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April 21, 2005

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Executive Summary

This report offers an estimation of the importance of arts and cultural activities to Michigan's economy. The definition of arts and cultural activities used in this report is broad and includes local symphonies, zoos, state university performances, museums, community theaters, orchestras, and opera companies, as well as performances at private venues such as clubs and theaters. Movies, sporting events, and county fairs are not included.

Of course, the importance of arts and cultural activities cannot be adequately measured merely in terms of jobs and income. They are a major component of the state's quality of life. In all, 55 percent of the households surveyed for this study ranked arts and cultural activities as either very important or important to the state's quality of life. Moreover, one-third of the surveyed households said that arts and cultural activities play either a very important or an important role in their relocation decisions.

Still, the economic importance of arts and cultural activities should not be ignored. In this report, two separate concepts are used to measure the importance of arts and cultural activities and organizations to the state's economy. The first is "economic presence," which is defined as the level of economic activity, measured in terms of employment and income, that is supported by arts and cultural activities in the state. While the estimation of the economic *presence* of arts and cultural activities is useful in illustrating the size of these activities relative to other economic sectors such as retail trade or finance, it should not be mistaken as representing the activities' economic *impact* on the state. For example, a grocery store has an economic presence

because its workers spend their wages on purchasing goods from local retailers and because the store buys some of its goods from local distributors and wholesalers. However, the store does not generate an economic impact, because it does not attract new business activity into the state.

The economic presence of the state’s arts and cultural activities, measured in employment and income, is estimated to be 108,460 employees and \$1.93 billion in income in 2004, as shown in Table 1. We estimate that more than 71,000 people are employed by arts and cultural activities or as individual artists. In comparison, the state’s plastics industry employs 43,100 people, its information sector employs 68,000 people, and its private education sector employs 68,900 people.¹ The consumer spending of the 71,350 individuals employed in arts and cultural activities and the purchasing of supplies and equipment by the state’s arts and cultural organizations create an additional 37,110 jobs in the state. Therefore, 108,460 people in the state are either directly involved in the state’s arts and cultural activities or are supported by these activities, and state’s personal income is increased by nearly \$2 billion because of their employment.

Table 1
Economic Presence of the Arts in Michigan

Type of Impact	Employment presence	Direct arts employment	Indirect arts employment	Personal income (\$mil)
Art organizations	76,150	51,120	25,030	\$1,554.0
Independent artists	29,780	20,230	9,550	312.0
Related out-of-state visitor spending	2,530	0	2,530	65.7
Total arts presence	108,460	71,350	37,110	\$1,931.7

1. It is important to note that the estimate on the number of people employed in the state’s arts and cultural sector includes self-employed individuals, while the employment statistics for the other sectors do not.

The second concept used in measuring the economic importance of the state's arts and cultural activities is their "economic impact." This measures the amount of new economic activity that is generated in the state entirely as the result of the existence of the state's arts and cultural activities. An analysis of the economic impact of arts and cultural activities requires an estimation of the amount of new monies brought into the state as well as the amount of monies retained in the state that are due entirely to these activities.

As shown in Table 2, the following five components make up the economic impact of arts and cultural activities in the state.

1. Expenditures retained in the state by *not* having households venturing outside of the state to enjoy arts and cultural activities;
2. The economic loss to the state generated by residents moving out of the state because of the absence of arts and cultural activities (measured ten years after the loss of the arts);²
3. The loss of the proportion of the state's arts and cultural organizations' activities that are funded by out-of-state sources of revenues, including out-of-state visitors and funding sources such as national foundations;
4. The loss of income for artists residing in the state generated from out-of-state sales and performances and from purchases by out-of state visitors;
5. The economic loss suffered by the state's hospitality industry from persons not visiting the state because it is void of arts and cultural activities.

2. In concept this is the same as the loss to the state of persons deciding not to move into the state because it was without arts and cultural activities.

If the state stopped offering arts or cultural activities this year, then after 10 years, it would have 30,580 fewer people employed and \$811.2 million less in personal income than if it had maintained today's level of arts and cultural activities during the period (Table 2).

Table 2
Statewide Impact of the Arts After 10 Years

Type of impact	Employment impact	Direct arts employment	Indirect arts employment	Personal income (\$mil)
Retained arts spending of MI residents	17,620	11,850	5,770	\$359.7
Loss of existing residents after 10 years	3,400	0	3,400	274.4
Out-of-state org. funding and attendance	3,810	2,560	1,250	77.7
Independent artists out-of-state income	3,220	2,190	1,030	33.7
Related out-of-state visitor spending	2,530	0	2,530	65.7
Total impact	30,580	16,600	13,980	\$811.2

Introduction

The Importance of Arts and Cultural Activities

This study estimates the economic presence and economic impact of arts and cultural activities on the state of Michigan. To attempt to put a dollar value on the enjoyment of a dance performance, the power of a symphony, the human insight gained from a play, or the wonder experienced visiting a zoo seems quite foolish indeed. Fortunately, we do not attempt such an arduous task in this report. Instead, we attempt to answer the following question: What would be the impact on the state's economy if all of its arts and cultural activities simply disappeared? Without the arts, fewer households would visit the state because it would simply have less to offer out-of-state visitors. At the same time, many state residents would venture out of the state to enjoy the arts and cultural activities that were previously available in the state. Equally important, the state would become a less attractive location for households who value arts and cultural activities for both their own enrichment and for their community's. As a result, the state would also become less attractive to the business community since it would become more difficult to attract employees from outside the state.

