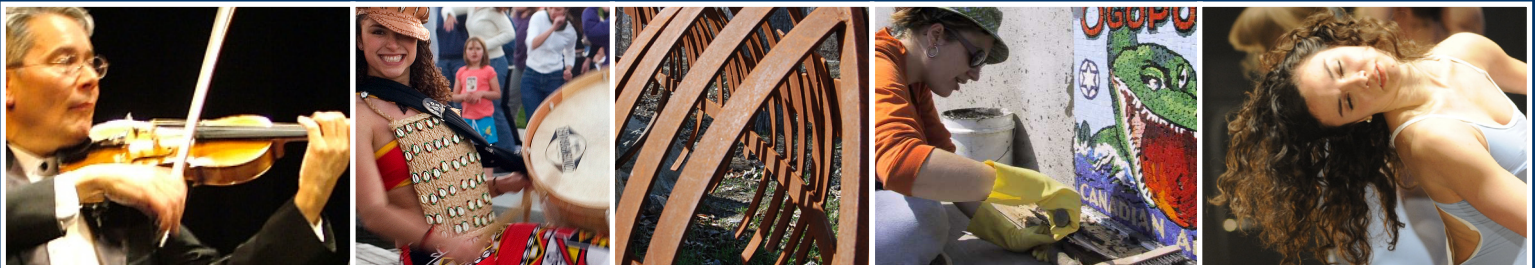


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# THE CREATIVE SECTOR IN KELOWNA, BRITISH COLUMBIA: an economic impact assessment



BERNARD MOMER

THE UNIVERSITY OF BRITISH COLUMBIA OKANAGAN


MARCH 2010



a place of mind

THE UNIVERSITY OF BRITISH COLUMBIA





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*Arts and cultural activities are at the heart of communities – they make communities more attractive places to live, they help bring a community to life, they define a community’s unique characteristics, they attract tourists and they help communities compete economically around the world.*

The Canada Council for the Arts

## EXECUTIVE SUMMARY

In 1998, *The Economic Impact of Arts & Culture in the Central Okanagan* assessed the contribution of arts and culture to the economy of our region. The information and data gathered for this first assessment of a somewhat misunderstood sector of our economy was instrumental to the development of arts and culture in the Central Okanagan during the last decade. Given the significant changes in the community since the publication of this report, The University of British Columbia Okanagan, in collaboration with the City of Kelowna, undertook in early 2009 a new economic assessment of arts and culture to appraise the sector’s current state within the City of Kelowna.

The purpose of this assessment is to measure the contribution of arts and culture (hereafter the *creative sector* – see section 2.4) to the overall economy of Kelowna. It measures the magnitude of the revenues of the creative sector, as well as the significance of this income in generating employment and further income. Note that the focus of this research being the creative sector, heritage, which is sometimes grouped with arts and culture, is not directly included in the figures analysed in this report.

The creative sector includes all self-employed individuals, profit, non-profit and public enterprises including incorporated and unincorporated businesses that produce, create, distribute and/or conserve cultural and artistic goods and services.<sup>1</sup> These activities can be framed within an existing nomenclature; the North American Industrial Classification (NAIC). The NAIC divides the creative sector into the following subsectors:

- **Arts Instruction & Education:** Music, drama and art teachers, music schools, dance and acting school.
- **Art Galleries & Dealers:** Commercial art galleries, art dealers, art distributors and publishers.
- **Commercial Arts:** commercial artists, graphic designers, photographers, book publishers, architects, interior designers.

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<sup>1</sup> Chartrand, 2000.

- **Cultural Facilities:** Public art galleries, museums, libraries, theatre venues, heritage sites and public studios.
- **Events & Festivals:** Event coordinators, administrators, featured performers.
- **Literary Arts:** Creative writers.
- **Performing Arts:** Musicians, musical ensembles, bands, orchestras, comedy groups, theatre companies and entertainers.
- **Service & Material Providers:** art suppliers, picture framers, craft retailers and suppliers, dance, masquerade and theatrical suppliers, musical instrument retailers, audio/video service and equipment providers, arts consultants, tickets outlets and live music venues.
- **Societies & Organisations:** Cultural service organisations and recreational arts groups.
- **Visual Arts:** painters, sculptors, ceramic artists, photographers and craftspersons.

Kelowna's creative sector is, as it was in 1998, an important contributor to the local economy. This study reveals that during the assessment window there were 1,199 direct jobs (870 full-time equivalent jobs) generating \$37.8 million in wages annually. The total annual impact expressed as GDP was \$73.2 million and the total economic impact amounted to \$143.8 million. These results are presented in detail in sections 4 and 5 (pages 9 and 14) and the methodology used for their calculation is outlined in section 3 (page 6). The following table summarises these results.

### Summary of Economic Impacts

Impact	Jobs	FTE	Wages (\$ millions)	GDP (\$ millions)	Economic Output (\$ millions)
Direct	1,199	870	37.8	40.1	76.9
Indirect	384	287	13.2	23.9	44.6
Induced	180	122	6.1	9.3	22.3
<b>Total</b>	<b>1,763</b>	<b>1,279</b>	<b>57.1</b>	<b>73.3</b>	<b>143.8</b>

These figures show that the number of jobs in the creative sector has increased since the previous economic assessment. The current number of direct jobs compares favourably with the 1,164 jobs counted in 1998. This increase seems modest, but the reader must be cautioned that the geographic area of the 1998 study included all the municipalities in the Central Okanagan which counted 148,762 inhabitants.<sup>2</sup> The present assessment is limited to the City of Kelowna which is home to approximately 120,812 inhabitants.<sup>3</sup> On a per capita basis, there are currently 9.9 creative sector jobs per 1,000 inhabitants in Kelowna, whereas in 1998, this figure was 7.8 jobs per 1,000 inhabitants in the Central Okanagan.

<sup>2</sup> BC Stats, 2009.

<sup>3</sup> Ibid.

