chapter 4

VALUE OF ARTS SECTOR

INCOME, OUTPUT, DEMAND AND FUNDING

This chapter brings together the main financial indicators, starting with the income of individual arts professionals and other cultural workers. It is notable that the growth in the arts-related workforce has not been matched by a growth in incomes (adjusted for inflation using the consumer price index); indeed, the estimated median and average (mean) incomes for these professionals declined more over the ten years to 1996 than for the workforce as a whole.[4] This does not mean that the incomes of particular artists have necessarily declined, just that there were relatively more individuals in the lower end of the income scale in 1996 than there were ten years previously.

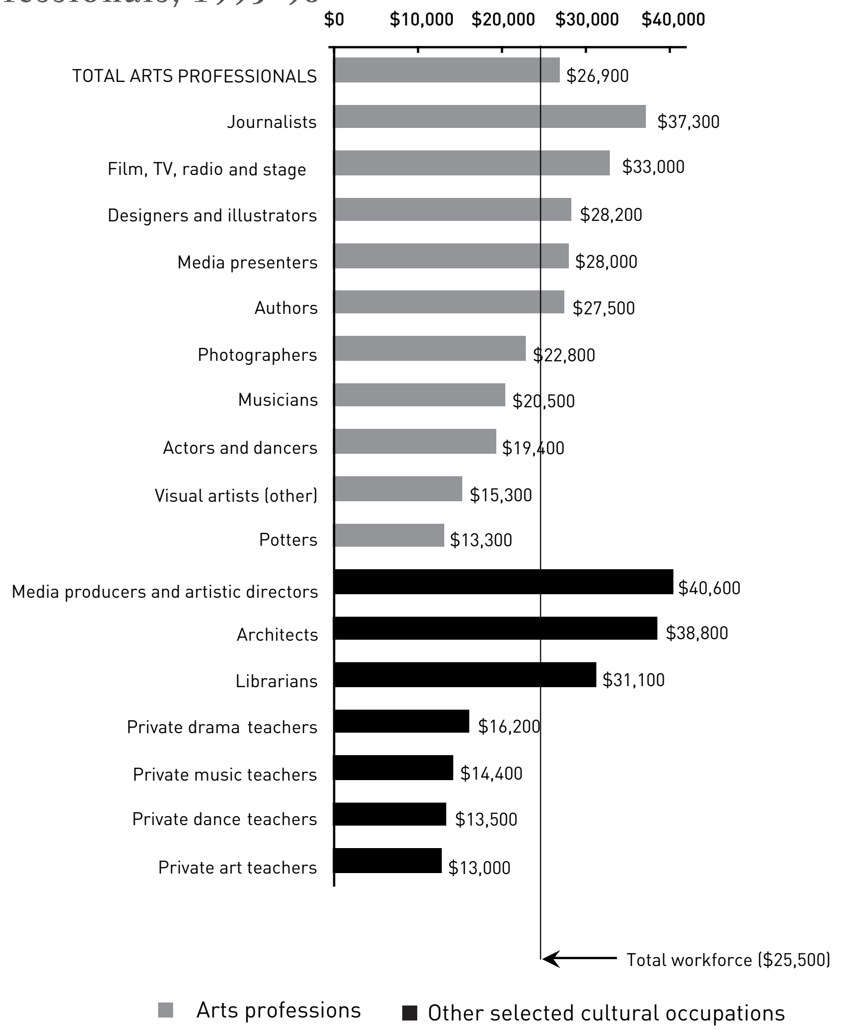
Because of the strong increase in the number of practitioners, however, the arts remain one of the growth sectors of the Australian economy. This is reinforced by an analysis of cultural industries based on input–output data. These statistics support the Census data in respect of relative growth rates within the arts sector, though less so since the mid-1980s for some industries.

The changing demand for cultural goods and services is indicated by three household expenditure surveys conducted between 1984 and 1993-94. Though subject to sampling error, this source too indicates significant growth.

Public funding has become an important element of the economics of the cultural sector. Funding of the core arts (which is the Australia Council's principal area of responsibility) has grown from a narrow base 30 years ago. Comprehensive funding statistics available since the late 1980s show how all three levels of government support the core arts through the provision of buildings and other modern physical facilities, without which many artistic endeavours would be severely curtailed.

