williamson, Martin Cloonan, and Simon Frith, *Mapping the Music industry in Scotland: A Report* (Glasgow: Scottish Enterprise, 2003).

Table 24 Employment in Screen Industries by sub-sector		Total
Television (1)		1,653
Feature Film (2)		977
Animation		104
Radio		1,129
Screen-related new media		207
Video production		291
Commercials		31
Total		4,392

Notes

(1) Employment in Broadcasters, Independents and Freelance.

(2) This figure refers to those available for employment, not necessarily the number actually working in Feature Films

(3) The employment figures quoted in the document are for 2001-02

Source - *Audit of the Screen Industries in Scotland*

Table 25 Content Spend by Screen Industries		(£M)
by sub-sector		
Television		149.0
Feature Film (1)		37.0
Animation (2)		3.4
Radio		38.0
Screen-related new media		5
Video production (3)		17.6
Commercials (4)		7.6
Total		257.6

Notes

(1) Budget for 14 feature films made in Scotland

(2) Revenue to animation companies creating content in

(3) Estimated spend on corporate production

(4) Estimated amount spent producing TV commercials

(5) The figures quoted in the document are for 2001-02

Source - *Audit of the Screen Industries in Scotland*

The report estimates that the screen sector employs some 4,392 people in Scotland and that total 'content spend' is around £257.6M.

³⁶David Graham and Associates for the Scottish Executive, Scottish Enterprise, Highlands and Islands Enterprise, Producers Alliance for Cinema and Television, and Scottish Screen, *Audit of the Screen Industries in Scotland* (Glasgow: Scottish Screen, 2003).

The study does not report an estimate of the income generated by the Screen Industries, and some issues do surround the estimates shown in Tables 24 and 25. For example, the apparently different procedures used to estimate content spend make it difficult to reconcile the various estimates of this variable across the sub-sectors discussed in the report. Secondly, the estimate of employment in Feature films is clearly not consistent with the employment estimates for other sub-sectors featured in the report itself, or with the other studies discussed above. Both problems make it difficult to compare the amount of activity provided by screen with the amount provided by other sectors.³⁷

Publishing

The existing research in this area is the Scottish Arts Council's December 2003 report, *A Review of Scottish Publishing in the Twenty-first Century*. This study examined a range of issues concerning Scottish publishing, particularly its socio-economic impact, policy initiatives necessary to support the sector, and the role of the Scottish Arts Council in helping to support and realise these benefits. We focus here on the estimate of economic benefits detailed in the study.

The study reports the results of a survey of Scottish Publishers Association (SPA) members conducted in 2001, which reported that industry sales were equal to £188.5M and that direct employment in the industry was equal to 1,258 employees. However, it does not report the number of firms surveyed, or even whether this figure of 1,258 includes only survey firms or an estimate of all employment across the industry.

The study then provides a figure for the additional employment created by publishing, believed to be 754 jobs. This figure for additional jobs appears to be based on an expenditure multiplier of 1.3, which is drawn from 'DTI estimates of multiplier values across similar sectors', and an assumption that each turnover per employee in companies supported by publishing is equal to £75,000 per employee.³⁸ On the basis of the Scottish Executive multiplier for Printing and Publishing, the implied employment multiplier (1.6) appears to overestimate the additional employment created – the Executive's Type I employment multiplier for Printing and Publishing is estimated at 1.17.³⁹

It is, therefore, difficult to draw conclusions comparable to ours on the size of the publishing sector in Scotland. However, assuming that the employment figures quoted are for the industry as a whole, it appears to employ 1,258 employees in Scotland.

³⁷Scottish Executive, *Scottish Screen: A Review by the Scottish Executive* (Edinburgh: Scottish Executive, 2002), also provides some data on the size of the film industry in Scotland. It quotes an estimate that, in 2000, 5,500 people were employed in film making in Scotland. We have been unable to reconcile the substantial difference between this figure and the figure of 977 shown in Table 24 above.