Indeed, arts and cultural activities are an integral part of the state's quality of life and improve the lives of all of us. Arts and cultural programs bring a vital understanding of the human experience to the state's schoolchildren while teaching them tolerance, creativity, and understanding. Moreover, these activities can have a strong long-term impact on our children. As stated in a recent report, "The arts provide effective learning opportunities to the general

student population, yielding increased academic performance, reduced absenteeism, and better skill-building.”³

Of course, the positive impact of arts and cultural activities does not stop in school.

Increasingly, the role of the arts in workforce development is gathering more and more attention as the arts serve to build creativity and acceptance of diversity. Arts and cultural activities increase the civic involvement of residents in their communities. Plays, concerts, and art festivals draw individuals from their homes, enabling them to interact with other members of the community. In short, they help develop a sense of community.

On a global scale, arts and cultural events increase our awareness of the cultures and peoples in the world. They provide us with new ways of thinking and living, thus increasing our tolerance and our understanding of our interconnectiveness with those cultures and with nature in general.

Arts and cultural activities play an increasingly vital role in reenergizing the downtowns of the state’s core cities. From the Art Hop in Kalamazoo to the Ice Carving Exhibition in Plymouth to the Festival of the Arts in Grand Rapids, arts events are attracting more and more residents back to downtown areas. They support downtown retailers and restaurants and improve the core cities’ property values.

In short, arts and cultural activities play a most valuable role in upholding and improving the quality of life we enjoy in our communities, they increase the economic vitality of our downtowns and neighborhoods, and they make us more aware of and understanding of our

3. NGA Center for Best Practices Issue Brief, Economic & Technology Policy Studies, May 1, 2002, p. 1.

environment. It is important to remember that an economic impact analysis will pick up only a small part of the richness that arts and cultural activities add to our lives.

What is an “Economic Impact”?

An economic impact study is nothing more than a series of before-and-after shots of the economy. First, a statistical picture is taken of the state before a particular economic event occurs, and then another or a series of pictures is taken after the event. The difference between the statistical snapshots is the economic impact of the event.

In order to measure how an economic event affects an area’s economy, one must have an understanding of how areas grow. Local and state economies grow by producing goods and services, which are sold to customers outside the area through effectively combining and enlarging localities’ resources.

The first ingredient in economic growth is the ability to generate goods and services that are demanded and purchased by customers located outside the region. It is through the sale of these goods and services that “new” monies are attracted into the area. These new monies then circulate in the community before leaving the local area, primarily through the purchase of goods or services that are produced elsewhere. Areas also grow by eliminating the need of importing goods and services, thereby becoming more self-sufficient. A wider offering of arts and cultural activities in the state would likely reduce the amount of monies Michiganders spend outside of the state and thus increase the state’s economy.

Goods and services that are sold locally can add to the area's quality of life—for example a good restaurant—but rarely add to the area's growth by themselves. Almost all of the revenues gained and payrolls paid by a new coffee shop, restaurant, grocery store or movie theater come at the expense of existing establishments in the area. Good restaurants are preferred over poor ones, but they employ roughly the same number of workers and likely use many of the same local suppliers.

To be able to sell its goods and services to customers outside the region, a community must have a competitive advantage. Few out-of-region residents will go to a mediocre medical facility to be treated, and the maker of expensive, but low-quality goods will quickly go out of business.

Clearly, the ability of a state or community to remain competitive rests on the quality and strength of its resources. The quality and size of an area workforce stand out as the most important resources of almost all states and communities. Only the last few remaining mining- and agricultural-based communities still draw the majority of their wealth from nature. A key difference between an area's workforce and its natural endowments, such as minerals, soils, and climate, is that people are increasingly mobile. Moreover, the more educated and knowledgeable people are, the more mobile they become. The mobility of individuals is only enhanced by advances in communications and information management.

The Economic Role of Arts and Cultural Activities

Arts and cultural activities play a role in enhancing the state's economy. First, arts and cultural activities bring new dollars into the state by attracting visitors to enjoy and experience the state's arts and cultural offerings. Likewise, outstanding arts and cultural activities in the state will reduce the amount of monies Michiganders spend outside of the state.

Second, arts and cultural activities strongly shape the quality of life in Michigan and enhance its attractiveness. This provides "stickiness" in a slippery world. A state with insufficient arts and cultural activities may find it difficult to attract and retain highly educated individuals, who can find suitable employment opportunities almost anywhere. Without the arts, it would become difficult for the state to attract and retain businesses because those businesses would be unable to attract and retain workers who value the arts.

