



C A R F A C

CANADIAN ARTISTS REPRESENTATION
LE FRONT DES ARTISTES CANADIENS

**Canadian Artists' Representation / Le Front des artistes canadiens
Pre-budget submission to the
Standing Committee on Finance**

CARFAC's 2012 pre-budget submission to the Standing Committee on Finance

Canadian Artists' Representation/ Le Front des artistes canadiens (CARFAC) is pleased to submit its brief to the Standing Committee on Finance for the 2012 pre-budget consultation, and welcomes an opportunity to present our recommendations to the committee in Ottawa.

CARFAC is the national association of Canada's professional visual and media artists. As a non-profit association and a National Art Service Organization, our mandate is to promote the visual arts in Canada, to promote a socio-economic climate that is conducive to the production of visual arts in Canada, and to conduct research and engage in public education for these purposes. CARFAC was established by artists in 1968 and through our certification under the Status of the Artist Act, we represent all Canadian visual and media artists, numbering over 17,000, with an active membership of 4,000.

Executive Summary

Canada's economic recovery and job sustainability are top of mind issues for all Canadians, and ongoing stable support for the cultural sector is essential to that equation. There is sufficient evidence to illustrate that communities with thriving cultural opportunities foster substantial economic growth, and that the industry offers high employment at low cost. At a recent press conference, Finance Minister James Flaherty stated: "Our government recognizes that arts and culture are important generators of economic growth, jobs and wealth in our communities... [and] supporting Canadian culture helps support the Canadian economy." This statement recognizes that government investment in the arts brings strong returns, stimulating economic activity, revitalizing communities and providing a sense of community for countless Canadians.

CARFAC makes the following recommendations to the House of Commons Standing Committee on Finance:

Recommendation #1:

Continue to support the cultural sector and sustain the creative economy through ongoing strategic investment in the Canada Council for the Arts

Recommendation #2:

Seek means to further integrate arts and culture in foreign policy initiatives, including renewed funding for the development of foreign markets

Recommendation #3:

Implement an income averaging tax plan that would allow self-employed artists to average their earnings over five years

Achieving a sustainable economic recovery for Canada through the arts

An investment in the arts provides significant value for money. 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. In 2007, the economic contribution of the cultural sector amounted to just over \$84 billion, or 7.4% of Canada's GDP.¹ The visual arts sector, in particular, had a direct impact of \$1 billion on Canada's economy in 2003, which is likely to have grown in the last 8 years. As an example, the 2010 Scotiabank Nuit Blanche festival brought nearly 159,000 visitors to Toronto for a one night event and generated \$34.7 million towards the city's GDP (direct, indirect and induced), \$48.4 million in direct spending (visitor and operational spending); and created 611 new jobs.²

A strong arts infrastructure encourages an environment that promotes growth in other sectors of the economy. Cultural activities generate substantial consumer spending, not only for its own industry, but also indirect spending in the tourism industry, for example, which in turn increases employment and tax revenues. According to Statistics Canada, visitors to Toronto in 2009 attracted nearly four times as many tourists to cultural activities as sporting events, and solicited more than twice the attendance as parks.³ It is, however important to note that while funding for the arts generates revenues for the overall economy, the production costs to present art are often higher than the profit returns that the cultural industry itself gets back, and therefore public investment is needed.

Scholars such as Richard Florida and Charles Landry are of the opinion that skilled labour and business investment occurs in places where creative people cluster. Cities rich in cultural resources are "hotbeds of creativity," economic wealth generators, and magnets for talent across all sectors of the economy.⁴ The Conference Board of Canada further argues: "cities that offer a high quality of life attract and retain firms and workers in the knowledge intensive and creative fields."⁵

If the cultural industries are to thrive, it needs to be adequately supported by public and private investment. It has been demonstrated in successful arts organizations such as the Stratford Festival or the Toronto International Film Festival, that, as organizations grow and mature, they are in a better position to leverage more substantial private investment.⁶ In 2005, Canadian consumers spent \$25.1 billion on cultural goods and services, in comparison to the \$7.7 billion spent by all levels of government that same year.⁷

¹ Conference Board of Canada, *Valuing Culture: Measuring and Understanding Canada's Creative Economy*, August 2008.