³⁸Scottish Arts Council, *A Review of Scottish Publishing in the Twenty-First Century* (Edinburgh: SAC, 2003), p. 51.

Crafts

Crafts Businesses in Scotland, commissioned by the Scottish Arts Council, SE and SE Glasgow and published in January 2002, examines an area which does receive some Scottish Arts Council funding. However, it is not included in our discussion of the economic activity of Scottish Arts Council funded organisations since the businesses that support craft activity in Scotland are not core funded, but receive other forms of Scottish Arts Council financial assistance. This study used a questionnaire survey to examine, *inter alia*, the size of the crafts sector in Scotland in 2001. Other issues covered included skills and training issues, sources of business support, the types of legal status, marketing issues and exporting. 'Crafts' were defined as objects with a high degree of hand-made input, produced as one-offs or in small batches, and sold for profit. Areas covered included ceramics, textiles, wood and jewellery.

The study reports only one key finding on the size of the economic size of the Crafts sector in Scotland, that it is estimated to generate between £95-£150M worth of turnover. However, while this figure is derived from what seems an adequate number of survey returns (643 companies provided information on turnover by size band), it also assumes that a total of 3,000 crafts businesses operated in Scotland in 2001.⁴⁰ The study does not appear to provide the basis for this claim (that 3,000 crafts businesses do actually operate) and this clearly creates some difficulty in assessing its accuracy.

The study does not provide an estimate of the income generated by the Crafts sector, nor does it estimate either the numbers directly employed or the multiplier impacts of Crafts, and so the results reported are thus not directly comparable with those reported here. However, it is possible to use the data (and the assumptions detailed, particularly that there are 3,000 companies in this sector) to estimate that the sector would employ 10,357 on the basis of the figures reported in the study. If this were correct, then Crafts would employ substantially more than core arts sectors such as the Scottish Arts Council core funded organisations examined earlier.⁴¹

Music

Mapping the Music Industry in Scotland – a report undertaken in 2003 – examines the wider music sector, including activity supported through Scottish Arts Council core funded organisations. However, it also examines other areas including individual artists, live music venues and the recording industry. The report contains details on the following elements of the industry –

³⁹The study appears to include only direct and indirect, but not induced, impacts.

⁴⁰McAuley and Fillis, *Crafts Businesses in Scotland*, Table, 7, p. 28.

⁴¹Note however, that the Crafts study does not detail whether employment is on an FTE basis. However, it should perhaps be mentioned that the SAC also supports crafts through grants to individuals, organisations to present exhibitions, and various initiatives to develop opportunities for the crafts sector.

- Artists and composers
- Live music
- The recording industry
- The media
- Other creative industries
- Ancillary services
- Retail

The figures in the report are culled from a variety of sources specific to each sector, and the absence of an existing dataset has clearly forced the authors to employ a variety of assumptions in order to obtain estimates of the income and employment generated by each part of the industry. However, they have made a serious attempt to obtain a comprehensive picture of the music 'scene' in Scotland, and the report clearly does represent the most up to date and inclusive set of figures on this.

Table 26 below reports the estimates of income and employment in each of the above sectors examined in the study.⁴² Both the income and employment figures are intended to represent direct effects, and take no account of any indirect or induced effects generated by the music industry.

However, the study does use the production cycle approach discussed earlier, and some of the impacts therefore represent income and employment that would be generated by direct music expenditures. For example, employment in ancillary services includes employment in legal and accountancy services supported by music expenditure. It also includes employment in retail sales (which accounts for over 30% of all FTE employment).

In total, the report estimates that music employs a total of 2,679 FTE employees in Scotland, and generates £106M worth of income.

⁴²We have converted the employment figures reported in the music report into FTE equivalents.

