

## New Voices: A discussion of methods to measure the economic impact of art and cultural events

SIAN MCINERNEY

**Abstract:** *The European Capital Cities of Culture and UK Capital of Culture initiatives have been viewed as successful cultural projects. In 2014 a similar initiative for Ireland, the National City of Culture, was launched with Limerick awarded the first title. Set broadly in the area of cultural economics, this paper discusses economic impact reporting techniques applied to the Limerick City of Culture in 2014. It concludes that a technique of segmentation of audience expenditures may contribute to a more accurate picture of economic impact of event attendees. It compares this process of segmentation to the methods employed by Grant Thornton in their Economic Impact Assessment of the Limerick City of Culture and concludes that economic techniques alone fail to capture the range of benefits that accrue from the existence of art and culture and should therefore be complemented by other tools, such as social impact assessments.*

**Keywords:** Capital of culture, city of culture, cultural economics, cultural impact

The day is not far off when the economic problem will take the back seat where it belongs, and the arena of the heart and the head will be occupied or reoccupied, by our real problems—the problems of life and of human relations, of creation and behaviour

John Maynard Keynes – First Annual Report of the Arts Council (1945-1946)

### Summary of research project

In 2014, Limerick City was designated the first National City of Culture, and was referred to as the Limerick City of Culture (LCC). Its aim was to provide a cultural programme for the city in that year. This paper presents findings from a research project which focussed on the economic and social impact of the LCC. It assessed and analysed these topics using data collected at different events throughout the year. However, this paper deals specifically with the economic impact assessment from LCC, which was carried out using an open-source toolkit. It then compares these estimates to those published by Grant Thornton Consultants who were commissioned to carry out the official economic impact report of the LCC. This research culminated with an MA by Research awarded in 2017.

### Introduction

Arts managers and cultural policy makers are often required to illustrate the impacts of art and cultural activity on the economy. However, economists would suggest that it is difficult to capture the true impact of such activity using economic calculations alone. Economists are especially critical of the concentration on economic measurements for the arts, and some suggest that they should be complemented by other non-economic measurements for impact which may better capture value other than monetary value such as cultural or public value. Bruce Seaman states that by concentrating solely on the economic value 'in a sense [arts proponents] are choosing to play their weakest cards, while holding back their aces' (Seaman, 2003). David Throsby, a leading cultural economist explains this by defining public value as the value that society gains from public expenditure.

New Voices

Sian McInerney

In terms of the cultural industries, public value can be viewed as coming through two value streams: cultural value and economic value (Bakhshi and Throsby, 2010). Economic value can be captured through quantitative methods using a financial unit of account, while cultural value is captured through the social indicators. Capturing cultural value is based on a range of potential value points such as aesthetic, spiritual, social, historic and symbolic value. Despite being measured differently, Bakhshi and Throsby (2010) assert that both economic and cultural value should have equal status, given also the complex links between increases in cultural value and economic value which play-out over the long-term.

These theories give context to the research I undertook to measure the economic impact of the Limerick City of Culture in 2014. Two distinct streams were measured: the cultural value which used qualitative social impact measurements and the micro-economic quantitative measurements which focussed on audience-member impact on the local economy. The quantitative economic measurement for the impact from audience expenditures are the sole focus of this paper.

We often read that a cultural event or festival has contributed millions to the local economy. Following a European Capital of Culture (ECOC), the designated cities publish research re-ports which state in monetary terms the economic impact of the ECOC. These figures are easily understood by the public and they can be used to justify the funding that is needed to finance further large scale cultural programmes. The use of impact figures to argue for funding however have its critics. Belfiore and Bennett (2010), for example, see them as indicative of an advocacy-based approach, whereby economic impact measurements are used to justify funding. This concentration on economic value and economic impacts can also fail to account for the full range of economic and cultural value as described by Throsby. Also, the methods used to produce the figures which are presented here are rarely critically reviewed outside academic literature. The potential problems with such techniques lie in the failure of economic calculations to capture the non-economic or intrinsic impacts from art and culture. Also the methods used may not measure accurately the economic impacts. These problems can result in misleading measurements for impact or give an incomplete picture of impact and could prove counterproductive in making the case for funding. For these reasons the original thesis on which this paper looks at the methods used by the economic consultants who were commissioned to measure the economic impact of the Limerick City of Culture in 2014.