These four topics are discussed in turn. Details are shown in Appendices 2, 4 and 5. All values have been converted to constant 1996-97 prices using the appropriate national accounts deflators.

4.1: Estimated median incomes of arts and related professionals, 1995-96



Source: 1996 Census

INCOMES OF INDIVIDUAL CULTURAL WORKERS

The median income is useful for comparing different groups (Chart 4.1). It relates to the income of the individual halfway down a group of people sorted by income. Comparing medians and means (averages) provides a summary measure of how equal or unequal is the income distribution. If the average is much higher than the median, it is probably loaded with some very high incomes. If the two are closer, the 'tail' of high incomes is much shorter, and the distribution is consequently more equal.

The median income of all arts professionals counted in the 1996 Census was $26,900, about 5% higher than the median for the whole workforce. The income distributions were approximately similar judging from the averages, which in both cases were about 15% higher than the medians. Table A2.1 in Appendix 2 shows the average (mean) for all arts professionals to be $30,885 in 1996. Both averages and medians have shown similar trends.

Journalists were the highest paid arts professionals followed by film, radio, television and stage directors. Apart from visual artists and potters, actors, dancers and musicians had the lowest incomes (Chart 4.1), but these groups also worked relatively short hours for a main occupation (Chart 3.15). Among the related cultural professionals, media producers and artistic directors were paid most, while private arts teachers had much lower incomes (again, these worked shorter hours than other occupational groups, whether by necessity or choice).

Actors and dancers, media presenters, film, television, radio and stage directors, musicians and singers had the most unequal income distributions among art professionals, judging by the ratio of average to median income (Table A2.1). Among other cultural professionals, private art teachers showed the highest degree of *relative* inequality of any group, but half of them earned less than $13,000.

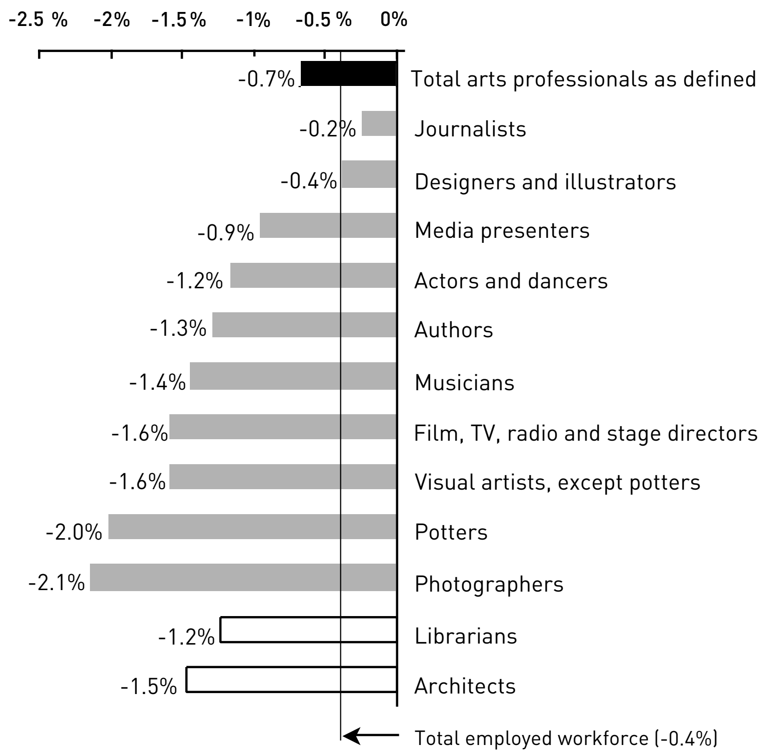
Compare this to film, television, radio and stage directors whose income distribution was also relatively heavily skewed. Their median income was $33,000 but the average more than $40,000 because a few were much better remunerated than the typical member of the occupation. A *relatively* well-paid film, television or stage director earns a lot more than a *relatively* well-paid art teacher.