Table 26			
Income and Employment in music industries by sub-sector		Income (£M)	Employment (FTE)
Artists and Composers			
	<i>Creation/composition</i>	9.3	126
	<i>Orchestras</i>	5.5	233
	<i>Club Musicians</i>	1.2	50
	<i>DJs</i>	3.0	158
	Total	18.9	567
Live Music			
	<i>Venues</i>	8.35	
	<i>Promoters, Festivals and Agents</i>	32.15	174.3
	<i>P.A., Lighting & Technicians</i>	3.36	162.3
	<i>Freelancers, tour managers, etc</i>	-	117.7
	<i>Security</i>	1.25	12.0
	<i>Crew</i>	0.03	10.7
	<i>Ticket Agents</i>	0.66	10.7
	Total	45.8	488
Recording Industry			
	<i>Recording & rehearsal Studios</i>	3.0	139.7
	<i>Record Labels</i>	6.7	117.3
	<i>Manufacturing & Distribution</i>	29.7	408.7
	Total	39	666
Other Creative Industries		1.18	35
	Total	1.18	35
Ancillary Services			
	Total	0.997	59
Retail			
	<i>Recorded Music</i>	na	651.7
	<i>Instrument</i>	na	213.7
	Total		
All Sectors		106.4	2,679

Source – Derived from *Mapping the Music Industry in Scotland*, Scottish Enterprise, February 2003.

Section 6 – Conclusions

In conclusion, we believe that this study has developed a number of significant economic results that will be of interest to those concerned with the cultural sector. The findings of the report will, we believe, be of more than academic interest: they should be of use for cultural planners and policy makers in Scotland and beyond.

The report – and experience of undertaking the research it presents – leads us to some key propositions regarding –

Expenditure – for the first time in Scotland, we have been able to identify details on the type of expenditures necessary to provide cultural services. The factual detail provided by this aspect of the study will aid those who use the production cycle approach to cultural planning. As this is the approach which motivates much of the policy work developed for the cultural sector this dataset is particularly valuable.

Local resources – the study has also demonstrated the extent to which, in producing cultural output, Scottish organisations make a significant use of local inputs. The results for both the Scottish Arts Council's core funded organisations and the museums and galleries that participated in the SMC's *A Collective Insight, Scotland's National Audit* show that much expenditure is used to purchase Scottish-based resources, and that Scottish companies are well able to provide the kind of specialist services necessary to support the cultural sector.

Multiplier effects – the multiplier estimates developed in the study show that the two key parts of the cultural sector investigated here generate significant levels of additional activity in Scotland. By collecting data directly from Scottish Arts Council core funded companies, we have been able to develop estimates of additional activity which exceed the amount that would have been estimated by using official sources. We would not necessarily wish to argue that the ability of the cultural sector to support additional economic activity is the primary reason why we should continue to support it. The existence of non-market benefits of the sort mentioned above may in fact provide a more significant economic rationale for support. However, it is nonetheless the case that the cultural sector does have economic impacts, and we believe that quantifying these may help refine policy debates concerning the appropriate level of support.

We end with two observations, one related to terms and definitions and one about the research agenda in cultural policy and planning –

Definitions – there is a clear need, particularly among policy makers, to establish an appropriate definition of the cultural and creative sectors. Current work in this area is difficult to interpret, and our discussion of some of the problems we encountered in deciding what constitutes the cultural and creative industries suggests that basic work of clarification and definition are required.

Future research – while we have identified the amount of activity currently supported, we have been unable to identify the extent to which this aspect of the cultural sector has changed in recent years. We therefore have no way of assessing the extent to which the cultural sector's contribution has grown (or not) over time. The discourse of 'evidence-based policy making' demands that this issue be addressed through further and longitudinal research.