The Difference between Economic Impact and Economic Presence

Unfortunately, many economic impact studies that have been conducted in other states confuse economic impact with economic presence. As discussed above, economic impact is the measurement of the change that occurs in the state's aggregate economy due completely to an event such as a new business—or a new arts or cultural exhibit. If the event brings new monies into the state or enhances the state's economic resources, then it will have an economic impact on the state.

On the other hand, if the event is the opening of a new retail store or a blockbuster movie at the local theater, then it will have an economic presence, in that it will generate revenues, payroll, and employment. However, it will have an inconsequential economic impact, because it simply takes its revenues from existing stores or entertainment events.

Retailers, copy shops, doctor's offices, bank branches, financial planners, and many other important activities have an economic presence in the state of Michigan. Retailers alone employ 11.5 percent, or more than 500,000, of the state's workers. However, very few of these retailers have an economic impact on the state. In fact, their existence depends upon the impact of the state's economic base activities that bring new revenue into the state from the sales of their goods and services. Fifty years ago, the state's economic base was limited to its manufacturing activity. Today, manufacturing shares the stage with the state's higher education institutions, research and development activities, major medical complexes, and many other service sectors, including some arts and cultural activities.

When the geographical unit of analysis is a large state like Michigan, the bar separating economic impact and economic presence is raised even higher. For example, a new art exhibit in Grand Rapids will likely draw people from Lansing, Kalamazoo, and surrounding rural areas and thus generate an economic impact on the Grand Rapids area. However, since all of these individuals reside in the state, the resulting economic impact of this art exhibit would be insignificant to the state as a whole.

It would be a major error, however, to limit an examination of arts and cultural activities' economic impact to just their ability to attract new monies into the state or to stop dollars from being spent outside of the state. Arts and cultural activities help define the state's quality of life and influence the state's ability to attract and retain qualified workers. They can make the difference between a mechanical engineer's choosing Detroit and her choosing Chicago or Cleveland.

Methodology

The findings of this report are based on the results of three separate surveys conducted in the state during the fourth quarter of 2004. First, a household survey was mailed to a random sample of 5,000 households in the state. Of these 5,000 surveys, 1,293 were returned for a good 26 percent response rate. In addition, we surveyed 2,695 art and cultural organizations in the state. Unfortunately, even though we did three mailings (one electronically), only 179 completed surveys were returned, for a response rate of 6.1 percent. Finally, with the assistance of ArtServe Michigan, we electronically surveyed approximately 4,000 independent artists in the state. In all, 423 of these surveys were returned, a 10.5 percent response rate. Copies of all three surveys are included in Appendix A.

The arts and cultural expenditure estimates based on these surveys were then entered into the Upjohn Institute's economic impact model for the state of Michigan. This economic model was custom-created for the Institute by Regional Economic Models Inc. (REMI). It uses three

separate components, which together allow us to make a complete analysis of the total impact of any change in the local economy.

These components are

1. An input-output model that estimates the impact on the local economy of changes in interindustry purchases. This component of the model captures the impact of an increase in orders to local suppliers of goods and services as well as the impact of households increasing their purchases of consumer goods and services.
2. A relative wage component that estimates the impact of the expected changes in the area's cost structure that are due to changes in economic activity. For instance, when a major employer leaves the area, the departure can cause wages to decline across almost all industries because of the decreased demand for workers and other local resources.
3. A forecasting and demographic component that forecasts the resulting changes in future employment and population levels from a change in economic activity.

Structure of the Study

In the next section we estimate the economic presence of arts and cultural activities in the state.

The section after that will offer our estimate of the economic impact of arts and cultural activities

in the state. And the final section provides concluding thoughts on the importance of arts and cultural activities to the state.

Limits of this Study

This study faced several major conceptual issues and statistical challenges. First, defining “arts and cultural” activities proved to be difficult. We adopted a fairly broad definition which included community-supported performing arts such as community theaters, orchestras, and opera companies, museums, zoos, and university performance spaces. In addition, we included performances at private venues, such as clubs and theaters, and by traveling performance companies. Unfortunately, because of severe data constraints, we were unable to gather a complete database of all of these activities and events. One of the major limitations of this report is that it captures little of the economic presence or impact of arts and cultural performances offered at private venues.

Second, any survey-based research effort such as this must be concerned about survey bias, especially the nonresponse errors. Moreover, after three mailings of our survey, we still received only a low 6.3 percent return rate from the state’s 2,695 arts and cultural organizations and institutions. These limitations must be borne in mind when considering the results.

Economic Presence of Arts and Cultural Activities in the State of Michigan

The Relative Economic Importance of the Arts to Michigan Residents

In preparing this study, we conducted a statewide mail survey of randomly selected households to obtain an understanding of the importance of arts and cultural activities to Michigan residents. In all, 55 percent of the respondents believed that arts and cultural activities were either “very important” or “important” to the state’s quality of life, and a full one-third felt that they would play an important role in their next relocation decision (Table 3). Moreover, the importance of the presence of arts and cultural activities to the state’s quality of life only grows with household income. Since income is highly correlated to the level of education and skills of the household’s workers, these findings clearly support the importance of arts and cultural activities in attracting and retaining professional and highly skilled workers in the state. Many of these individuals could work and live almost anywhere in the United States.