The number of jobs and GDP compare positively with the figures of a 2008 economic impact assessment of arts and culture conducted in Richmond, located in the greater Vancouver area. This assessment reported 734 direct full-time equivalent jobs generating a direct GDP of \$37 million. Considering the higher population of 185,000 in Richmond, Kelowna is faring very well. With 7.3 direct full-time equivalent workers per 1,000 inhabitants, Kelowna has almost twice as many creative sector workers per capita than the 4.0 workers per 1,000 inhabitants in Richmond. Measured in term of GDP, the cultural sector generates \$338 per inhabitant in Kelowna compared to \$200 in Richmond.

As impressive as the above figures are, one must remember that an economic impact assessment is only one of many tools used to evaluate the value of the creative sector. This impact assessment demonstrates that the creative sector's economic contribution to our community is significant and, by extension, that it enriches our social and cultural capital. It does not, however, measure intangibles such as the *option value*, in which the supply of arts and culture benefit residents even if they don't directly participate in cultural events, the *bequest value* for future generation, the *prestige value* that maintain a cultural identity or contributes to a city's sense of place, or the *educational value* that helps foster local creativity and bolster the aesthetic standards which benefits all inhabitants of a community.

With this in mind and the present economic impact assessment in hand; the community should turn its attention to estimating the costs of not insuring the health of our cultural sector. Can we, as a community, not consider the costs of planning our future without the contribution of a strong cultural sector? Can we ignore the effects of a weak cultural sector on the appeal of our city to its inhabitants and potential investors? What are the costs of bad design or an urban environment planned without a cultural and artistic approach? What does our future hold if we lack cultural awareness? Quality of place, urban resilience and city aesthetics are all rooted in local culture.<sup>4</sup>

Hopefully this report will serve to generate attention to the creative sector and its contribution to the community as well as a stepping stone for further research exploring the tangible and intangible value of the creative sector in Kelowna.

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<sup>4</sup> See for example, Bianchini and Santacatterina (1997), Landry (2008), Markusen and Schrock (2006) and Scott (2000).

## **ACKNOWLEDGMENTS**

I would like to express my appreciation to everyone who responded to the survey, the Cultural Services Branch of the City of Kelowna, and The University of British Columbia Okanagan who funded this study. I would also like to express my gratitude to my research assistants, Valencia Cosacchi and Tanya Rooney, who painstakingly administered the survey. Last but not least, thank you to Caroline Miller, General Manager of the Okanagan Symphony Orchestra who provided the data for section 6.

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# THE CREATIVE SECTOR IN KELOWNA, BRITISH COLUMBIA: an economic impact assessment

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*Culture is what gives meaning to our existence.*

Paul Streefen

## 1. INTRODUCTION

In the last two decades the importance of culture to the vitality of communities has come to be recognized for both its economic and social contributions. In addition to being a defining characteristic of a community, culture is central to its liveability. With this in mind, the City of Kelowna's Arts Development Office commissioned a study to assess the economic impact of arts and culture for the first time in 1998. *The Economic Impact of Arts & Culture in the Central Okanagan*, demonstrated that arts and culture (hereafter the *creative sector* – see section 2.4) provided our region with significant economic benefits. It attracted much attention from all levels of government and helped justify expenditures in the creative sector in the Central Okanagan.

*The creative sector is now a \$4 billion industry employing some 85,000 people in British Columbia<sup>1</sup> which represents the largest percentage of any provincial labour force in arts occupation in Canada. Furthermore, every dollar a municipality spends in the creative sector results in \$7 to \$13 in economic activity.<sup>2</sup> With these figures in mind and the expansion of the cultural sector in Kelowna in recent years, The University of British Columbia Okanagan in collaboration with the City of Kelowna undertook a new economic assessment of the creative sector in 2009 to evaluate its current state within the City.*

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<sup>1</sup> Opportunity BC 2020.

<sup>2</sup> Conference Board of Canada, 2007.

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*Canadian communities need to sustain culture to achieve vibrant, secure and sustainable cities and communities.*

External Advisory Committee on Cities and Communities

## 2. BACKGROUND

### 2.1 THE CITY OF KELOWNA

Located between Vancouver and Calgary in British Columbia's Okanagan Valley, Kelowna is at the centre of a metropolitan area of 162,000 inhabitants. The city itself, according to a BC Stats estimate, was home to 120,812 inhabitants in 2009. Its population growth rate over the last five years averaged 2.16% per year compared to a provincial growth rate of 1.1% per year over the same period.<sup>3</sup> It is interesting to note that Kelowna is the only municipality outside the Lower Mainland and Vancouver Island figuring in the top 10 fastest growing municipalities in British Columbia.<sup>4</sup>

The 2006 Census also reveals that 14.6% of the population identified their mother tongue as being neither French nor English compared to 27.9% for BC as a whole and that 81.9% identified themselves as being second or third generation Canadians. Demographically, Kelowna's age structure reveals that 19.4% of the population was over the age of 65, compared with 14.6% for the province of British Columbia.

### 2.2 WHAT IS AN ECONOMIC IMPACT ASSESSMENT?

Economic impact assessments (EIA) are used to estimate the cumulative economic effects (revenues, spending, employment...) associated with a specific project or a sector of the economy. Such studies are very helpful to understand the potential benefits of various forms of growth, garner public support for proposed developments, and support the adoption of specific policies or action plans that present the most benefits to a community. Moreover, EIAs may help target specific sectors to increase economic activity within a region or even justify offering certain programmes. Several measures can be used to construct an EIA; they include:

- Employment
- Value added
- Wages and salaries
- Wealth

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<sup>3</sup> Statistics Canada, 2006 Census.

<sup>4</sup> BC Stats, 2006.

An EIA considers the economic role of the above measures not only directly, but also indirectly by taking into account the so called ripple effect by which each dollar spent in one sector allows a portion of that dollar to be spent in another. For example, an increase in demand for a good or service will have a direct impact on its provider (increased revenue) but also on the rest of the economy as the provider will spend more on supplies or other items. These purchases generate an economic impact of their own as each additional purchase generates income for another provider. To evaluate the impact of this cascading effect, direct, indirect and induced impacts are measured. The Conference Board of Canada<sup>5</sup> defines them as follows:

**Direct Impacts** measure the value added to the economy by those firms directly producing culture goods and services. Direct impacts coincide with the first round of spending in the economy.