DECLINING MEDIAN AND MEAN (AVERAGE) INCOMES

Based on the medians, every single group for which the information can be calculated lost income between 1986 and 1996, that is, their dollar incomes rose by less than the inflation rate (Chart 4.2). The reader is reminded again that this does not mean that the incomes of particular artists have necessarily declined.

The annual decline in the median for all arts professionals was 0.7%, compared with minus 0.4% per annum for the total workforce. Visual artists including potters and photographers suffered the worst decline, followed by film, television, radio and stage directors, musicians, authors, actors and dancers, and media presenters. Among other cultural professionals, architects suffered a decline in median incomes of 1.5% per annum, and librarians 1.2%.

4.2: Annual trend in median income at constant prices, 1986-96



Source: 1996 Census

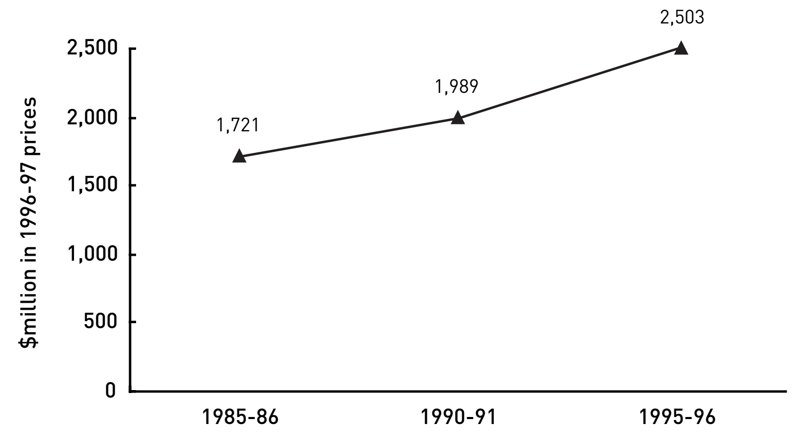
Average incomes tell much the same story, as can be verified by calculating rates of change from the first three tables in Appendix 2. The overall average income declined by 0.7% per annum for arts professionals compared with 0.4% for the total workforce, which is the same as was calculated from the estimated medians.

A decline in income of less than 1% annually may not appear to be very much, but it means that the median and average income fell by 7% for arts professionals between 1986 and 1996. For potters and photographers with a median annual income loss of 2%, the compounded effect over ten years was almost 20%.

Taking the most recent period, 1991-96, all groups of arts professionals showed declining real incomes, except journalists. Private music, drama and dance teachers, which apart from potters were the lowest paid group analysed, showed some improvement over this period (Table A2.5).

While the number of artists and other cultural workers has increased rapidly, incomes have suffered to a greater extent than in the workforce as a whole. Given that individuals elect to pursue careers as full-time performing or creative artists, does supply exceed demand? Which elements of each group have experienced the largest falls? Is there adequate protection of intellectual property rights, in particular for visual artists who suffered the worst decline? What financial and economic relationships affect income distributions between the various national and international groups with interests in the Australian arts economy? What are the policy implications for the funding authorities?

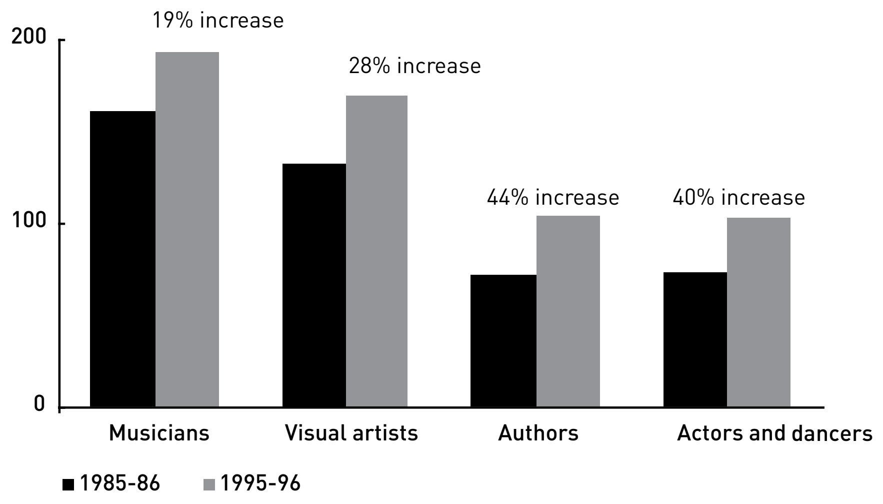
4.3: Estimated total income, arts professionals as defined