Table 3
Ranking of the Importance of Arts in the Community

Percent who ranked arts "4" or "5" on scale of 1 to 5 (least to most important)	Area's quality of life (%)	Importance in relocation decision (%)
Overall ranking	54.9	33.4
<u>Ranking by income bracket</u>		
Less than \$30,000	46.9	27.8
\$30,000 to \$49,999	54.1	29.3
\$50,000 to \$74,999	52.9	29.7
\$75,000 to \$99,999	54.8	36.8
\$100,000 to \$149,000	72.8	50.9
\$150,000 to \$199,999	83.3	64.7
\$200,000 or more	78.3	56.5

These views are echoed in a 2004 study prepared by the Michigan Economic Development Corporation. In that report, researchers found that arts and cultural activities was ranked high among preferred attributes for a place to live by university students and recent college graduates and formed one of the top 10 core values that define a “cool city.”⁴

Table 4 shows the participation rate of surveyed households for Michigan’s arts and cultural events. As can be seen, a large percentage of the households did not attend any one type of event or facility. For instance, 55.1 percent did not visit an art center or gallery during the past year. However, simply examining the individual event or facility responses misses the fact that a household who never visits a zoo could be a regular attendee of the performing arts. A detailed analysis uncovered that 84 percent of the households surveyed attended at least one arts or cultural event during 2004.

Table 4
Participation Rates for Michigan Arts and Cultural Events, (%)

Type of event or facility	Number of times attended during the past year					
	Never	1 to 2	3 to 5	6 to 10	11 to 20	20 or more
Museums	43.5	40.7	11.8	3.0	0.7	0.3
Art centers/galleries	55.1	30.8	10.4	2.4	0.9	0.5
Zoos/gardens/arboretums	37.2	45.3	12.8	2.9	1.2	0.5
Performing arts—nonprofit	44.5	29.6	16.6	6.5	1.9	0.9
Performing arts—private	37.2	37.1	17.6	5.6	1.8	0.6

NOTE: 84 percent of households attended at least one arts or cultural event in the past year.

The results of an online survey of artists conducted with the help of ArtServe Michigan, a statewide arts organization, revealed that on average most artists gave the state only a “fair” rating as an environment for their activities. In all, 423 artists out of approximately 3,900 contacted responded to the survey, a 10.8 percent response rate. Of the seven categories, only in

4. Michigan Economic Development Corporation (MEDC), “Michigan Cool Cities Survey: Summary of Findings,” April 2004.

crafts did the majority of respondents give the state a higher rating than “fair” (Table 5). A factor, which may contribute to the more positive attitude of Michigan’s craft artists, is the state’s large tourism industry, which offers many opportunities for the sale of their work, especially at the numerous summer arts and crafts fairs.

Table 5
Quality of Michigan’s Environment for Independent Artists, by Response Rate from Artists (%)

Rating	Crafts	Design	Media	Music	Performing		
					arts	Visual arts	Writing
Excellent	7.4	3.8	0.0	0.0	0.0	2.2	4.5
Good	48.1	34.6	17.6	14.8	34.4	24.6	9.1
Fair	33.3	61.5	52.9	63.0	40.6	48.5	54.5
Poor	11.1	0.0	29.4	18.5	15.6	20.2	31.8
Very Poor	0.0	0.0	0.0	3.7	9.4	4.4	0.0

Measuring the Economic Presence of Arts and Cultural Activities

Economic presence, in terms of employment, is derived by combining the estimated number of individuals employed in arts and cultural activities with the number of additional workers whose jobs are supported by the expenditures of the state’s art organizations and independent artists.

Household Spending on Arts and Cultural Activities

According to the household survey, Michigan households spent, on average, \$30.72 per month on art and cultural activities in 2004. As mentioned earlier, these activities covered a wide range of performances and exhibits, offered in both public and private venues. Not surprisingly, household expenditures on arts and cultural activities increased with household income.

In total, we estimate that Michigan households spent \$1.4 billion on art and cultural activities in the state last year.

While informative, this estimate of household expenditures on arts and cultural activities cannot be directly used to measure the economic presence of these activities in the state. This is because they do not include the expenditures made by the state's arts and cultural organizations in providing performances and events that are offered free to the public. For example, many of the state's public museums charge no admission fees. In addition, many of the state's arts organizations play an important role in providing art education and opportunities to the state's schoolchildren. Indeed, admission fees covered only 11 percent of total budget expenditures of the organizations that we surveyed.

Expenditures by the State's Arts and Cultural Community

Our estimation of the economic presence of arts and cultural activities in 2004 comes primarily from our survey-based estimate of the total expenditures made by the state's arts and cultural organizations. In addition, we added the economic effect of the income earned by the state's independent artists and the total spending of out-of-state tourists, excluding expenditures made while visiting or attending the state's arts and cultural activities. Based on our survey of the state's arts and cultural organizations, we estimate that total expenditures in the state by these organizations reached \$2.2 billion in 2004.