**Indirect Impacts** measure the added value that the “direct impact firms” generate economically through their demand for intermediate inputs or other support services.

**Induced Impacts** are derived when employees of the aforementioned industries (both direct and indirect) spend their earnings and owners spend their profits. These purchases lead to more employment, wages, income and tax revenues, and their impact can be felt across a wide range of industries.

The total economic impact is therefore the sum of the direct, indirect and induced impacts.

A similar logic can be applied to employment. Each employee or worker in a sector will generate at least part of a job in another sector. For this reason, employment<sup>6</sup> must be broken down into the following categories to calculate the total economic impact of a sector:

**Direct employment** includes all workers who are directly involved in the economic sector being evaluated. For example, direct employment in the creative sector includes all workers directly employed in any of the sectors identified in section 2.4.

**Indirect employment** is employment in other economic sectors that is generated by the economic sector being evaluated. Indirect employment in the arts and culture, for example, would include a seamstress hired to make costumes for a theatrical production or a plumber called in to fix a leaking faucet at the museum.

**Induced employment** includes employment generated from expenditures made by individuals who are directly or indirectly employed by the sector being evaluated. For the creative sector, this could include the employment created by the purchase of non-professional

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<sup>5</sup> Conference Board of Canada, 2008, p. 29.

<sup>6</sup> Employment (Full-Time Equivalents: FTEs) is defined by Statistic Canada as the equivalent of one year of work for one person (for example, two individuals working for a six-month period would equal one FTE, or five FTEs could represent one individual holding a full-time position for five years).

goods by an artist, such as food, or the employment generated by the seamstress spending that portion of her income generated from her work on the theatrical production above.

### 2.3 LIMITATIONS OF ECONOMIC IMPACT ASSESSMENTS

Although very useful for specific purposes, EIAs have limitations that must be understood if they are to be utilised appropriately. EIAs provide only one piece of the puzzle in the broader evaluation of an economic sector, in this case, the creative activities within a municipality. As defined above, impact assessments measure the short-run net increase in economic activity but do little to evaluate the long-term increases in productivity or the consumption value, composed of use and non-use value.<sup>7</sup> As such, EIAs do not weigh benefits against costs. Further, the information contained in an impact assessment is more useful to evaluate the likely order of magnitude of impacts rather than specific dollar amounts.

Many EIAs do not take into account the substitution effect (when spending is displaced from one sector in the economy to another), such that the money spent to attend a performance could have been spent on goods or services not related to the creative sector and still make its way into the local economy. For this reason, EIAs often overestimate the actual impact of the sector under study unless proper multipliers are used.<sup>8</sup>

Considering these limitations, a comprehensive evaluation of the creative sector should also include a benefits analysis. Although a discussion of the nuances between impact and benefits is beyond the scope of this report, it is nevertheless essential to recognise that benefits analysis comprise both, financial and non-financial values. Strictly financial measures reflect only part of the value associated with the activities and resources of the creative sector.<sup>9</sup> The non-financial value of the creative sector extends to the numerous social benefits and even environmental consequences that need to be taken into account to paint a complete portrait of the role of the creative sector in a municipality.

### 2.4 DEFINING THE CREATIVE SECTOR

In the late 1980s, the terms *cultural resources* and *cultural industries* were coined to define that sector of the economy referring to the activities undertaken by people whose occupations are associated with individual creativity, skills and talent, and who deal primarily with symbolic goods.<sup>10</sup> Since then, *cultural industries* became *creative industries* and subsequently the *creative economy*. Confusion still remains as to which term should be used to define what. Culture industries are *those*

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<sup>7</sup> Seaman, 2003.

<sup>8</sup> To avoid this problem, conservative multipliers were used in this study to avoid overestimating the contribution of the creative sector to the local economy. Multipliers are explained in section 3.4.

<sup>9</sup> For a discussion on this point, see Canadian Heritage (2006) *Economic Flow-Back Model to Culture/Heritage from Tourism*.

<sup>10</sup> O'Connor, 2000.

that shape the culture and thus include casinos or theme parks as well as design and arts.<sup>11</sup> Admittedly, this definition encompasses cultural activities and surely includes the arts, but is too broad for the needs of this study. The expression *arts and culture* is fairly inclusive of what this study covers, but is sometimes interpreted narrowly to include only such activities as the performing arts or music but excluding, for example, service and material providers; hence the use of the term *creative sector* in this study.

The creative sector includes all self-employed individuals, profit, non-profit and public enterprises including incorporated and unincorporated businesses that produce, create, distribute and/or conserve cultural and artistic goods and services.<sup>12</sup> The above can be framed within an existing nomenclature; the North American Industrial Classification (NAIC). The NAIC divides the creative sector into the following subsectors:

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**Cultural Facilities:** Public art galleries, museums, libraries, theatre venues, heritage sites and public studios.

**Events & Festivals:** Event coordinators, administrators, featured performers.

**Literary Arts:** Creative writers.

**Performing Arts:** Musicians, musical ensembles, bands, orchestras, comedy groups, theatre companies and entertainers.

**Service & Material Providers:** Art suppliers, picture framers, craft retailers and suppliers, dance, masquerade and theatrical suppliers, musical instrument retailers, audio/video service and equipment providers, arts consultants, tickets outlets and live music venues.

**Societies & Organisations:** Cultural service organisations and recreational arts groups.

**Visual Arts:** Painters, sculptors, ceramic artists, photographers and craftspersons.

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<sup>11</sup> Landry, 2008, p. 24.

<sup>12</sup> Chartrand, 2000.

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*Economic impact studies have become an important tool for cultural planning, and to inform the economic development and regeneration strategies of local authorities and other public agencies.*

Arts Council of England

## 3. METHODOLOGY

### 3.1 INTRODUCTION

Conducting an impact assessment requires that data be collected and analysed using established methodologies. Data such as the number of part-time and full-time jobs created, the earnings of the workers in a sector and the percentage of their revenue spent locally are used to calculate the total economic impact. This section begins by describing the data collected.