Appendices

Appendix 1 – Abbreviations used in the report

CCPR	Centre for Cultural Policy Research, University of Glasgow
DCMS	Department for Culture Media and Sport
EU	European Union
FAI	Fraser of Allander Institute for Research on the Scottish Economy, University of Strathclyde
FTE	Full-time equivalent
GLLAM	Group of Large Local Authority Museums
IT	Information technology
NGS	National Galleries of Scotland
NMS	National Museums of Scotland
PACT	Producers Alliance for Cinema and Television
SE	Scottish Enterprise
SHEFC	Scottish Higher Education Funding Council
SMC	Scottish Museums Council
SIC	Standard Industrial Classification
SPA	Scottish Publishers Association
UNESCO	United Nations Educational, Scientific and Cultural Organisation

Appendix 2 – Mapping of 4-digit Standard Industrial Classification (SIC) codes to Scottish Enterprise’s categories of the ‘creative industries’

SE CATEGORY	SIC economic activity definition	SIC	Pratt's Group**
Film	Manufacture of optical instruments and photographic equipment (includes cinemagraphic equipment)*	33.4	
	Motion picture and video distribution (public)	92.11	2
	Motion picture and video distribution (non-public)	92.12	3
	Motion picture projection	92.13	3
TV/Radio	Reproduction of video recording	22.32	3
	Manufacture of electronic valves and tubes and other electronic components*	32.1	2
	Manufacture of television and radio transmitters and apparatus for line telephony*	32.3	2
	Wholesale of electrical appliances and radio and television goods (includes records, tapes and CDs)*	51.43	2
	Retail sale of electrical household appliances and radio and TV goods (includes records, tapes and CDs)*	52.45	4
	Radio and Television Activities	92.2	1
	News Media	News agency services	92.4
Other Multimedia	Manufacture of photographic material/chemicals	24.64	2
	Manufacture of unrecorded records, tapes, videos, CD	24.65	
	Photographic activities	74.81	1
Computer Games	Reproduction of computer media*	22.33	3
	Software Consultancy and Supply*	72.2	1
Publishing	Publishing of Books	22.11	1
	Publishing of Newspapers	22.12	1
	Publishing of Journals and Periodicals	22.13	1
	Other Publishing*	22.15	1
	Printing of Newspapers	22.21	3
	Printing not elsewhere classified*	22.22	3
	Bookbinding and finishing	22.23	3
	Composition and platemaking*	22.24	3
	Other activities related to printing*	22.25	3
	Manufacture of machinery for paper and paperboard production*	29.55	2
	Retail sale of books, newspapers and stationary*	52.47	4
Music	Publishing of sound recordings	22.14	1
	Reproduction of sound recording	22.31	3
	Manufacture of musical instruments	36.3	2
Architecture	Architecture and engineering activities and related technical consultancy (includes engineering technical consultancy).*	72.4	
Cultural Industries	Artistic and literary creation and interpretation	92.31	1
	Operation of arts facilities	92.32	4
	Library and archives activities	92.51	4
	Museum activities and the preservation of historic sites and buildings	92.52	4
Advertising	Advertising	74.4	1
Sport	Operation of sports arenas and stadiums	92.61	
	Other sporting activities	92.62	
Misc	Other retail sales in specialised stores*	52.48	
	Retail sale of second hand goods in stores (incl. Antiques)*	52.5	
	Other business activities not elsewhere specified*	74.84	

- * An asterisk against a SIC sector indicates where only part of the data (for example, employment data) can be attributed solely to the 'creative industries'.
- ** Column 4, 'Pratt's group', shows the categories devised by Pratt, where: 1= Original Production; 2 = Infrastructure; 3 = Reproduction; and, 4 = Exchange, these being component parts of the Cultural Production Cycle.

Source: Scottish Enterprise.

Appendix 3 – Survey questionnaire i – Scottish Arts Council core-funded organisations



The Economic Impact of the Cultural Sector in Scotland

SCOTTISH ARTS COUNCIL FUNDED ORGANISATIONS

NB. PLEASE REFER TO THE GUIDANCE NOTES ON PAGE 5 BEFORE COMPLETING THE QUESTIONNAIRE

Please give your name, telephone number and email address in case of queries.