In the analysis, as mentioned, we were also able to survey 423 independent artists residing in the state. Based on this sample, we estimate that the state's 20,230 independent artists earned, on average, \$15,421 last year in carrying out their artist activities, for a total of approximately \$312 million.⁵

Finally, we added the impact of out-of-state tourist expenditures that were related to arts visits. To avoid double-counting, we excluded direct arts spending.

We estimate that the economic presence of arts in Michigan in 2004 supported 108,460 jobs, which generated \$1.932 billion in personal income (Table 6). In all, we estimate that 51,120 persons were directly employed by arts organizations. This employment supported another 25,030 workers in the state through the operations of the art organizations and through their personal consumer expenditures. As discussed above, we assume that there were 20,230 independent artists residing in the state in 2004, and that through their art activities alone, they supported another 9,550 workers in the state. Finally, we estimate that out-of-state visitors to Michigan arts and cultural events and performances generated 2,530 jobs through their expenditures made on purchases not related to the arts, which included restaurant meals, hotel stays, and purchases of gifts and items outside of the state's arts and cultural facilities.

5. Unfortunately, no good estimate exists of the number of independent artists residing in the state. Owing to a lack of alternatives, we are forced to create an estimate based on the number of state residents whose primary occupation in 2000 was art-related. This estimate contains two errors that we hope will offset each other. First, it is an undercount because for many artists another occupation pays the bills. However, it also overcounts the number of independent artists because many of these individuals may work in art organizations, for example, as members of an orchestra.

Table 6
Economic Presence of the Arts in Michigan

Type of impact	Employment presence	Direct arts employment	Indirect employment	Personal income (\$mil)
Art organizations	76,150	51,120	25,030	\$1,554.0
Independent artists	29,780	20,230	9,550	312.0
Related out-of-state visitor spending	2,530	0	2,530	65.7
Total arts presence	108,460	71,350	37,110	\$1,931.7

This estimate is conservative because it underestimates the economic effects of the arts and cultural activities that are conducted in the state at private clubs and performance venues. Many businesses involved in other sectors of the economy provide accessible display places for the arts, such as coffee shops hosting arts displays or poetry readings. Unfortunately, these activities are impossible to capture in full.

In closing, we again would stress that these estimates cannot be taken as the economic impact of arts and cultural activities on the state. This estimation is presented in the next section.

Economic Impact of Arts and Cultural Activities on the State of Michigan

As was discussed in the previous section, we estimate that 108,460 individuals were employed in the state in 2004 because of the economic presence of its arts and cultural activities. However, while arts and cultural activities may support state employment, and while they definitely enhance the state's quality of life, they do not necessarily bring new economic activity to the state or retain existing economic activity in the state.

In estimating the economic impact of arts and cultural activities on the Michigan economy, we focused our attention on identifying instances where they attract new monies into the state and where they help to retain monies that would have left the state. Our estimate of the economic impact of arts and cultural activities can be broken down into the following five components:

1. The loss of expenditures made on treks by households that would venture, if the state did not have any arts and cultural activities;
2. The economic loss to the state generated by residents moving out of the state because of the absence of arts and cultural activities;
3. The loss of the proportion of the state's arts and cultural organizations' activities that are funded by out-of-state sources of revenues, including out-of-state visitors and funding sources such as national foundations;
4. The loss of income for artists residing in the state generated from out-of-state sales and performances and from purchases by out-of state visitors;

5. The economic loss suffered by the state's hospitality industry from persons not visiting the state because of its lack of arts and cultural activities.

We now look at these components one by one.

1. *The loss of expenditures made on treks by households that would venture, if the state did not have any arts and cultural activities.*

In our household survey we asked whether the respondents would travel outside the state to experience arts and cultural events and performances if they were not available in the state. In all, 38.6 percent of the surveyed households answered in the affirmative, and on average, they estimated that they would spend \$392 annually in traveling out-of-state to enjoy the art and cultural exhibits available in other states. These expenditures are lost to the state and clearly must be included in the overall impact of arts and cultural activities in the state.

This proved to be the major component of the economic impact of arts and cultural activities in the state, yet it is one impact that is often missed in other studies. For a large percentage of the state's population, arts and cultural activities are important enough that they are worth the extra effort to travel outside the state to enjoy them. We estimate that the economic impact of forgoing their revenues would cost the state 17,620 jobs. This includes 11,850 workers that would have been employed in the arts, and another 5,770 jobs in related fields. In all, \$360 million in personal income would be lost in the state.

2. *The economic loss to the state generated by residents moving out of the state because of the absence of arts and cultural activities.*

For many of the state's households, arts and cultural activities account for a large share of their community's quality of life. As shown earlier in Table 3, nearly 55 percent of the households responding to our survey replied that arts and cultural activities were either "important" or "very important" to their community's quality of life. In addition, one-third said that arts and cultural activities were either "important" or "very important" when they faced relocation decisions.