### 3.2 DATA GATHERED

During the summer of 2006, the Cultural Services Branch of the City of Kelowna undertook a cultural mapping<sup>13</sup> during which individuals, volunteers and organisations belonging to the creative sector were identified. The employment figures collected during the mapping process provided reliable data for approximately 75% of the workforce in the creative sector in Kelowna. In early 2009, the collected data was updated using the local Yellow Pages, websites of art galleries to identify individual artist, and Internet professional directories listing individuals and businesses belonging to the creative sector. Snowball sampling (participants referring the researcher to other potential participants) was also used to expand the list of respondents.

Although the data collected in early 2009 supplemented the existing mapping dataset and was deemed sufficient for the purposes of this impact assessment, it remains incomplete and of limited usability, especially if it is, as it should be, used as a foundation for a cultural planning process. I would strongly encourage the City of Kelowna to pursue a comprehensive cultural mapping of the community given that cultural mapping...

*has become the favored approach... to study and understand one's cultural and creative industry sectors before making policy decisions. Mapping, which involves a comprehensive effort to identify all relevant cultural economic activities, organisations, employment and links in a given area such as a town or region, has the added advantage that the process itself can generate substantial awareness and foster collaboration across a wide range of creative stakeholders, building momentum that can then influence the political sphere and encourage suitable public policy-making. (UNESCO 2006:6)*

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<sup>13</sup> The Creative City Network of Canada defines cultural mapping as *a comprehensive identification and analysis of a community's cultural resources and needs gathered through a broadly based consultative/collaborative process. It is a critical early phase of any cultural planning process.*

During the summer of 2009, an initial contact letter followed by a survey was sent to 342 businesses, individuals and organisations identified as belonging to the creative sector. Telephone follow-ups were conducted to increase the number of respondents. The objective of the survey was threefold; confirm the numbers of jobs in the creative sector (this allowed to differentiate between full and part-time jobs), measure the average income of the respondents, and estimate how much of their professional expenses were spent locally. The survey also inquired about volunteers and the time they committed to the sector. The survey questionnaire is found in Appendix I and a sample of respondents' comment in Appendix II.

Given the limitation of the mapping dataset as stated above, the 27% response rate, which is considered good by survey standards, provides a reliable snapshot of the creative sector in Kelowna. The response rate was however unevenly distributed; thirteen of the fourteen (93%) organisations representing the cultural facilities sector responded to the survey while the performing arts and literary arts were at the bottom of the list with a response rate of 19% and 17% respectively.

### 3.3 INFERRED DATA

As surveys never yield a one hundred percent response rate, some employment figures must be inferred to complete a dataset. Inferences were drawn from the information gathered from each completed survey along with publicly available information on the non-responding businesses (i.e. a webpage listing all the employees of a dance studio). This is a sound approach often used by Statistics Canada to develop the national income and products account for example. For the purposes of this study, the mean employment figures of respondents in each subsector were calculated and outliers were excluded.

### 3.4 EXCLUSIONS

While every reasonable effort was made to include the totality of the creative sector, some activities could not, for various reasons, be considered in this study:

- Attendance at movie theatres, sales and jobs created by recorded music retailers, broadcasters, bookstores and video retail outlets. These are considered secondary as most of the cultural product sold is not produced locally.
- Music and art classes taught within the public and private school system (university was included however).

### 3.5 MULTIPLIERS

To calculate the total economic impact of any economic sector, one must, as indicated in section 3.2, gather data from various sources. Some, like employment figures can easily be gathered by surveying individuals and businesses, but other data, such as expenses and revenues, especially from indirect and induced effects can be difficult to obtain. This would require that all employers and individuals associated with the creative sector in Kelowna be surveyed, which is not only impractical, as it would include hundreds of businesses and individuals, but the quality of the information gathered would be questionable.

To circumvent this problem, impact models using economic multipliers are utilized. Public agencies, academic institutions and consulting firms provide a variety of models which are derived from statistical information. For this study, the multipliers used were based on a provincial input-output model developed and periodically updated by BC STATS using data supplied by the Input-Output Division of Statistics Canada.<sup>14</sup>

However useful, great care must be exercised when using multipliers as the analysis of the results they generate are limited by a number of factors such as:

**Assumption that the economic sector is static over time:** This means that indicators from which multipliers are derived are based on the past performance of a sector and cannot necessarily predict unforeseen changes in the economy.

**Inter-municipal transfers of income:** Multipliers may not necessarily take into account the circulation of money between municipalities. For example, someone working in Kelowna but living in Lake Country or Peachland will spend a smaller portion of his or her income in Kelowna than a city's resident, therefore affecting the indirect and induced impacts of that job on Kelowna's economy.

**Threshold or scale effect:** Information is rarely, if ever, given about the *minimum* increase that has to be reached before a multiplier process takes effects. For instance, if every dollar spent in one sector generates \$1.36 in indirect impacts, does this apply consistently whether there are 1,000 or 75,000 workers in that sector?

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<sup>14</sup> BC Stats (2008).



*The Creative Sector adds some 4 billion dollars in wealth to BC, representing 2.7% of provincial GDP. In addition, the Creative Sector employs over 85,000 people. Overall, the Creative Sector is comparable to the traditional resource-based sector of agriculture, forestry, fishing and hunting.*

Opportunity BC 2020

## 4. LABOUR FORCE

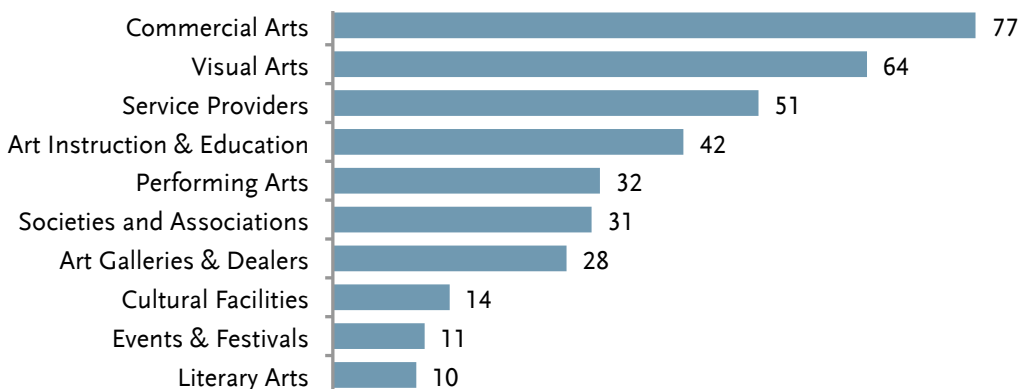
### 4.1 INTRODUCTION

This section of the report presents the employment impacts of the creative sector on Kelowna's economy. Section 4.2 quantifies the breakdown of the creative sector into subsectors, while section 4.3 presents employment figures as well as their associated wages for these same subsectors.