² Ontario Ministry of Tourism study, *The Economic Impact of Nuit Blanche 2010 in Toronto in 2010*, Nov. 2010.

³ Statistics Canada, *International Travel Survey and Travel Survey of Residents of Canada*, 2009.

⁴ Conference Board of Canada.

⁵ Ibid.

⁶ Business for the Arts, *A strategic and economic business case for private and public sector investment in the arts in Canada*, 2009.

⁷ Conference Board of Canada

Investing in the Cultural Labour Market

The cultural industries employ a large percentage of Canadians: the overall cultural sector employed 616,000 people directly in 2003 and comprised 3.9% of the overall labour force. This is double the level of employment in the forestry sector (300,000), and more than double the level of employment in Canadian banks (257,000). Over 1.1 million were employed indirectly by the sector, according to 2007 data.⁸ When including all disciplines, the number of artists (140,040) is slightly larger than the number of Canadians directly employed in the automotive industry (135,000)⁹ and accounts for 0.8% of the overall Canadian labour force. Culture based occupations outnumber jobs in fishing, forestry, mining or teaching.¹⁰

The costs of creating jobs in the arts and culture sector are among the lowest compared to other sectors of the economy. Creating a new job in the cultural sector is estimated to cost \$20,000-\$30,000, compared with light industry (\$100,000) or heavy industry (\$200,000).¹¹ Cuts to arts organizations would mean a significant loss of jobs for a large yet fairly fragile sector. Most arts organizations run on limited operating budgets, and even the smallest of cuts can have had a devastating impact for organizations that are already living close to the bone and do not have extra fat to spare.

The number of visual artists in Canada has increased by 56% since 1991, yet their incomes fall significantly lower than the overall culture sector and the Canadian work force. Visual artists earn 61% less than the average Canadian worker, with average earnings of \$13,976 according to 2006 census data.¹² This despite the fact that 41% of artists have a university degree, a certificate, or a diploma – almost double the rate of the overall labour force.¹³

This is in part because 65% (11,035) of visual artists are self-employed. The income of a self-employed visual artist can fluctuate widely from year-to-year. Exhibition and sale opportunities often occur in clusters as artists complete a project or series of works and it generates interest. A good sales year can be followed by several years of little to no income as the artist works on new projects. Without long-term supplementary employment positions, artists are rarely in the position to achieve a sustainable and predictable income. An increased level of investment in programs that support artists as well as advantageous tax reform that considers their unique working conditions will go a long way in relieving the financial pressure that they face as low paid self-employed creators.

⁸ Ibid.

⁹ The automotive industry figure is from the Canadian Auto Workers union, as reported in a November 13, 2008 CBC article entitled *A timeline of auto sector layoffs*.

¹⁰ Cultural Human Resources Council, *Building on Success*, 2004.

¹¹ Canadian Conference of the Arts, *Useful Statistics*. 2005.

¹² Hill Strategies, *A Statistical Profile of Artists in Canada Based on the 2006 Census*, 2009.

¹³ Conference Board of Canada.

Recommendation #1: Continue to support the cultural sector and sustain the creative economy through ongoing strategic investment in the Canada Council for the Arts

It is widely upheld that the Canada Council for the Arts is an exemplary organization that provides invaluable opportunities to artists to create and show their work. For over 50 years, the Canada Council has invested in artists and arts organizations, enriching the lives of Canadians by providing access to our culture and stories in a variety of ways. In 2009-10, the Council awarded \$158 million to over 4,400 artists and arts organizations in 689 communities across Canada.¹⁴ In 2007, the federal government recognized the Council's valuable role by awarding a permanent \$30 million increase.