The decline in the state's quality of life because of the absence of arts and cultural activities would cause some residents to leave the state and some out-of-state job seekers to turn down employment opportunities in the state. Both actions would hurt the state's economy.

To approximate this negative impact on the state's population, we estimated a quality of life "penalty" on the state's wages and salaries. In other words, employers would have to pay more to retain workers because of the state's deteriorated quality of life. Workers outside of the state would start to turn down job offers in the state, forcing employers to offer higher wages. In addition, more residents would move out of the state to other locations that offered arts and cultural activities and, thus, did not suffer a quality of life "penalty." Both events would in turn force employers to be less competitive in the national and international marketplace.

In our survey, we found that 12.8 percent of the state's households ranked arts and cultural activities as being "very important" to their residential location decisions. On average, these

households spent \$800 a year on arts and cultural activities. We assumed that this would be the size of the financial penalty that each of these households would face by staying in Michigan if the state it did not offer any arts or cultural activities. Assuming that the survey results offer a fair representation of the state's population as a whole, the statewide quality of life "penalty" would be \$350 million annually, or 0.2 percent of the state's total wages and salaries.

The impact of this quality of life wage penalty would grow with time, as households in and outside the state reconsidered their relocation decisions. In 10 years, our model estimates that the resulting employment impact would be a loss of 3,400 jobs statewide, with an accompanying loss of \$274.4 million in personal income.

3. *The loss of the proportion of the state's arts and cultural organizations' activities that are funded by out-of-state sources of revenues, including out-of-state visitors and funding sources such as national foundations.*

The state's arts and cultural organizations bring new economic activity into the state in two ways. First, a portion of their total revenues is generated by visitors who live outside the state. This includes not only admission revenues but also revenues from the sale of food and beverages and from gift shops. Second, they attract dollars from national foundations and national donors who would have invested their dollars elsewhere if these art activities did not exist in the state. We estimate that 4,120 new jobs and \$84.1 million in personal income were generated in the state from arts and cultural activities attracting these funds into the state in 2004.

4. *The loss of income for artists residing in the state generated from out-of-state sales and performances and from purchases by out-of state visitors.*

As previously mentioned, we completed an online survey of Michigan independent artists. Approximately 10 percent of the surveyed artists' revenues came from out-of-state performances or sales to out-of-state visitors. We estimate that the total employment impact on the state's economy of this revenue is 3,220 jobs. This includes 2,190 independent artists who are directly supported by these earnings, as well as another 1,030 indirect jobs.

5. *The economic loss suffered by the state's hospitality industry from persons not visiting the state because of its lack of arts and cultural activities.*

People visiting Michigan bring new dollars into the state. This generates new economic activity as these dollars are spent on lodging, restaurants, exhibits, performances, and other purchases. The magnitude of the impact of out-of-state visitors depends on the length of their stay and on the type of accommodations they use. For instance, a family who stays in a hotel or motel will have a much larger economic impact on the state than a family who is camping in one of the state's many campgrounds.

The first step in estimating the economic impact of visitors is to estimate the amount of spending they will do during their visit in the state. Fortunately, in 2003, researchers at Michigan State University surveyed 1,300 visitors at 35 of the state's museums and found the following:

1) Nonlocal visitors to museums spent \$45 per party in the community of the museum.

- 2) Nonlocal visitors to museums who spent the night in a hotel or motel spent \$537 per party in the community of the museum, while those staying at other places—for example, camping or with friends or family—spent \$353 per party in the community.⁶

One of the many challenges in estimating the economic impact of events, performances, and museums is to estimate how much of the visitors' expenditures can be attributed to the activity. For instance, the expenditures made by a household traveling from Ohio to Detroit solely to view a new exhibit at the Detroit Institute of the Arts can be fully attributed to the event. However, the expenditures made by a person who is in Detroit for a business conference and who sneaks out to view the same exhibit cannot be fully attributed to the exhibit. The MSU researchers struggled with this issue and finally assumed that only 25 percent of the expenditures of museum visitors can be attributed to the museum if the museum was not the primary reason for their visit.⁷

According to our survey of arts and cultural organizations in the state, 10 percent of admissions revenues, on average, were generated by persons living out of state.⁸ We assumed that 20 percent of out-of-state visitors traveled in and out of the state in one day, while the other 80 percent spent one night in association with an arts and cultural visit.⁹ Finally, we used the MSU study's findings, which reported that

6. Daniel J Stynes, Gail A. Vander Stoep, and Ya-Yen Sun, "Economic Impacts of Michigan Museums," Department of Parks, Recreation, and Tourism Resources, Michigan State University, 2003.

7. The same ratio was used in an arts and culture study conducted in Cleveland. Community Partnership for Arts and Culture, "Economic Impact of Non-local Art and Culture Consumers," 2004.

8. This is weighted according to reported paid ticket sales.

9. In other words, if a household were to spend a week in the state, on average, they would visit one arts and cultural event and that event would be accredited with one overnight stay.