Name	
Organisation name	
Telephone	
Email Address	

The figures you provide should relate to the most recently completed financial year. As the reporting year may vary between organisations, could you please indicate the time period to which your figures relate?

Time period	
-------------	--

Please return the completed questionnaire in the FREEPOST envelope supplied to:

Fraser of Allander Institute
University of Strathclyde
Curran Building
100 Cathedral St
Glasgow G4 0LN.

WE WOULD BE VERY GRATEFUL IF YOU COULD RETURN THIS FORM BY FRIDAY 26 SEPTEMBER 2003.

If you have any problems in completing the questionnaire please contact:

Stewart Dunlop

Telephone 0141 548 3963

Email s.dunlop@strath.ac.uk

1. EMPLOYMENT- Please see Note 1

1.1 Please indicate the number of permanent (i.e., all year) employees in Scotland

Full Time	Part Time

1.2 Please indicate the number of temporary/seasonal employees in Scotland, and the average period for which seasonal employees worked

Full Time	Part Time
Average period Employed	Average period Employed

2. WAGE EXPENDITURE- *Please see Note 2*

2.1 Please indicate both:

- **YOUR TOTAL EXPENDITURE ON WAGES, AND**
- **THE % PAID TO SCOTTISH RESIDENTS**, for both permanent and temporary/seasonal employees, as follows. Please include figures for all employees specified in Sections 1.1 and 1.2 above.

Permanent Employees	Expenditure (£s)	% Paid to Scottish residents
Wage costs (inc. all overtime, bonus payments, commissions and National Insurance contributions)		
Superannuation contributions		
Temporary/Seasonal Employees	Expenditure (£s)	% Paid to Scottish residents
Wage costs (inc. all overtime, bonus payments, commissions and National Insurance contributions)		
Superannuation contributions		

3. OCCUPATIONAL STRUCTURE

3.1 Please indicate the number of your full-time staff in the following categories *Please see Note 3 before completing*

Employee category	Number of Full Time staff
1.General Managers and Directors	
2.Finance, legal and administrative staff	
3. Specialist arts staff	
4. Specialist public service staff	
5.Visitor services staff	
6.Technical staff	
7.Other staff	

4. ANNUAL OPERATING EXPENDITURES- *Please see Notes 2 and 4*

PREMISES AND EQUIPMENT	Total expenditure (£s)	% from Scottish suppliers
<i>Item</i>		
Rates		
Rents		
Repair and maintenance		
Architects and Designers fees		
*Furniture & Fittings		
Utilities (Electricity, Gas and Water)		
Security services		
Cleaning		
Other property expenses		
PRINCIPAL ARTISTIC ACTIVITY Productions/Performances/Events/ Projects/Exhibitions		
Please specify the major goods and services expenditures within the budget for your main artistic activities.	Total expenditure (£s)	% from Scottish suppliers
1 _____		
2 _____		
3 _____		

4 _____		
5 _____		
6 _____		
7 _____		
8 _____		
9 _____		
10 _____		

MARKETING AND PROMOTION		
<i>Item</i>	Total expenditure (£s)	% from Scottish suppliers
Advertising		
Market Research		
Brochures, posters, etc		
Other -Please specify any other major marketing/promotion expenditures not included elsewhere		
1 _____		
2 _____		
3 _____		

EDUCATION		
Please specify the major goods and services expenditures within your educational budget.	Total expenditure (£s)	% from Scottish suppliers
1 _____		
2 _____		
3 _____		
4 _____		

INFORMATION TECHNOLOGY		
<i>Item</i>	Total expenditure (£s)	% from Scottish suppliers
*Hardware & software consultancy		
*Computer maintenance		
*PCs and associated equipment		
Other -Please specify any other major IT expenditures not included elsewhere		
1 _____		
2 _____		
3 _____		