### **Limerick City of Culture**

LCC was modelled on the ECOC and the similar UK initiative, City of Culture. It aimed to provide a year-long programme of cultural events to increase engagement in culture and create positive impacts within the city. The priority of the programme was to increase local engagement rather than visitor engagement, the latter being viewed as a positive outcome rather than an aim. It was funded by the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs (DAHRRGA) with a proposed budget of €10 million.

New Voices

Sian McInerney

Following the LCC in 2014, it was stated that the programme had a 'significant economic and social impact' (Limerick Arts Office, 2016) but how reliable were the techniques and the data employed to support such a statement?

Grant Thornton, a professional services and consultancy company, was commissioned by LCC to undertake an economic impact assessment of the LCC cultural programme. Based on its assessment, it was reported that €29.5 million was generated in audience related expenditures from the full LCC cultural programme. This paper suggests that this figure overestimates the economic impact from audience expenditures as it is based on calculations that include all audience expenditures and that it based calculations on data such as audience numbers and expenditure taken from secondary resources. What follows is a brief description of an alternative method that was used to calculate the impacts from audience event related expenditure.

To carry out the calculation, a segmentation method was chosen. This evolved from the literature as an alternative way of measuring the economic impact from audience expenditures by focussing on the different treatment of expenditure by locals and non-locals, and it is this aspect which differentiates it from Grant Thornton's approach (Crompton, 2001; Kwiatkowski, 2016). Local attendees were defined as those who were from the defined host economy, being the Mid-West region, Limerick and Clare. This definition is considered valid based on the commuting distance that people travel for work and leisure and the importance of suburban and local rural towns to the economy of Limerick. Therefore, the geographical extent of the local economy includes Limerick and Clare despite being outside the administrative definition Limerick city. Using this segmentation method, by which a distinction is made between local and non-local expenditures, my research produced a figure of €16,074,000, €13,446,000 less than the €29,520,000 figure published by Grant Thornton.

The difference in the figures illustrates how changes to methodology can greatly change the figure for impact. It suggests that generally such methods are open to some level of bias or inaccuracy. This suggests that the assumptions and quality of data used by Grant Thornton could reduce the validity of the methods. However, economic value measurements in economic impact reports may be more applicable to the commercial cultural industries, where organisations exist to make a profit by producing art and culture. Further research is needed on the methodologies used to produce economic impact report to increase the validity of the methods in relation to more purely arts-driven events.

My research also reviewed more broadly the social and economic impact of the LCC year. Being aware of the criticisms of economic impact reporting in the art and cultural sphere, I wanted to review the methods that were used by Grant Thornton to measure the economic impact of LCC. As the largest part of their impact figure came from audience expenditures, the review focussed on the methods used to measure this impact. I tested a method of segmentation applied to audience expenditures using a tool called eventIMFACTS to find out what the knock-on effect on the impact figure would be. The objective was to test an alternative method for measuring audience impact, to facilitate further discussion on economic impact assessment of art and cultural events in Ireland.

### Discussion of methods

Academic literature on economic methods used to measure impact discuss problems in the methods used to estimate impact. O'Brien (2010) highlights the difficulty in accurately capturing all that is valuable in art or cultural activity in economic models or calculations. Belfiore (2015) discusses how economic impact assessment cannot capture the true 'intrinsic' or non-

New Voices

Sian McInerney

monetary benefits of art and cultural activity. The term 'intrinsic' covers many aspects within the academic and policy literature, but for this discussion it refers to those non-tangible impacts that accrue to society and communities from increased cultural activity, participation and attendance, and the potential to rebrand cities.