- 1) 58 percent of overnight visitors stayed in lodging establishments, while the remaining 42 percent stayed with friends, family, or camped, and
- 2) only 38 percent of the visitors made the trip primarily because of an arts or cultural event.

We estimate that the statewide impact of tourism expenditures associated with individuals enjoying the state's arts and cultural offerings generates 2,530 jobs outside of arts or cultural facilities.

Total Economic Impact of Arts and Cultural Activities in the State of Michigan

Over the past 10 years, the economic impact of the state's arts and cultural activities in terms of employment and personal income (Table 7) is, in total, 30,580 jobs and \$811.2 million in personal income.

Table 7
Statewide Impact of the Arts After 10 Years

Type of impact	Employment impact	Direct arts employment	Indirect arts employment	Personal income (\$mil)
Retained arts spending of MI residents	17,620	11,850	5,770	\$359.7
Loss of existing residents after 10 years	3,400	0	3,400	274.4
Out-of-state org. funding and attendance	3,810	2,560	1,250	77.7
Independent artists out-of-state income	3,220	2,190	1,030	33.7
Related out-of-state visitor spending	2,530	0	2,530	65.7
Total impact	30,580	16,600	13,980	\$811.2

Concluding Thoughts on the Importance of Arts and Cultural Activities to the State of Michigan

Arts and cultural activities are critical to the state's economic well-being. In terms of their economic presence, the state's current arts and cultural activities support a total of 108,460 jobs statewide and provide \$1.932 billion in personal income. In terms of their overall economic impact on the state's economy, arts and cultural activities are responsible for 30,580 jobs and \$811.2 million in personal income in the state. Without arts and cultural activities, these jobs would have left the state. Furthermore, the state's quality of life would be seriously eroded, making it more difficult for employers to attract highly skilled, professional workers and for businesses to locate in Michigan and remain in Michigan. The state's efforts to retain and attract the highly skilled workforce it requires to remain competitive would be significantly impaired.

It is common for researchers to state the statistical limits of their findings in the conclusions of their reports. This report is no different. The survey response rate from the state's arts and cultural organizations was low. However, we had a strong response rate from our household survey, and its respondents statistically reflect the state's population.

What is more unusual, however, is for researchers to end a report by questioning whether the research effort answered the right question. A better question would be "What are the social and cultural impacts as well as the economic impact of arts and cultural activities?" Still, in times of fiscal crisis and slow economic growth, it can only be expected that decision makers will put more value on economic factors. The importance of the state's arts and cultural activities cannot

be adequately measured in terms of jobs or income gains. Of course, jobs and income are important; however, they are inappropriate measuring sticks to use in determining the benefits we all gain from a healthy arts and cultural community.

Appendix A

Following are the three surveys that were used in the study.

How Important Are State and Local Arts and Cultural Activities to Your Household?

Please help us by completing this short survey, which is a key component of a statewide effort to estimate the importance of state and local arts and cultural activities to our economy and quality of life. You and approximately 5,000 other households have been randomly selected from the state's 3.9 million households for this survey.

This effort is being sponsored by the Michigan Nonprofit Research Program and is being conducted by the W.E. Upjohn Institute, a non-profit research organization.

We have enclosed a postage-paid envelope for your convenience and a dollar as a small token of our appreciation. Of course, your response will remain anonymous.

PLEASE NOTE FOR THIS SURVEY

Arts and cultural activities include local symphonies, zoos, state university performances, community theaters/orchestras/opera companies, as well as performances at private venues such as clubs and theaters, and by traveling theater companies. Do not include movies, sporting events or county fairs.

- 1. During the past year, list the number of times your household visited or attended any of the following arts or cultural facilities or performances in Michigan.**

	Never	1-2	3-5	6-10	11-20	20+
Museums (historical or cultural)	_____	_____	_____	_____	_____	_____
Art centers/galleries	_____	_____	_____	_____	_____	_____
Zoos/botanical gardens/arboretums	_____	_____	_____	_____	_____	_____
Performing arts, including symphonies, plays, and operas	_____	_____	_____	_____	_____	_____
Performing arts at other private venues: clubs, county fairs, performance centers	_____	_____	_____	_____	_____	_____

- 2. On a scale of 1 to 5, with 5 being extremely important and 1 being not important at all.**

- a. How important do you think your community's arts and cultural offerings are to its quality of life?

Please circle one: 1 2 3 4 5

- b. If you were given an opportunity to relocate to an out-of-state community, how important would that community's arts and cultural offerings be to your decision to move?

Please circle one: 1 2 3 4 5

3. On average, how much did your household spend on arts and cultural activities in the state each month during the past year? Please include admission fees, tickets, cover charges, and donations to art organizations.

\$_____ per month

4. Are there currently any arts or cultural offerings that you feel are lacking in your community? If so, please list.

a. _____ b. _____ c. _____

How much would your household be willing to pay to have them available in your community?