RETAIL <i>Please see note 5</i>		
<i>Item</i>	Total expenditure (£s)	% from Scottish suppliers
Restaurants, cafes		
Bookshops		
Other -Please specify any other major retail expenditures not included elsewhere		
1 _____		
2 _____		
3 _____		

OTHER ANNUAL OPERATING EXPENDITURES		
	Total expenditure (£s)	% from Scottish suppliers
Accountancy Services		
Insurance		
Other Financial Institutions		

Legal Services		
Transport & travel		
Entertainment		
Telephone/Fax		
Stationery		
Postage		
*Motor Vehicles		
OTHER - please specify any other major annual operating expenditures not included elsewhere		
1 _____		
2 _____		
3 _____		
4 _____		
5 _____		

5. INCOME

Finally, could you estimate the proportion of your Box Office/Programme income *only* that is obtained from the following source:

INCOME SOURCES	% of Box Office/Programme Income <i>only</i>
Tourist visitors to Scotland	

NOTES

Note 1 - Employment

Please note that employment should cover only your own employees. Any specialist labour services not provided by your own employees should be included under the relevant category in Section 4 (e.g., Architects and Designers' fees, Freelance consultancy etc)

Note 2 -Scottish Spending

Please note that a key aim of this study is to estimate the amount of economic activity (particularly employment) that the cultural sector supports across the Scottish economy. In order to do this, it is important that we gain some estimate of the extent to which arts employees live in Scotland (Sections 1 & 2), and to which different sectors of the arts purchase goods and services from Scottish suppliers (Section 3). We appreciate that this second set of figures may be a little more difficult for you to provide, but we greatly appreciate any estimate of this you are able to give.

Note 3 Staff Categories (Table 3.1)

The following is intended as a guide to which staff should be included in the categories listed in Table 3.1:

1. General managers and Directors (All senior managers)
2. Finance, legal and administrative staff (marketing officers, fundraisers, administrators, ICT support staff, accountants, lawyers etc)
3. Specialist arts staff (Some examples for different artforms: Museums and Galleries - curators, conservators, collections managers, registrars, loans officers, exhibition officers etc; Literature – writers in residence, dramaturges, project leaders; Performing Arts – heads of department, actors, choreographers, designers, directors, musicians, scenic artists; Music – musicians, singers, repetateurs, conductors. If you are an arts centre, festival or other 'combined arts' organisation you may employ staff from across these and other specialisms.)
4. Specialist public service staff (education, outreach, access officers, events managers, etc)
5. Visitor services staff (includes gallery attendants, guides, catering staff, retail staff, front of house staff, box office staff, ushers etc)
6. Technical staff (technicians, maintenance staff, security officers, stage management staff etc)
7. Other Staff

Note 4 Operating expenditures (Section 3)

i) This section of the questionnaire aims to estimate "typical" annual running costs for organisations in each sector of the arts. *We would like to gauge what types of goods and services your organisation needs to purchase to allow it to undertake the range of functions it typically performs on an annual basis.* These functions will mainly relate to your core artistic activity(ies), but you should also include any spending on other activities. These might include, for example, any educational or outreach role you have in local communities, or any spending on organising events/exhibitions/concerts or on receiving and/or touring productions.

ii) As noted, we are trying to estimate "typical" annual operating costs. However, some goods, such as computers and vehicles, may be used over more than one year. We have marked items in the questionnaire with an asterisk (*) where we think this is likely to occur, although there may be others because different organisations or companies may use different accounting procedures.

For any such items, it would be very helpful if you could estimate an annual cost. For example, if computers are written off over a two-year period, you should simply half the amount spent on this item in the most recent two-year period.

iii) Finally, wage payments should be included in Section 2 and not under any of the categories included under Annual Operating Expenditures (Section 4). Section 4 should include only spending on goods and services.

