

Culture and the Arts

Background: The State of the Sector

Arts and culture contribute over \$46 billion to the Canadian economy and employ over 640,000 people — three times as many as Canada’s insurance industry and twice that of Canada’s forest industry. All told, direct and indirect expenditures in the cultural sector contributed \$84.6 billion to the Gross Domestic Product in 2007.¹ Creating jobs in the arts and culture sector costs less than in any other sector of the economy, with an average cost of \$20,000 to \$30,000 for an arts-sector job compared to \$100,000 to \$300,000 for a light- to heavy-industry position.²

Further, the cultural sector generates more bang for each government buck. It has the rare ability to put funds to work within a very short period of time, with remarkably low administrative costs. Relatively small investments in culture can increase employment levels. According to the Conference Board of Canada, for every \$1 of real value-added GDP produced by Canada’s cultural industries, roughly \$1.84 is added to the overall real GDP. Hill Strategies notes that the performing arts alone generate \$2.70 in non-governmental revenues for every \$1 invested by the government.³

Yet, the average annual income for artists in Canada is decreasing, despite their high levels of education. Young, emerging artists are particularly affected. Artists aged 15 to 24 earn an average of \$8,300 per year in Canada, 27% less than their peers in other fields.⁴

The arts and culture sector in Canada is rich and diverse, but it remains relatively fragile and dependent on public investment to thrive. Our country is blessed with a high proportion of artists, creators, cultural institutions and industries, but they are handicapped by small domestic markets and Canada’s immense geography. To prosper, this important component of our economy must develop markets both domestically and abroad.

However, support for touring within Canada is very limited and for many artists, reaching international audiences has become harder because of the cancellation of federal programs that supported foreign-market development. The loss of these programs has put additional pressure on funding bodies such as the Canada Council. Québec is the only province that has taken measures to soften the blow.

A growing, dynamic cultural sector is central to the success of Canada's creative, knowledge-based economy. In recent years, the labour market for the arts and culture sector has grown increasingly complex. Rapid changes demand new investments in technological training and digital platforms for artists' works. Without programs to develop these digital skills and platforms, creative workers face increasing impediments to the distribution of their work. Such programs must also develop ways to remunerate artists and creators in the digital universe, which the new copyright act will not do.

To ensure stability and growth in Canadian arts and culture, the changing realities of the sector's labour force must be recognized. There is a generational gap between older artists who do not possess the training and skills of the younger generation. There is also a trend towards flexible labour, where creative workers support themselves primarily through multiple professional roles, often on contract or as self-employed artists, with no social benefits attached. Given that such workers represent more than a quarter of the cultural workforce (twice the national average), implementing measures that provide greater access to social benefits and security for self-employed Canadians would have positive effects on the cultural sector as a whole.

Current Issues: Why Invest in Arts and Culture?

Investment in arts and culture is good for Canada's economy, for Canadian society, and for building a strong national identity and international image. As part of a global strategy, our artists and cultural organizations can support Canadian foreign-policy and international trade objectives.

The ecology of Canada's economy is changing: the knowledge, or creative, economy is progressively replacing traditional industry. The former presents a shining opportunity to tap into the most renewable of natural resources: the rich diversity of Canada's population. As the Cultural Careers Council of Ontario notes, "Artists may be models for the way we will be working in the future — independent, entrepreneurial, and more reliant on individual networks than conventional organizations."⁵

Millions of Canadians purchase books, magazines, films, new media products, and sound recording materials, and Statistics Canada estimates that household expenditures on these cultural products continue to grow every year. This helps explain why every dollar invested in arts and culture generates a strong return.

- The AFB will increase the budget of the Canada Council by \$20 million annually over a period of five years so that it reaches \$300 million by Canada's 150th anniversary in 2017.

In the new creative economic environment provided by digital technologies, artists are more than ever at the forefront of innovation and entrepreneurship. A large segment of the cultural sector is comprised of small and medium-sized businesses that are continually adapting to a changing market and evolving business models. To make a living in the cultural economy, cultural workers must develop entrepreneurial skills. The cultural businesses that they start, such as art galleries, craft shops, bookstores and entertainment venues, are essential to the unique character and quality of life in urban neighborhoods.

Like other small and medium-sized business entrepreneurs, they contribute to job creation just as much, if not more than larger enterprises. According to a study published by the Observatoire de la culture du Québec, the number of cultural workers in Québec has grown by 29.3% between 1996 and 2006 and by 26.8% in the rest of Canada.⁶ A recent study produced for the City of Toronto states that “Creative industries are growing faster than financial services, the medical and biotechnology industries, and the food and beverage industry; creative occupations are growing more than twice as quickly as the overall labour force. The sector currently employs more than 130,000 people, or 5% of the Toronto Census Metropolitan Area's workforce.”⁷

To maintain and enhance Canada's arts and culture workers skills,

- The AFB mandates the Department of Human Resources and Skills Development (HRSDC) to expand access to EI training support for the self-employed and to dedicate \$1 million per year for five years to foster the professional development of cultural workers through internships and mentorships.

The report *Culture 3.0: Impact of Emerging Technologies on Human Resources in the Cultural Sector*, from the Cultural Human Resources Council, recommends reverse internships: “Mentorships that increase peer-to-peer

knowledge sharing, including cross-sub-sector mentorships and reverse mentorships where digitally-savvy junior staff mentor their senior-level peers.”

Indeed a cross-generational strategy in human development would certainly be an initiative that would help the cultural sector in its role as a key driver of Canada’s economy.