### 4.2 THE CREATIVE SECTOR IN KELOWNA

Figure 4.1 depicts the number of businesses, organisations and self-employed individuals by subsector of the creative economy. Note that although the commercial arts and visual arts subsectors rank first and second respectively, they are composed of a high proportion of self-employed individuals who do not necessarily work full time in their chosen occupation. For this reason, the visual arts fall to sixth place when FTEs are considered (figure 4.1). This breakdown (refer to section 2.4 for definition of subsectors) includes all self-employed individuals as well as businesses and organisations that provide part and full-time employment. A total of 342 were identified.<sup>15</sup>

**Figure 4.1: Number of Businesses, Individuals and Organisations**



<sup>15</sup> The share of the labour force in the literary arts in Canada hovers around 0.30%, which is much higher than the figure arrived at here. The total employment in this sector is difficult to estimate in a small geographical area as many writers work on a freelance basis, are self-employed and often do not show up in local service directories. The economic impact of this subsector is therefore underestimated in this study.

### 4.3 DIRECT EMPLOYMENT AND WAGES

The creative sector in Kelowna generated 1,199 direct full and part-time jobs as of September 2009. Table 4.1 provides these figures by subsector.

**Table 4.1: Direct Employment by Subsector**

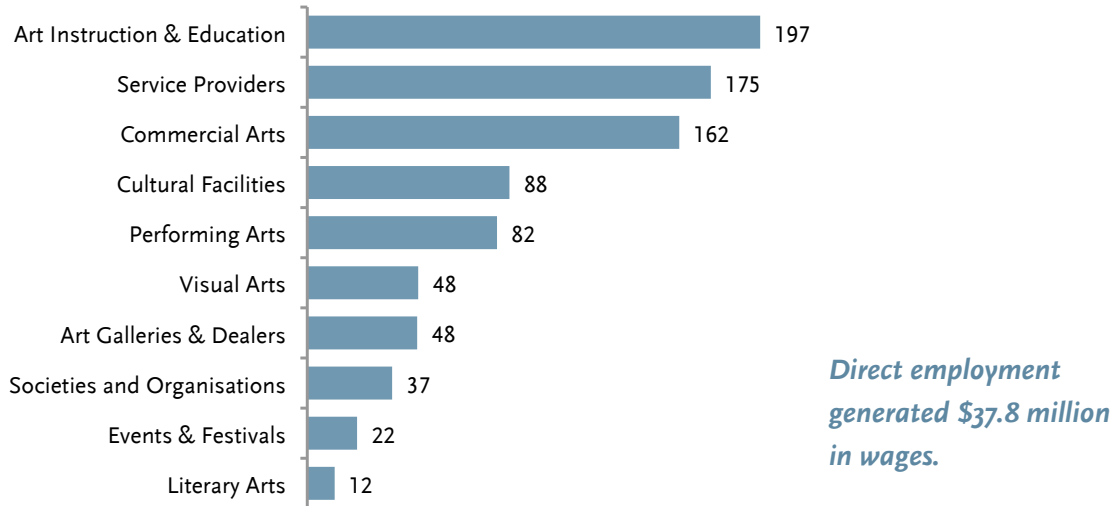
Subsector	Full-time Workers <sup>16</sup>	Part-time Workers	Total Workers
Art Galleries & Dealers	35	26	61
Arts Instruction & Education	111	175	286
Commercial Arts	142	40	182
Cultural Facilities	55	67	122
Events and Festivals	8	29	37
Literary Art	7	10	17
Performing Arts	30	107	137
Service & Material Providers	117	119	236
Societies and Associations	19	38	57
Visual Arts	33	31	64
<b>Total</b>	<b>557</b>	<b>642</b>	<b>1199</b>

*The creative sector generates 1,199 direct jobs which are equivalent to 870 FTEs.*

To calculate the total economic output and GDP of an economic sector, it is necessary to determine the total direct employment of that sector in person years or FTEs. The approach used to estimate the number of FTEs in the creative sector is based on the ratios obtained from the survey result for each subsector and from a standard method utilised by BC Stats; each part-time job is assumed to be 0.49 of a full-time job. The 1,199 direct jobs identified above therefore translate to 870 FTEs. As indicated in figure 4.2, three subsectors employ the bulk of the creative sector: arts instruction and education, service providers, and commercial arts.

<sup>16</sup> See footnote 6 for definition of FTE.

**Figure 4.2: Full Time Equivalent Workers per Arts and Culture Sector**



Combined, the creative sector workers in Kelowna earned \$37.8 million in the 12 months preceding this study. This figure was calculated from the income of workers in each subsector identified in the survey. In certain cases, where income data was deemed unreliable due to low response rate (such as for the literary sector) provincial or national averages were used to recalibrate the average annual income.

The average creative sector annual income for FTEs is \$43,426 which is comparable, albeit slightly lower than the average provincial FTE income of \$45,935. There is however a wide gap between the average incomes from one subsector to another. At the higher end of the spectrum, commercial arts and education workers reported relatively high annual earnings (some above \$90,000) while at the bottom end, events and festival workers as well as visual and literary artists reported low annual earnings (some below \$16,000).