Note 5 Retail Spending

Please note that this section should cover *only* annual (non-wage) operating costs for your retail facilities (if applicable). Please *exclude the amount spent on goods (food, books, etc) that you subsequently resell.*

Note 6 Capital Spending

As noted elsewhere, the key point of the questionnaire is to gauge the size and type of "typical" annual operating expenditures. *You should not therefore include any major, one-off items of capital expenditure*, such as extensive refurbishments, extensions to premises, etc. If you would like to include these, please discuss this below under comments (where you can of course also include any other comments you may wish to make).

Appendix 4 – Survey questionnaire ii – Museums and galleries



**UNIVERSITY OF
STRATHCLYDE**

The Economic Impact of the Cultural Sector in Scotland



**UNIVERSITY
of
GLASGOW**

MUSEUMS & GALLERIES

NB. PLEASE REFER TO THE GUIDANCE NOTES STARTING ON PAGE 5 BEFORE COMPLETING THE QUESTIONNAIRE

Please give your name, telephone number and email address in case of queries.

Name	
Organisation name	
Telephone	
Email Address	

The figures you provide should relate to the most recently completed financial year. As the reporting year may vary between organisations, could you please indicate the time period to which your figures relate?

Time period	
-------------	--

6. EMPLOYMENT- *Please see Note 1*

6.1 Please indicate the number of permanent (i.e., all year) employees in Scotland

Full Time	Part Time

1.2 Please indicate the number of temporary/seasonal employees in Scotland, and the average period for which these employees work.

Full Time	Part Time
Average period Employed	Average period Employed

7. WAGE EXPENDITURE- *Please see Note 2*

2.2 Please indicate both:

- **YOUR TOTAL EXPENDITURE ON WAGES, AND**
- **THE % PAID TO SCOTTISH RESIDENTS**, for both permanent and temporary/seasonal employees, as follows. Please include figures for all employees specified in Sections 1.1 and 1.2 above.

Permanent Employees	Expenditure (£s)	% Paid to Scottish residents
Wage costs (inc. all overtime, bonus payments, commissions and National Insurance contributions)		
Superannuation contributions		

Temporary/Seasonal Employees	Expenditure (£s)	% Paid to Scottish residents
Wage costs (inc. all overtime, bonus payments, commissions and National Insurance contributions)		
Superannuation contributions		

8. OCCUPATIONAL STRUCTURE

3.1 Please indicate the number of your full-time staff in the following categories- **Please see Note 3**

Employee category	Number of Full Time staff
1.General managers	
2.Finance, legal and administrative staff	
3.Specialist collections staff	
4. Specialist public service staff	
5.Visitor services staff	
6.Technical staff	
7.Other Staff	

9. ANNUAL OPERATING EXPENDITURES - Please see Notes 2 and 4

PREMISES AND EQUIPMENT		
Item	Total expenditure (£s)	% from Scottish suppliers
Rates		
Rents		
Repair and maintenance		
Architects and Designers fees		
*Furniture & Fittings		
Utilities (Electricity, Gas and Water)		
Security services		
Cleaning		
Other property expenses		

MARKETING AND PROMOTION		
Item	Total expenditure (£s)	% from Scottish suppliers
Advertising		
Market Research		
Brochures, posters, etc		
Other -Please specify any other major marketing/promotion expenditures not included elsewhere		
1 _____		
2 _____		
3 _____		

EDUCATION		
Please specify the major goods and services expenditures within your educational budget.	Total expenditure (£s)	% from Scottish suppliers
1 _____		
2 _____		
3 _____		
4 _____		

EXHIBITIONS & CONSERVATION		
Please specify the major goods and services expenditures within your exhibition and conservation budget.	Total expenditure (£s)	% from Scottish suppliers
1 _____		
2 _____		
3 _____		
4 _____		

FREELANCE CONSULTANCY		
<i>Item</i>	Total expenditure (£s)	% from Scottish suppliers
Collection Maintenance		
Conservation Advice		
Other -Please specify any other major consultancy expenditures not included elsewhere		
1 _____		
2 _____		
3 _____		