In 2009, the Canada Council underwent a Strategic Review, and in the 2010 Federal Budget it was announced that "its programs are aligned with the needs of Canadians."¹⁵ Through that process, all Council programs were found to be "effective and efficient, respond to the priorities of Canadians and are in line with core federal responsibilities, that funding is allocated to programs that are a high priority for Canadians and that these programs produce results for Canadians".¹⁶ This follows the views expressed by the Auditor General, who determined in 2008 that the Council's processes "had no significant deficiencies [and that] in fact, the Canada Council's systems and practices have contributed to its success in several areas."¹⁷

The cultural sector agrees that the Canada Council would be an increasingly robust organization with a budget of \$300 million. At its current funding levels, more than half of the applications recommended for funding by juries for the project assistance for individuals program are rejected because there is not enough money to support them. We understand that this type of growth takes time, and have previously recommended that their budget be raised with an additional \$30 million per year until the eventual goal is realized. However, we also understand that many federal departments are under review for funding cuts, with the Canada Council being among those considered.

A reduction of funding to arts organizations on multi-year assistance would have a domino effect, making it increasingly difficult for them to leverage funding from regional arts councils and private sponsors. Most organizations are required to receive matching funds from all levels of government, in order to be successful. Thus, if one level of funding is cut, it makes an organization less competitive against organizations in other provinces where funding has not been cut. If public spending is cut at all levels, private investors are similarly unlikely to make a commitment, and the potential to trigger positive economic impact for the sector will be lost.

Cuts to the Canada Council would also have a considerable detrimental impact on artists. A further reduction would mean that more high quality projects would not come to fruition, and would further jeopardize artists' capacity to create value in their communities. It is hard to judge the impact of fewer artist grants, when a very low percentage of applications are successful in the first place, but fewer funds leads to less work and more artists are creating new work at a greater financial loss.

¹⁴ *Canada Council for the Arts Strategic Review, 2011-16.*

¹⁵ *Ibid.*

¹⁶ *Ibid.*

¹⁷ *Ibid.*

Recommendation #2: Seek means to further integrate arts and culture in foreign policy initiatives, including renewed funding for the development of foreign markets

If Canada is to strengthen its position on the international stage, we need more opportunities to export our cultural products and develop foreign markets for Canadian art. It is estimated that in 2006, exports of Canadian visual art alone amounted to \$73 million, and could only grow further with additional support. Support from the federal government allows both public and private galleries to promote Canadian art abroad, affording artists with opportunities to travel and educate the world about what they do. This increased exposure leads to improved connections, increased opportunities for artists to show and sell their work, and a heightened interest in Canada as a cultural and artistic country, which also stimulates tourism and international trade.

In 2008, significant funding was cut from programs geared towards disseminating Canadian art, both at home and abroad, primarily from the Trade Routes and Promart programs. While these programs have not been replaced, the need and demand to export Canadian art has not disappeared. It is fundamentally important that Canadian art is fostered and encouraged abroad, either through reinvestment in new programs that support the cultural sector or greater involvement in programs currently in place, so that other nations may understand more about our country and its culture.

Recommendation #3: Implement an income averaging tax plan that would allow self-employed artists to average their earnings over five years

Artists often work under variable conditions from year to year. It is difficult to determine how many exhibitions visual artists may have, how many artworks may sell in a year, or whether a commission or teaching position will open up. The traditional system of annual tax assessment is therefore inappropriate for most artists for this very reason.

Income averaging allows artists to average their income revenues out over a block of time, as has been implemented in Quebec. In 2004, Quebec introduced an income averaging provision for artists within its jurisdiction, which gives self-employed artists the ability to purchase income averaging annuities and to spread the tax applicable on artists' income up to a certain amount over a period of several years. Income averaging is also practiced in Germany, Denmark, the Netherlands, Greece, France, the United Kingdom, Australia and Luxemburg. Canadians previously benefited from income averaging until 1988, when it was scrapped as tax brackets were shifted.

Incentives such as income averaging provides artists with tax equity compared to other self-employed workers, and allows artists to even out and stabilize their income levels from year to year, as other professionals are afforded. Artists are currently at a tax disadvantage – paying tax at a higher rate in a good year, even though that income will support them in following years. Allowing artists to pay tax based on the average income they bring in over several years would rectify this unfairness and help to ease the financial pressure on artists. Our recommendation places artists on an equal footing with other self-employed labourers, rather than giving them special treatment.