**Table 4.2: Average FTE Earnings by Subsector.**

<b>Subsector</b>	<b>Average Annual Full-time Equivalent Earnings (\$)</b>
Art Galleries & Dealers	46,852
Arts Instruction & Education	59,896
Commercial Arts	41,227
Cultural Facilities	53,782
Events and Festivals	30,020
Literary Art	35,200
Performing Arts	31,750
Service & Material Providers	35,500
Societies and Associations	34,750
Visual Arts	24,700

Figure 4.3 provides a comparison of the average income for selected subsectors where a direct comparison was possible with provincial averages.<sup>17</sup> Overall, the data shows that the creative sector income in Kelowna is slightly below the provincial sector's averages in all but the arts instruction and education subsector. The creative sector earnings show the same distribution as the overall labour force income, whereby the average full-time income in Kelowna is \$46,335 while the provincial average is \$50,855.<sup>18</sup>

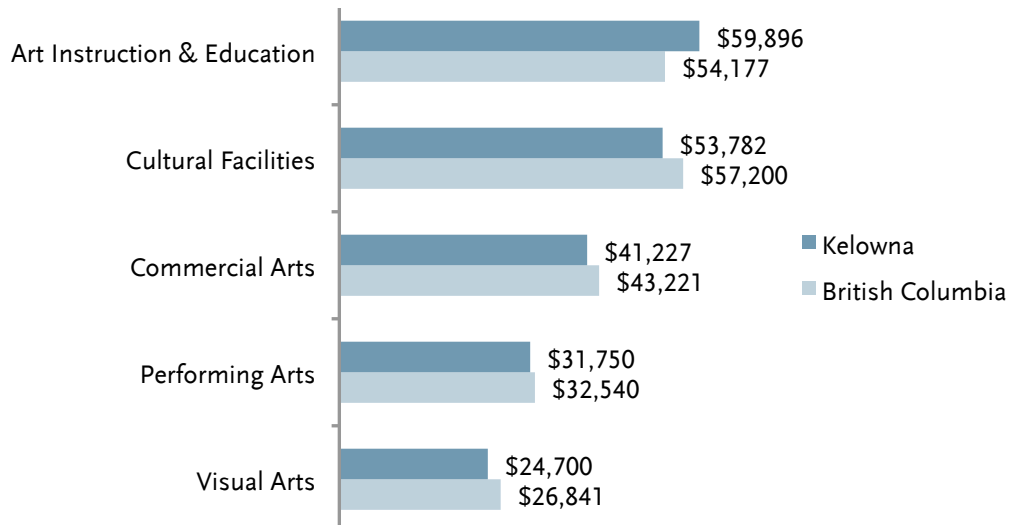
It is important to note that Table 4.2 and Figure 4.3 depict full-time equivalent income as some organisations reported only the number of full-time equivalent workers. As indicated in Table 4.1, some subsectors have a high proportion of part-time workers which would lower the annual income reported in Figure 4.3. The average number of hours worked per week also varies by subsectors dramatically. For example, workers in architectural services work on average 39.3 hours per week while visual artists and performing artists work 17 hours and 25 hours respectively.<sup>19</sup> Considering a majority of visual and performing artists work part-time, their average annual income derived from their participation in the creative sector is closer to \$19,000 than to the figures reported in table 4.2. These results agrees with a 2009 Hills Strategies Research report indicating that many artists need to work two to more jobs to make a living.

<sup>17</sup> Comparison was only possible where enough statistically significant data was collected in the survey and where the same data categories were available from Statistics Canada. Provincial data derived from Statistics Canada July 2009 CANSIM tables 281-0027, 281-0029 and 281-0035.

<sup>18</sup> BC Stats, 2009.

<sup>19</sup> Architectural services figure for British Columbia derived from CANSIM table 281-0027. Figures for visual and performing artists from survey conducted for this study.

**Figure 4.3 Annual Average Income of Selected Subsectors**



#### 4.4 VOLUNTEER CONTRIBUTION TO LABOUR FORCE

In 2004, 126,000 British Columbians volunteered their time to arts and culture organisations, which represents 3.6% of the province’s population over 15 years of age.<sup>20</sup> The City of Kelowna’s Cultural Services mapping research found that 3,865 citizens volunteered to the creative sector, which represents 4.3% of Kelowna’s population over age 15. Overall, volunteers contributed 270,192 hours of work which is equivalent to 142 full-time, full year jobs. Based on an average hourly wage in the arts, entertainment and sports of \$12.90,<sup>21</sup> the added labour cost to organisations in the creative sector in Kelowna would be \$3,485,476.

*3,865 people volunteered 270,192 hours of their time to Kelowna’s creative sector in 2009, the equivalent of \$3.49 million in wages.*

To put it another way, if the Kelowna Museums and the Art Gallery had to hire employees to cover the work done by their 38 volunteer docents and approximately 158 other volunteers, these two organisations would have to hire 6 FTEs adding an additional \$147,060 to their payroll (based on the hourly wage used above).

<sup>20</sup> Hills Strategies 2007.

<sup>21</sup> This figure from Statistics Canada was used to enable comparison with other reports, notably from Hills Strategies Research (2009), where the figure for the arts, entertainment and sports average hourly wage was used.

*The innovative cities of the coming age will develop a creative union of technology, arts and civics.*

Sir Peter Hall

## 5. TOTAL ECONOMIC IMPACT

### 5.1 INTRODUCTION

The direct employment figures discussed in the previous chapter provide a good indication of the importance of the creative sector in Kelowna, but as discussed in section 2.2, this doesn't provide the whole picture. To estimate the complete impact of the creative sector on the local economy, indirect and induced employment must also be calculated.

### 5.2 TOTAL EMPLOYMENT AND WAGES

The 1,199 direct part-time and full-time jobs in the creative sector are augmented to 1,763 total jobs when indirect and induced employments are calculated. The 870 FTEs are also proportionally augmented. This means that 287 FTEs are indirectly created in our region and the rest of British Columbia to supply Kelowna's creative sector. Similarly, the demand for goods and services generated by the earnings of workers in Kelowna create 122 FTEs. Table 5.1 breaks down these numbers.