INFORMATION TECHNOLOGY		
<i>Item</i>	Total expenditure (£s)	% from Scottish suppliers
*Hardware & software consultancy		
*Computer maintenance		
*PCs and associated equipment		
Other -Please specify any other major IT expenditures not included elsewhere		
1 _____		
2 _____		
3 _____		

RETAIL-Please see note 5		
<i>Item</i>	Total expenditure (£s)	% from Scottish suppliers
Restaurants, cafes		
Shops		
Other -Please specify any other major retail expenditures not included elsewhere		
1 _____		
2 _____		
3 _____		

OTHER ANNUAL OPERATING EXPENDITURES		
	Total expenditure (£s)	% from Scottish suppliers
Accountancy Services		
Insurance		
Other Financial Institutions		
Legal Services		
Transport & travel		
Entertainment		
Telephone/Fax		
Stationery		
Postage		
*Motor Vehicles		
OTHER - please specify any other major annual operating expenditures not included elsewhere		

1		
2		
3		
4		
5		

NOTES

Note 1 - Employment

Please note that employment should cover only your own employees. Any specialist labour services not provided by your own employees should be included under the relevant category in Section 4 (for example, Architects and Designers Fees, Freelance Consultancy)

Note 2 -Scottish Spending

Please note that a key aim of this study is to estimate the amount of economic activity (particularly employment) that the cultural sector supports across the Scottish economy. In order to do this, it is important that we gain some estimate of the extent to which employees live in Scotland (Sections 1 & 2), and to which museums and galleries purchase goods and services from Scottish suppliers (Section 4). *We appreciate that this second set of figures may be a little more difficult for you to provide, but we greatly appreciate any estimate of this you are able to give.*

Note 3 Staff Categories (Table 3.1)

The following is intended as a guide to which staff should be included in the categories listed in Table 3.1:

1. General managers (directors, senior managers etc)
2. Finance, legal and administrative staff (marketing officers, fundraisers, administrators, ICT support staff, accountants, lawyers etc)
3. Specialist collections staff (curators, conservators, collections managers, registrars, loans officers, exhibition officers etc)
4. Specialist public service staff (education, outreach, access officers, events managers etc)
5. Visitor services staff (gallery attendants, guides, catering staff, retail staff etc)
6. Technical staff (exhibition technicians, maintenance staff, security officers etc)
7. Other Staff

Note 4 Operating expenditures (Section 3)

- i) This section of the questionnaire aims to estimate 'typical' annual running costs for museums and galleries. That is, *we would like to gauge what types of goods and services need to be purchased to allow the museum/gallery to undertake the range of functions it typically performs on an annual basis.* This range of functions will mainly be simply allowing collections to be viewed by the public, but you should also include any spending made due to organising exhibitions and other events/any educational role you have in the local community, etc.
- ii) As noted, we are trying to estimate 'typical' annual operating costs. However, some goods, such as computers and vehicles, may be used over more than one year. We have marked items in the questionnaire with an asterisk (*) where we think this is likely to occur, although there may be others because different museums/galleries may use different accounting procedures. For any such items, it would be very helpful if you could estimate an annual cost. For example, if computers are written off over a two-year period, you should simply half the amount spent on this item in the most recent two-year period.
- iii) Finally, wage payments should be included in Section 2 and not under any of the categories included under Annual Operating Expenditures (Section 4). Section 4 should include only spending on goods and services.

Note 5 Retail Spending

Please note that this section should cover *only* annual (non-wage) operating costs for your retail facilities. Please *exclude the amount spent on goods (food, books, etc) that you subsequently resell.*

Note 6 Capital Spending

As noted elsewhere, the key point of the questionnaire is to gauge the size and type of 'typical' annual operating expenditures. *You should not therefore include any major, one-off items of capital expenditure, such as extensive*

refurbishments, extensions to premises, etc. If you would like to include these, please discuss this below under comments (where you can of course also include any other comments you may wish to make).

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