To encourage the development and success of young emerging artists in a digital environment and thus contribute to Canada’s creative economy,

- The AFB provides for the creation of a Fund for artists and creators of works for the digital environment.

A Sound Fiscal Policy for Artists

A number of economists argue that to stimulate the economy, it is better to cut taxation to small and medium-sized businesses. Most of the cultural sector falls into this category. Over the years, recommendations have been made concerning income averaging for artists and creators whose revenue may fluctuate greatly from one year to another. It remains our conviction that rather than taxing revenue from a single, extraordinary year at maximum bracket rates, taxing income averaged over a few years creates a more stable financial environment for artists and creators, and recognizes the multi-year investment that a single creation often requires.

Taking those realities into consideration suggests that revenue derived from copyright or residual payments and from grants to individual artists and creators be exempt from taxation. For several years now, the province of Québec has exempted a certain level of copyright revenue from taxation. This regime, which applies to any artist who produces copyright material that generates income, not only corrects the tax penalty implicit in the *Income Tax Act* but also works to encourage, rather than penalize those who try to make a living from their creations. Setting a reasonable upper limit of income derived from the artistic activity would ensure that only those writers and artists with low incomes would benefit from the deduction.

Another approach would allow professional artists and creators to use the current year of revenue to establish the level of tax-free contribution to a Registered Retirement Savings Plan. This regime exists in Québec at the provincial level and it could easily be extended to all Canadian professional artists and creators at the federal level. This would allow artists to save from unfair taxation a portion of their revenue earned in a windfall year.

Investing in Market Development and Cultural Diplomacy

As mentioned above, the Canadian arts and culture sector is greatly handicapped by Canada's small internal markets and immense geography. In order to survive, markets must be developed both internally and externally for our various cultural products.

Despite several small international programs within the Canadian Heritage portfolio agencies, there is currently no coordinated strategy to promote Canadian artists and cultural works internationally. The Department of Foreign Affairs and International Trade (DFAIT) which formerly had a program devoted to developing cultural markets abroad, now only offers the *Global Opportunities for Associations* (GOA) contributions program, which supports industry-wide national trade associations.

The 2012 Alternative Federal Budget (AFB) includes a comprehensive program with an annual budget of \$40 million so our cultural sector can cultivate new markets at home and abroad and fully support the foreign and trade policies of the Government.

- The AFB invests an additional \$40 million per year in the development of markets at home and abroad.

Investing in the Creative Economy for All Generations

Beyond monetary investments and fiscal measures, the government can resort to other modes of intervention to ensure the health of the cultural sector in the Canadian economy. At the forefront of these tools is the government's development of a national strategy for the digital economy. We must pay attention not only to investing in physical infrastructures but also in the production of Canadian content.

A key pillar of such a strategy must be to respect intellectual property, which means that we must modernize the *Copyright Act* in such a way that artists and creators, like other intellectual workers, receive fair payment for the innovation and creativity through which they create their art. The AFB believes that the adoption of policies that take into account the remuneration of artists should be adopted.

Finally, the AFB strongly emphasizes once again that all sectors of the Canadian economy, including the arts and culture sector, and different levels of government need accurate and timely statistics to identify needs and

to plan and evaluate policies and programs. Over the past 15 years, due to successive budget cuts, Canada's once internationally renowned cultural statistics have suffered considerable deterioration. The regularity of labour market data, export activity, and new forms of cultural activity are essential instruments to cultivate what is certain to become a dominant post-industrial element of the Canadian economy. It is the AFB's hope that the government will continue to support Statistics Canada and the Department of Canadian Heritage in developing a satellite account for culture as has been done for tourism, transport and the voluntary sector.

Further, to ensure that Canada's arts and cultural industries have access to reliable data to plan and measure success,

- The AFB allots an additional \$1 million to the Department of Canadian Heritage (PCH) to develop and maintain a satellite account for culture at Statistics Canada, as is done for tourism and the voluntary sector.

AFB Actions

The AFB will:

- Increase the budget of the Canada Council by \$20 million annually over a period of five years so that it reaches \$300 million by Canada's 150th anniversary in 2017.
- Invest \$40 million of new money into domestic touring and the development of foreign markets.
- Mandate the Department of Human Resources and Skills Development (HRSDC) to expand access to EI training support for the self-employed, and to dedicate \$1 million per year for five years to foster the professional development of cultural workers through internships and mentorships.
- Introduce income averaging for self-employed artists.
- Allot an additional \$1 million to the Department of Canadian Heritage (PCH) to develop and maintain a satellite account for culture at Statistics Canada.
- Create a fund for artists and creators of works for the digital environment worth \$5 million a year for three years.

Notes

- 1** Valuing Culture: Measuring and Understanding Canada's Creative Economy, Conference Board of Canada, August 2008
- 2** Cultural Human Resources Council
- 3** Finances of Performing Arts Organizations, Hill Strategies, November 2008
- 4** 2008 Statistical Profile of Artists in Canada (based on 2006 Census Data), Hill Strategies
- 5** Enriching our Work in Culture: Professional Development in Ontario's Cultural Sector, Cultural Careers Council Ontario, March 2008.
- 6** Les professions de la culture et des communications au Québec en 2006, Observatoire de la culture du Québec, septembre 2010. (http://www.stat.gouv.qc.ca/observatoire/publicat_obs/pdf/Stat_BrefNo66.pdf)
- 7** Creative Capital Gains: An Action Plan for Toronto (signed by James Prentice, Karen Kain, and Robert J. Foster), May 2011, p. 8