*Direct, indirect and induced employments generate \$57 million in wages.*

**Table 5.1: Total Employment**

	Direct	Indirect	Induced	Total
Jobs	1,199	384	180	1,763
FTE	870	287	122	1,279

Applying the appropriate multipliers to the wages, the same effect is generated as for the employment figures. Thus, the creative sector in Kelowna generates total earnings of \$57 million.

**Table 5.2: Total Wages**

Direct (\$ 000)	Indirect(\$ 000)	Induced (\$ 000)	Total (\$ 000)
37,787	13,225	6,083	57,096

### 5.3 ECONOMIC IMPACT

The employment figures described above can be used, with the appropriate multipliers, to calculate the total economic impact of the creative sector in monetary term. To do so, two measures are used: the gross domestic product (GDP) and the economic output. The economic output is the total value of all of the goods and services produced by an industry while Statistics Canada defines the GDP as the total unduplicated value (or value-added) of the goods and services produced in an economic territory or region during a given period. Table 5.3 depicts GDP and economic output.

**Table 5.3: GDP and Economic Output**

	<b>GDP (\$ 000)</b>	<b>Economic Output (\$ 000)</b>
Direct	40,054	76,904
Indirect	23,912	44,605
Induced	9,293	22,302
<b>Total</b>	<b>73,259</b>	<b>143,811</b>

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*Without music, life would be a mistake.*

Friedrich Nietzsche

## 6. IMPACT OF A SINGLE EVENT

### 6.1 INTRODUCTION

The figures presented in the last two sections provide a useful indication of the total value of the creative sector in Kelowna, but their order of magnitude may be difficult to grasp, especially if one wishes to understand the economic contribution of a single event such as an exhibit at the art gallery or a performance at a theatre. To help understand the potential impact of a single event, this section outlines the economic impact of a performance of the Okanagan Symphony Orchestra (OSO).<sup>22</sup>

### 6.2 ONE EVENING AT THE SYMPHONY

Much work and organisation is needed before the first note of a concert is even played. Among other things, the programme must be set, the event must be publicised and the musicians must rehearse. A performance of the OSO therefore employs not only musicians, but a manager, an artistic director, a piano tuner, technicians and many other workers and volunteers in the community; from the printer of the programme or leaflets announcing the concert to people who maintain the theatre. The OSO, which celebrates its fiftieth anniversary in 2010, performs between 5 and 10 concerts annually which vary in complexity. A “typical” performance is therefore difficult to define. The data presented here was derived from *In a French Café*, a concert held in October 2008.

Not all expenses incurred by the OSO have a direct local economic impact. For example, the \$2,923 spent on purchasing the music score for the performance from a supplier outside the province, or the salary of guest musicians who do not reside in Kelowna, leak out of the community and cannot be counted in the final local economic impact of that concert. The money spent by the musicians who reside in Kelowna, on the other hand, is counted as having a local impact. It is therefore the money generated by the concert that finds its way back into the local economy that is included in an economic impact assessment.

It is important to note that the OSO is partially funded by government grants, which must be considered as an injection of money into the community’s economy. Without the OSO, approximately \$260,000 of leveraged external funding wouldn’t find its way into Kelowna’s economy each year. A portion of that money generates further spending as the OSO attracts some people from outside

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<sup>22</sup> The calculations of the economic impact are based on figures provided by the OSO for the performance of *In a French Café* in Kelowna, Vernon and Penticton. The figures were pro-rated to reflect the impact of the OSO’s performance in Kelowna for consistency with the rest of this report.



Kelowna who will eat, stay at a hotel and support local businesses injecting further money into the local economy. However, without an exit survey, it is difficult to estimate the number of attendees who do not reside in Kelowna; it was therefore assumed that all attendees were local residents, even if this slightly lowers the economic impact of the performance.

To estimate the economic impact of *In a French Café*, a model developed by Inforemetrics Limited for the Ontario Arts Council was used along with data provided by the OSO. Note that not included in the calculations are the ancillary spending by the spectators on meals, parking or food they may have purchased. It is usually a questionable practice to include these amounts as in the absence of the OSO, residents may have spent these same dollars on other services or goods within the community. The economic impact of one evening at the symphony is summarised in Table 6.1.

**Table 6.1: Direct and Indirect Economic Impacts of a Single Performance.**

	Direct Impact	Indirect Impact	Total
GDP	\$46,024	\$25,713	<b>\$71,737</b>
Labour Income (OSO)	\$44,317	\$15,145	<b>\$59,462</b>
Labour Income (Goods and Services)	\$1,206	\$688	<b>\$1,894</b>
Employment (Goods and Services)	0.9	0.5	<b>1.4</b>

The total direct and indirect GDP generated amounts to \$46,024 and \$25,713 respectively. A perhaps more compelling way of examining the impact of a performance is to consider the labour income of the performers and other workers associated with this performance. Performing *In a French Café* created direct employment for 56 musicians, a manager, an art director and their associated staff generating a \$44,317 payroll.<sup>23</sup> Table 6.1 indicates that the 1.4 FTEs direct and indirect jobs created to supply the goods and services purchased for this performance generated a total income of \$1,894.

Although simply multiplying the figure in Table 6.1 by the number of performances per year can only yield a crude approximation of that organization’s economic impact; ten performances a year may contribute \$717,370 to the local economy.

Considering there are many other organisations in Kelowna contributing directly or indirectly to the creative sector, the almost three quarters of a million dollar impact of the OSO can surely be multiplied many folds as indicated by the figures in the previous sections.

<sup>23</sup> Note that the manager and other associated staff are not full-time employees of the OSO but rather under contract.

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*What the **Our Millennium** initiative clearly demonstrates is the broad range of activities...that come under the rubric of culture; the social and economic value of culture to the life of communities; the intrinsic value of culture to individuals; and finally the understanding, on the part of the citizens, that cultural activities constitutes an important inheritance for generations to come.*

Sharon Jeannotte, Canadian Cultural Observatory

## 7. CONCLUSION

The figures in this study show that the creative sector in Kelowna is an important contributor to the local, regional and provincial economy. The model used to calculate the total economic output of the creative sector estimates that the creative sector generates a total direct, indirect and induced impact of \$143.8 million. During the study period, the creative sector employed 870 direct full-time equivalent jobs with earnings totalling \$37.8 million. The 287 indirect and 122 induced jobs added another \$19.3 million in wages. To place this in perspective, the City of Kelowna and UBC Okanagan employ 722 and 633 FTEs respectively.<sup>24</sup>

The ratio between the number of direct jobs in the creative sector to the number of indirect and induced jobs indicate that each directly employed FTE supports 3 FTEs in indirect and induced employment. In other words, 3 FTEs would be lost for each direct FTE loss in the creative sector. As previously noted, the multipliers and assumption made in this study are conservative and likely underestimate the total economic impact of the creative sector in Kelowna.