\$_____ per month

5. Now, imagine that *all* of your community's arts, cultural and performance places are going to disappear. How much would your household be willing to pay each month to prevent this from happening (include tickets, fees, cover charges, and donations)?

\$ _____ per month

6. Would you travel outside the state to watch, visit, or participate in any arts or cultural events that were formerly available in your community?

Yes _____ No _____

If yes, how much would you expect to have to pay during the year? \$ _____

7. Think about all of the things that make up your community's quality of life. What percentage is accounted for by the community's arts and cultural offerings?

_____%

8. What is your household's total annual income? (please check one)

Less than \$30,000 _____ \$100,000 to \$149,999 _____

\$30,000 to \$49,999 _____ \$150,000 to \$199,999 _____

\$50,000 to \$74,999 _____ \$200,000 or more _____

\$75,000 to \$99,000 _____

9. What is your zip code? _____

Thank you!

Please use the enclosed prepaid envelope to mail back your answers by November 30, 2004.

Measuring the Economic Impact of Local Arts and Cultural Activities in Michigan

In this age of budget constraints and cutbacks, it is crucial for state and local officials and the general public to fully understand the economic impact of Michigan's arts and cultural activities. The W.E. Upjohn Institute, at the request of the Michigan Nonprofit Research Organization, is conducting an economic impact assessment of arts and cultural activities on the state's economy.

To complete this important task we need your help. Please take a few minutes to complete this survey and fax (269-342-0672) or e-mail (watts@upjohninstitute.org) to us by March 1, 2005. The full report is scheduled to be completed on March 21 2005 and an electronic copy will be available on our website. If you have any questions, please call George Erickcek, Senior Regional Analyst, at the Upjohn Institute, (269) 343 5541.

Organizational Information

Name: _____

Contact: _____

Address: _____

City: _____ State: _____ Zip code: _____

Description of Activities: _____

Number of Patrons or Ticket Sales

	2004 Estimate	2003	2002
1. Number of Paid Patrons or Ticket Sales	_____	_____	_____
2. Number of Complementary Visitors	_____	_____	_____

For questions 1 and 2, please indicate whether Fiscal Year ____ or Calendar Year ____

3. Can you provide an estimate of where your patrons/visitors live?

In the same county	_____%
In surrounding/neighborhood counties	_____%
Outside local region but in Michigan	_____%
Outside of Michigan	_____%
Total	100%

(see other side)

Budget Information

4. Please complete the following table.

	<u>FY 2004</u>	<u>FY2003</u>
What is your total budget	_____	_____
What is your payroll (wages only)	_____	_____
Number of employees:		
Full-time (35 or more hours)	_____	_____
Part-time (Less than 35 hours)	_____	_____
Number of volunteers	_____	_____

Income by Source:

Admission fees	_____	_____
Local family/ community foundations	_____	_____
Local fundraising efforts	_____	_____
Local govt. (city, county, special tax districts)	_____	_____
State government	_____	_____
National foundations and federal grants	_____	_____
Endowment	_____	_____
Gift Shop Sales	_____	_____
Food and Beverage Sales	_____	_____
Product sales, excluding gift shops	_____	_____
Other	_____	_____

Please describe: _____

Thank you!
Please fax (269-342-0672) or e-mail (watts@upjohninstitute.org)
your completed survey to us by
March 1, 2005.

Measuring the economic impact of local arts and cultural activities in Michigan

In this age of budget constraints and cutbacks, it is crucial for state and local officials and the general public to fully understand the impact that Michigan artists, like yourself, have on its economy. The W.E. Upjohn Institute, at the request of the Michigan Nonprofit Research Organization, is conducting an economic impact assessment of arts and cultural activities on the state's economy.

To complete this important task we need your help. By clicking on the link below you will be redirected to our website to complete a brief on-line survey regarding the art environment in Michigan. Please take a few minutes to complete this survey by December 17.

If you have any questions, please call George Erickcek, Senior Regional Analyst, at the Upjohn Institute, (269) 343 5541.

1. What is the primary type of art that you create or perform?

- Performance art (music, dancing, acting, any type of stage production)
- Visual arts (painting, photography, wall art, etc)
- Writing
- Fashion art (clothes, jewelry, etc)
- Sculpture glasswork, metal work and/or pottery
- Other _____

2. How would you rate the overall art environment in Michigan

- Excellent
- Good
- Fair
- Poor
- Very Poor

3. What percentage of your annual household income was derived from your artist activities, on average, during the past 3 years?

_____ %

4. What percentage of your art-related income was earned outside of Michigan last year? (Please include income from performances or sales made outside the state)

_____ %

5. If you are a non-performing artist, what percentage of your in-state art sales were to out-of-state residents (Please make an estimate if you can)?

_____ %

6. What is your household's total annual income? (please check one)

Less than \$30,000	_____	\$100,000 to \$149,999	_____
\$30,000 to \$49,999	_____	\$150,000 to \$199,999	_____
\$50,000 to \$74,999	_____	\$200,000 or more	_____
\$75,000 to \$99,999	_____		

Thank you!