Source: Census 1986-96

There is insufficient evidence to answer these questions. Some indications may be found in the three studies of Australian artists by David Throsby and others, published between 1983 and 1994 (see bibliography). A future study of our artists might be usefully directed towards identifying the underlying problems.

4.4: Estimated growth in total income, selected groups of arts professionals, Australia, $million in constant 1996-97 prices



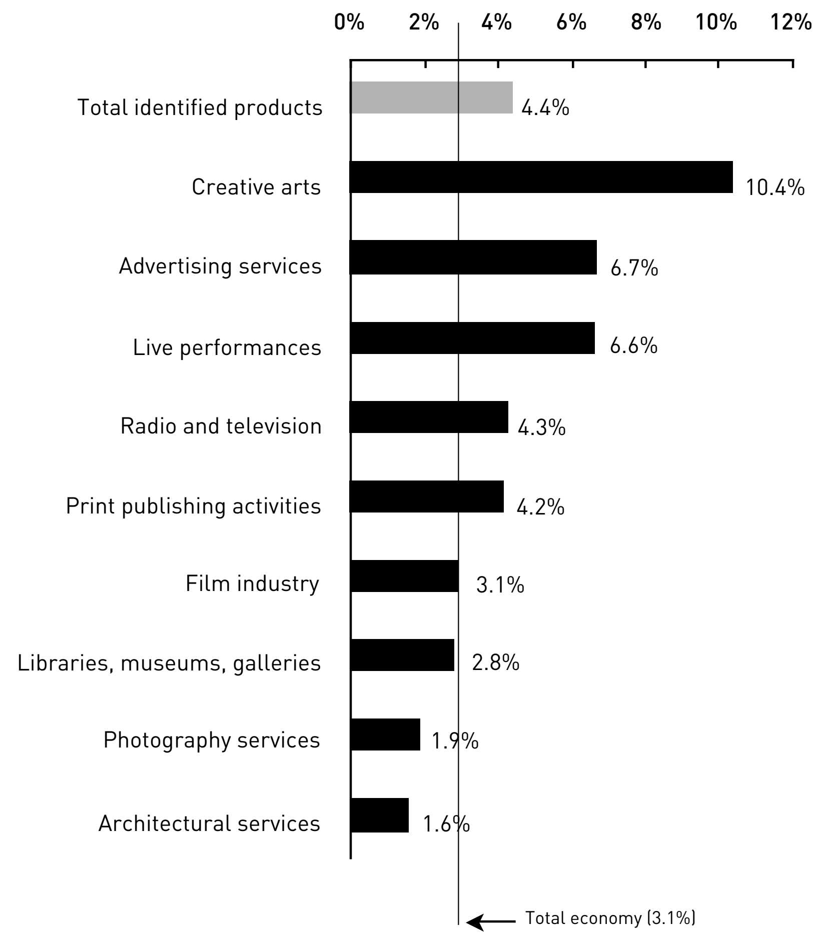
Source: 1986 and 1996 Census

Because their numbers have been growing, the *total* income of all arts professionals rose, despite the fall in individual real incomes (Chart 4.3). The total estimate for 1995-96 ($2.5 billion) compares with $2 billion for 1990-91 and $1.7 billion for 1985-86. This is a 45% increase in ten years. The compound ten-year annual growth was 3.8%, but it accelerated from 2.9% in the first five years to 4.7% from 1991 to 1996 (Table A2.6). These are very respectable rates though lower than for artist numbers (Table A2.4).

The four main groups of visual and performing artists all experienced significant total income growth between 1986 and 1996, though below the 45% increase for all arts professionals (Chart 4.4). The total growth rate over the ten years was higher for authors and for actors and dancers than for visual arts and crafts and musicians, singers and composers. The aggregate income of all architects and all librarians declined over the ten years to 1996.