As impressive as the figures presented in this report are, one must remember that an economic impact assessment is only one of many tools to evaluate the value of the creative sector. A community also draws intangible benefits from the creative sector that are difficult if not, impossible to measure directly. The *option value*, in which the supply of arts and culture benefit residents even if they don't directly participate in cultural events, the *bequest value* for future generation, the *prestige value* that maintain a cultural identity or contributes to a city's sense of place, or the *educational value* that helps foster local creativity and bolster the aesthetic standards which benefit all inhabitants of a community must be considered although their market value cannot be calculated.

The intangible benefits include the relatively high number of workers in the instruction and education sector (286, that is 2.4 arts educator per 1,000 citizens) indicating that learning music, dance or other art forms plays a significant part in the life of Kelowna's residents. Each year 10,000 students participate in the School and Youth Arts Education programs at the Rotary Centre for the Arts and 3,000 parents and children partake in the Family Sundays at the Kelowna Art Gallery.

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<sup>24</sup> Central Okanagan Economic Development Commission, 2009, p. 36.

More broadly, the Kelowna Art Gallery exhibits are viewed annually by 50,000 visitors downtown and potentially by 1.4 million passengers at its satellite airport gallery – how can we measure the value of these activities in monetary terms?

This impact assessment demonstrates that the creative sector's economic contribution to our community is significant and, by extension, that it enriches our social and cultural capital. With this in mind, the community should turn its attention to estimating the costs of not insuring the health of our cultural sector. Can we, as a community, not consider the costs of planning our future without the contribution of a strong cultural sector? Can we ignore the effects of a weak cultural sector on the appeal of our city to its inhabitants and potential investors? What are the costs of bad design or an urban environment planned without a cultural and artistic approach? What does our future hold if we lack cultural awareness? Quality of place, urban resilience and city aesthetics are all rooted in local culture.<sup>25</sup>

Hopefully this report will serve to generate attention to the creative sector and its contribution to the community as well as a stepping stone for other studies, such as the development of cultural indicators other than economic exploring the tangible and intangible value of the creative sector in Kelowna.

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<sup>25</sup> See Bianchini and Santacatterina (1997), Landry (2008), Markusen and Schrock (2006) and Scott (2000).

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## APPENDIX I

### Economic Impact Assessment Questionnaire for Individuals

Is your occupation as it relates to the Arts & Culture: Full-time / Part-time

If part-time, how many hours a week do you work in the arts and culture?

Are you self-employed? Yes / No

Where do you practice your arts and culture occupation?

Home studio/office

Rented space

Other

Do you hold another job other than your occupation related to the Arts and Culture? Yes / No

What is the income derived from the arts and culture during the last 12 months?

Do you receive any financial support from any organisation? Yes / No

If so, how much?

What are your annual expenses related to the arts and culture occupation?

What % is spent locally?

Do you employ anyone? Yes / No

If so, how many?

Did you receive any formal education in the arts and culture?

If so, what is your highest education level?

Do you sell your cultural output:

Locally

Regionally

Nationally

Internationally

What do you think are the most important needs for the arts and culture in Kelowna?

Do you believe your participation in the arts and culture:

Help increase the well-being of the community: Yes / No

Help increase the community's identity: Yes / No

Improves the community's understanding of the arts and culture: Yes / No

Any other comments you wish to make:

## **Economic Impact Assessment Questionnaire for Businesses and Organisations**

Does your business/organisation cater primarily to: Local clientele / Tourists

Indicate any admission statistics available or proportion of the above:

Admission fees

Do you provide work for volunteers?

If so, how many volunteers?

How many hours per week do they volunteer?

Do you collect membership fees? Yes / No

If yes, how many members?

What are the membership fees?

How long has your organisation/business been in operation?

These question pertains to the number of employees in your organisation.

How many full-time workers do you employ?

How many part-time workers do you employ?

What are the total labour expenditures (wages):

Contractor expenses

What are the non-labour expenditures of the organisation?

What % of these is spent locally?

Do you have seasonal employees?

If so, how many?

Are they local or non-local?

What are the revenues of your business/organisation in the last 12 months?

What is the main source of your revenues?

Other comments



## APPENDIX II

### Sample of Individuals Respondents Comments

Kelowna really needs accessible affordable studio space.

University involvement in community is good.

Continued cultivation, encouragement, exposure and enthusiasm of the arts...along the artists and within the community. I see and believe this is already occurring and will surely continue.

For me having a job outside my art is important and needed because it allows me to have the freedom to be the artist I am to be. I am not sure how artists survive when they rely on their art income. I know for me I would not be able to do it. It would totally change the way I paint. For me, being an artist is not about making a living and painting to survive and pay bills. I would hate to paint then...I believe it is spiritual, a pouring out of oneself. A message that needs to be heard or felt.

Think the arts community has improved in the last 25-30 years.

Support venues and funding for showcasing art.

More opportunities for exposure at little cost, art grants, lower fees to enter festivals

Support venues and funding for showcasing art.

Creative, educational, therapeutic, and fun. Promotions and venue showcasing work.

Why art is important should be the question? Enables people to express their ideas and creative thought.

Would like to see festival like art walk one weekend in Kelowna. Stone sculpting should be offered at UBCO.

General feeling that when artists in RCA are asked to contribute/volunteer for events, not much consideration given - should receive more recognition for value to community

- unrecognized promoters of cultural events
- artists may subtly be assisting tourist trade with presenting options of local interests
- confusion over grant funding
- need for publicity in arts community, advertising year round