The alternative economic method which I employed was guided by Crompton (2001) and Kwiatkowski (2016), whose principal focus is on how audience event-related expenditure is treated. They argue that a host economy should be defined as the geographic extent of what is to be considered as the local economy. By doing so, it will indicate who is considered local or non-local to the economy. Those people defined as non-local are important in terms of the financial impact from audiences. The event-related expenditures of non-locals have a positive impact on the local economy. Simply put, non-locals inject new money into the local economy, money is spent on local goods and services during their attendance at an art or cultural event, which includes expenditures on hospitality. Although, it must be stated it is not solely non-locals who stay overnight in the local economy whose expenditures are included, the expenditures of those attendees who reside outside the local economy are also included. Commercial bed nights or commercial stayers refer to event attendees who stay between 1-5 nights. It is important to decipher those who are truly event related commercial stayers in order not to overestimate their contribution. From the data collected over the events 2% of the audience were event specific commercial stayers who visited the region because of the event, an estimable 6,840 across the LCC year. If these people stayed in commercial accommodation for an average of two nights at €76 per night this could potentially have contributed nearly €1million from commercial bed nights during the LCC year. In contrast, the event-related money which locals spend on attending an event could be considered as a 'recycling' in the sense that it would have been spent elsewhere in the local economy. As a result, locals' expenditure has a more neutral monetary impact on the economy and is less easily identifiable. This is the key assumption of the methodology which I employed and is underpinned by academic research as noted by Crompton (2001).

This treatment of expenditures is replicated in the *eventIMPACTS* (1) economic model. The assumptions and formulae which underpin this model were used to better understand the data, to do background calculations on audience numbers, and to calculate average expenditures. The *eventIMPACTS* calculator is a reproducible tool, as the calculations used to measure audience impact are structured in worksheets, into which event specific data can be inserted and thus replicated. Firstly, data were collected across LCC events throughout 2014 using two surveys. Secondly, an expenditure survey asked respondents about the nature of their spending. Questions were asked about where they had travelled from, gender and employment status, group type (couple, family with children etc.), how many nights they stayed in or around Limerick, detailed expenditure around the event, and the importance of the event in their decision to visit Limerick (2).

As stated the host economy was defined as the Mid-West region, Limerick and Clare, based on the commuting distance that people travel for work and leisure. This definition assumes that attendees are less likely to stay overnight if travelling within the Mid-West region to attend the event. Using the survey data, 81% of the audience came from within the spatial extent of the host economy, while the remaining 19% were classified as cultural tourists. This methodology as employed by *eventIMPACTS* has been employed in many case studies as a component for measuring economic impact. Lumiere an outdoor lightshow which was staged in London in 2016, applied the model and it was calculated that 60% were local to the defined host economy. Similarly, the economic impact of the Hay Festival in 2016 was estimated at £20.6million in direct economic impact. The tool was used to measure commercial stayers,

New Voices

Sian McInerney

unique visitors, day visitors and daily spend, and to create a spending profile for those who attended LCC events, showing how far they had travelled, their spending patterns during the event and the reasons for attending. Using the segmentation method, it was also used to calculate that there was a non-local audience of 342,000 with an average individual event-related expenditure of €47, leading to an audience economic impact of €16,074,000. It must be stated that there exist limitations also to the techniques employed. The robustness of the calculations depends on the veracity of data which has been collected from both primary and secondary sources to infer results. The results illustrated here could be considered as an intermediate measurement of the impact, a more advanced measurement would include appropriate economic multipliers and detailed measurements of direct employment impacts.

Grant Thornton (2015) do not provide information on the methods used to calculate audience impact. However, the findings do not appear to be based on original survey data, as it is stated in the report that there was a 'dearth of certain statistical data to facilitate the analysis. All programme related data was provided by the LCC team and was not subject to an audit by the Grant Thornton team' (Grant Thornton, 2015, p. 9). Other secondary sources were used to infer the results. For example, cultural tourist data from Fáilte Ireland for their calculations on average expenditure of €45. Grant Thornton did not remove the expenditure of locals and included all audience expenditures in their impact figure. They did however reduce audience numbers to 500,000 on the assumption that each visitor attended at least three events. The impact figure of €29,520,000 is made-up of €22,950,000 from 510,000 locals spending €45 per event and €6,570,000 from non-locals spending €73 per event (excluding accommodation costs).

### Conclusion

In general terms, the focus of this paper was to interrogate the methods used by Grant Thornton and to calculate audience expenditure on the LCC using an alternative method. The findings suggest that the economic value derived from non-local visitors is more applicable to large scale international events which aim to attract cultural tourists in large numbers. For LCC or ECOC, where the provision of a cultural programme for locals is the focus, then reporting requirements should give equal focus on measuring social and participatory impacts and measuring economic value. Nevertheless, the methodology in which the event-related expenditures of locals, non-locals are treated differently as illustrated in this paper measures in a more accurate way the economic impact of audience expenditures.