There was rapid growth in total income from 1991 to 1996 for media producers and artistic directors, and private drama, dance and music teachers (Table A2.6).

4.5: Annual growth trend in value of nine selected arts-related products, Australia, 1975-94



Source: ABS input-output 'commodity' or product data

THE VALUE OF ARTS-RELATED INDUSTRIES

One of the most valuable data sources for the measurement of growth trends is the Australian Bureau of Statistics' compilations of 'commodities' (subsequently renamed 'products'), which form part of the input–output framework tracing the flow of transactions to and from major industry sectors. The nine products selected for this study have been analysed and the growth rates depicted together with an indication for the total economy included in Chart 4.5. Appendix 5, Table A5.1, shows details.

As the products are categorised according to the industry that primarily produced them, the selections may be compared with the Australian Bureau of Statistics definition of cultural industries for the 1996 Census, which was discussed in Chapter 2 (see also Appendix 2, Table A2.8). One additional industry defined by the input–output statistics is advertising services. Architectural services were not defined among the cultural industries in the analysis of Census results, which is probably an oversight since architects were defined as a cultural occupation.

The cultural sector was the subject of a statistical overview in 1997, including an analysis of the input-output commodity data for 1993-94 (ABS and Department of Communication and the Arts, *Cultural Trends in Australia*, page 33). This showed the Australian production of cultural goods and services to be worth $19.3 billion with competing imports (of goods and services that could have been produced in Australia) adding $1.6 billion to reach a total of $20.9 billion. The total for the products included in Chart 4.5 was $13.7 billion, translating to $14.4 billion when expressed at 1996-97 prices.

It is important to bear in mind, however, that these statistics include supplies (inputs) from other industries to the cultural industries. Industry gross product is a more appropriate measure for some purposes, as discussed in Chapter 2, because it removes the inputs from other industries to arrive at a net contribution of each cultural industry. The actual contribution averages out at about half the amount shown in the commodity input–output data.

The difference between the *Cultural Trends in Australia* statistics and Table A5.1 is mainly due to some products being excluded for three reasons (see Table A5.2). First, not all cultural goods and services are arts-related by any definition, including zoos, botanical gardens and parks, news reporting services and newspaper, periodical and book advertising sales. Secondly, we have excluded items used to produce art such as musical instruments; apparently failing to compete with mechanical music-producing devices this commodity group actually showed a falling trend from about $115 million in the 'seventies to $93 million in 1993-94. Thirdly, this study focuses on long-term trends, which meant that we had to exclude audio and video tapes, compact discs and other records, for which there are no input-output commodity data before 1993-94.

Chart 4.5 largely covers industries that have been defined as copyright-related, which illustrates the importance of copyright for the arts economy. There is only one other major component in the copyright sector, computer software, which if included would have been the strongest growing item in Chart 4.5 (*at least* 16.5% per annum) and worth *at least* $2.9 billion back in 1993-94.[5]

The average annual rate of economic growth in Australia between 1974-75 and 1993-94, the period covered by the input–output data, according to these statistics was 3.1% (least-squares trend rather than beginning and starting years only). The nine products in Chart 4.5 showed a combined increase of 4.4% per annum (a legitimate measure assuming a steady relationship between input–output data and contribution to GDP). There was, however, a wide variation from creative arts growing by 10.4% and live performances and advertising services by almost 7%, to architectural and photography services showing rates well below the average for the total Australian economy.

The relatively low growth in the architecture, photography and library industries matches the observation in Chapter 3 (Chart 3.5) that the number of librarians, architects and photographers showed the smallest increment between 1986 and 1996. The growth in the creative arts is matched to some extent by the relatively strong growth in the number of visual artists and craft professionals.

Naturally, these comparisons cannot be taken too far. The time periods differ, and many other people are employed in these industries apart from the arts and other cultural professionals we have identified.

The growth in publishing is consistent with growth in the number of journalists and authors. Publishing is among five input–output products showing a rising share of the total economy over the almost 20 years covered by the statistics. However, its share of total output has stagnated since about 1984, possibly because of intensifying competition in an increasingly global market. Another of the five products, radio and television, showed very strong growth between 1975 and 1984 and then lost share.

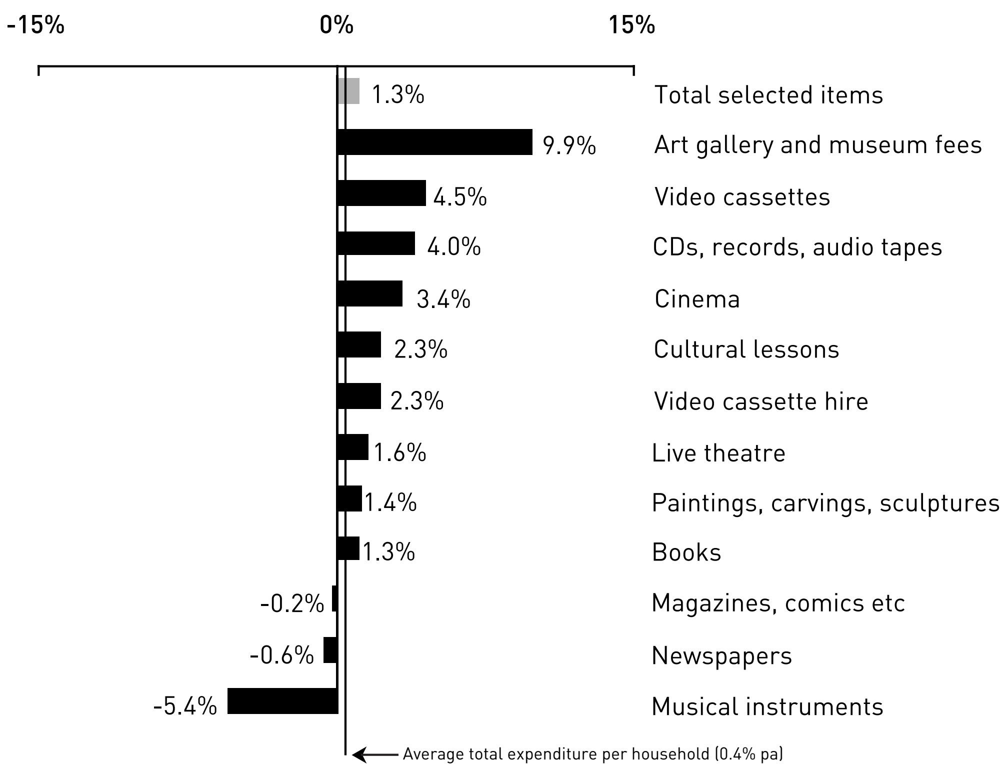
The film industry, growing at about the same average as total economic output over the full period, has staged a recovery in the 1990s following particularly bad results in 1986-87, according to the input–output data.

Three products have continued to increase their share of the total economy more or less throughout the period. They are advertising and — in particular — live performances and creative arts. The question confronting the last two is whether the individual artist has been losing share to others *within* the input–output product, as suggested by the income statistics.