Following the Grant Thornton (2015) report, newspaper headlines stated that €44 million was contributed to the local economy from LCC, of which €29.5 million was based solely on the impact from audience expenditures, excluding €560,000 from hotel occupancy. The audience impact figures produced by Grant Thornton ignore recommendations on the treatment of locals which I tested with my own research. By using an alternative method, I calculated that €16,074,000 was contributed by audience-related expenditure with potentially further €1 million from hotel occupancy.

When considering the value that can derive from art and cultural events, especially those whose anticipated outcome is to provide a cultural programme for the region, then the full ambit of value cannot be restricted to economic value. However, it is the focus of this paper to illustrate the quantitative economic impact from audience expenditures using a valid method. This research suggests that the treatment of local and non-locals' expenditure provides a more accurate method for measuring such impact. Although, a separate social enquiry would be required to illustrate the full range of cultural value as described by Throsby (2010), it still

New Voices

Sian McInerney

may take some time, as Keynes anticipated, for purely economic values to take the back seat. However, it is still realistic to expect that valid quantitative economic calculations will be used to measure monetary impacts. As illustrated through this discussion, an aspect of this lies in the valid segmentation of local and non-local expenditures.

*About the author:* Sian McInerney holds a BA Degree in Economics and Sociology from Trinity College Dublin (2005), an MA in Cultural Policy and Art Management from University College Dublin (2010) and completed a MA by Research (2017) in the area of Economic Impact of Limerick City of Culture from Limerick Institute of Technology (LIT) under the supervision of Dr Sineád O'Leary, on a scholarship funded by the Limerick City of Culture and LIT. Sian is currently assisting the curatorial team at the Hunt Museum, Limerick on the Lavery & Osbourne - Observing Life Summer Exhibition 2019.

## NOTES

1. The model was the result of a research and consultation process between the Department for Culture, Media and Sport (UK), Discover Northern Ireland, EventScotland, London and Partners, UK Sport and Welsh Government and research partners Sport Industry Research Centre at the Sheffield Hallam University (EventIMFACTS, 2016).

2. A second survey collected information on the social impacts, that survey collected information on the people who attended events. Respondent's opinions on the success of LCC, their personal relationship to art and culture, their levels of participation, their stated personal levels of happiness, and how they felt art and culture impacted on their personal lives. The full results lie outside the scope of this discussion.

## BIBLIOGRAPHY

Bakhshi, H. and Throsby, D. (2010) 'Culture of Innovation An economic analysis of innovation', London: NESTA Research report, NESTA.

Belfiore, E. (2015) "Impact", "value" and "bad economics": Making sense of the problem of value in the arts and humanities', *Arts and Humanities in Higher Education*, 14(1), pp. 95–110. doi: 10.1177/1474022214531503.

Belfiore, E. and Bennett, O. (2010) 'Beyond the "Toolkit Approach": arts impact evaluation research and the realities of cultural policy-making', *Journal for Cultural Research*, 14(2), pp. 37–41. doi: 10.1080/14797580903481280.

Crompton, J. L. (2001) 'A Guide for Undertaking Economic Impact Studies : The Springfest Example', *Journal of Travel Research*, 40(AUGUST), pp. 79–87.

EventIMFACTS (2016) *The Project*. Available at: <http://www.eventimfacts.com/the-project/the-project> (Accessed: 3 September 2016).

Grant Thornton (2015) *Limerick National City of Culture 2014, Economic Impact Assessment*.

Kwiatkowski, G. (2016) 'Economic Impact of Event Attendees' Spending On a Host Region: A Review of the Research', *Event Management*. 20(4), pp. 501–515.

Limerick Arts Office (2016) *Limerick Cultural Strategy- A Framework 2016-2030*. Limerick.

O'Brien, D. (2010) *Measuring the value of culture : a report to the Department for Culture Media and Sport*.

Seaman, B. (2003) 'Economic Impact of the arts', in Towse, R. (ed.) *A Handbook of Cultural Economics*. Edward Elgar Publishing, Inc. UK.