HOUSEHOLD EXPENDITURE

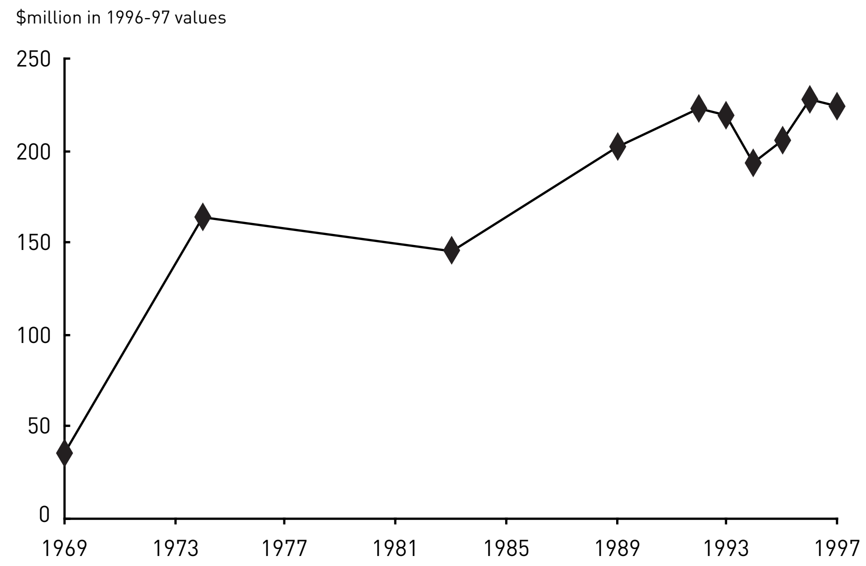
The Australian Bureau of Statistics conducted three household expenditure surveys roughly five years apart between 1984 and 1994. These surveys include a number of items which are relevant to this study. Despite considerable sampling error affecting the accuracy of individual small-expenditure items, these surveys support the findings from the Census and input–output analysis. Chart 4.6 shows that expenditure per household on a total of 12 items increased by an average of 1.3% per annum compared with only 0.4% for total household expenditure. All 12 items showed greater than average increase except newspapers, magazines and musical instruments. Details are shown in Appendix 5, Table A5.3.

4.6: Average annual change in household expenditure on selected items, constant 1996-97 prices, 1984-94



Source: ABS Household Expenditure Surveys 1984, 1988-89 and 1993-94

4.7: 'Core' arts funding in Australia, 1968-69 to 1996-97



Source: *Artburst!* (estimates to 1983-84), Australia Council and ABS (1988-89 to 1996-97)

PUBLIC CULTURAL FUNDING

Core arts for the purpose of this report include literature and publishing, visual arts, crafts and photography, music and other performing arts, and community cultural activities. Aboriginal and Torres Strait Islander cultural activities in recent years have been allocated to the artform they represent, rather than being part of a special category. Funding of core arts activities in recent years have totalled about $200 million expressed in constant 1996-97 prices. In 1994-95, the Australia Council funded 25.5% of a total $205.8 million of core arts, other federal bodies 31.2%, State governments 34.6% and local governments 8.7%.

This information is derived from Appendix 4, Tables A4.3 to A4.8, which show funding statistics since 1988-89 for each level of government, and for the Australia Council and State arts authorities separately. The capital component is very small for core arts activities: 96% of the total was recurrent in 1988-89, 98% in 1994-95 and almost 99% in 1995-96. All figures have been converted to 1996-97 prices, as elsewhere in this volume.

Core arts funding increased rapidly between 1968-69 and the first year of the Australia Council's existence, 1973-74 (Appendix 4). It declined in real terms over the next ten years according to the estimates in Chart 4.7 and then increased up to an estimated maximum of $223 million in 1991-92, from which it has since receded and more recently recovered. Generally, funding of core arts appears to have reached a plateau, around which the total fluctuates annually in accordance with policy changes at all levels of government.

Funding of broadcasting and film production has remained in the vicinity of $900 to $950 million at constant prices since 1988-89. In 1996-97, radio and television broadcasting accounted for $778 million, film and video production for $127 million and multimedia for $6 million, adding to a total of $911 million. The vast bulk was federal funding, adding up to $874 million.

The main physical facilities defined as cultural in this study are libraries and archives, museums, art galleries, performing arts venues and arts centres, and cultural heritage defined as Indigenous or historic environment. This includes Aboriginal and Torres Strait Islander sites, structures and features, and historic monuments, houses, buildings, structures and sites on the register of the National Estate or equivalent State registers.

In contrast to the two other categories defined for this study, there has been a rising trend in funding physical cultural facilities since 1988-89, when the first statistical compilation was made. According to Table A4.3, this funding amounted to just under $900 million in 1988-89, but rose to almost $1.4 billion in 1996-97, measured in constant 1996-97 prices.

The main funding of physical facilities comes from State and local governments, which provided 52% and 34%, respectively, in 1994-95, leaving the federal government to fund 14% only. Just over half the total went to libraries and archives, well in excess of museums (15%), performing arts venues and arts centres and cultural heritage (12% each) and art galleries (10%).