Economic Impact Case Study: The Arts and Creative Industries in Eilean Siar

Executive Summary
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Introduction

This study has been commissioned by Creative Scotland, Highlands and Islands Enterprise (HIE), Comhairle nan Eilean Siar, and Skills Development Scotland. For Creative Scotland the research forms part of a wider programme of work on the economic impacts of the Arts and Creative Industries (A&CI) across Scotland; the first case study companion to the Scotland-wide economic contribution study published in June 2012[1].

The aim of the research was to obtain a comprehensive and robust picture of the A&CI in the Outer Hebrides and the economic contribution of the sector to the local economy. As with the Scotland-wide study, the research builds on publically available, official statistics, with an aspiration for the research to be transparent and replicable in future years. It presents data for **sixteen industries** (below), in contrast with the thirteen historically utilised by the Department for Culture, Media and Sport (DCMS), with the aim of better reflecting the character of artistic, cultural and creative endeavour in Scotland. As well as considering the direct impact of these industries (in terms of employment, turnover and Gross Value Added), the study addresses a range of additional, wider economic impacts, including the indirect, induced and tourism impacts of the A&CI.

DCMS CULTURAL DOMAINS	SCOTTISH ARTS AND CREATIVE INDUSTRIES	
Visual Art	1) Advertising	
	2) Architecture, planning and building design	
	3) Visual art and art dealers/ commercial galleries	
	4) Crafts	4a) Furniture and wood crafts
		4b) Jewellery
		4c) Pottery
		4d) Glass
		4e) Textile craft goods
		4f) Other crafts
		4g) Antiques markets
	5) Fashion and Textiles (includes designer fashion)	
	6) Design and design-dependent industries	
Performance	7) Performing arts including arts facilities and support	
Audio-Visual	8) Music including sound recording, music publishing and distribution and instruments	
	9) Photography	
	10) Film and video	
	11) Computer games etc	
	12) Radio and TV	
Books and Press	13) Writing and Publishing	
Heritage	14) Museums and galleries, archives, libraries, historic sites	
Digital Industries (Formerly in DCMS Creative Industries but not in Cultural Domains)	15) Software/electronic publishing	
Cultural Education	16) Cultural education	

[1] Economic Contribution Study: An Approach to the Economic Assessment of Arts & Creative Industries in Scotland - available at: http://www.creativescotland.com/resources/research

The study also sought to move beyond a 'top-down' model and develop and understanding of the A&CI 'on the ground'. It presents qualitative evidence from consultations and surveys to profile the industry base in the Outer Hebrides and explore themes including: the drivers for establishing an A&CI enterprise; the impact of identity and location on the sector; markets and sales for the A&CI; and the skills and infrastructure base for these industries in the Outer Hebrides.

Both the qualitative and quantitative research sought to inform the development of the Creative and Cultural Industries Strategy for the Outer Hebrides, to be published later in 2012.

Economic Contribution of the A&CI to the Outer Hebrides

For the Outer Hebrides, the Business Register Employment Survey (BRES) reported that in September 2010 there were 11,150 jobs in the Outer Hebrides, with 390 (3.5%) of these being in the A&CI. This compares to 3.4% per cent in Scotland. In terms of employment, BRES identifies five main A&CI sectors in the Outer Hebrides: TV and radio (with associated film and video) is the largest, followed by Harris Tweed (with associated crafts) and the Heritage sector, and then Publishing and Architecture. There is little recorded employment in the other creative industries.

However, official employment data is subject to limitations in the context of the A&CI, with elements of activity and employment remaining 'under the radar'. In particular, the capture of the self-employed, 'portfolio lifestyle' employment, and the appropriate categorisation of public sector employment remain problematic. The survey and interviews carried out as part of this study have identified a number of additional jobs that are likely not to have been captured by the BRES analysis, with particular examples being self-employed weavers, sole traders, and local authority employees involved in the delivery of A&CI.

In summary, total direct employment in the A&CI in the Outer Hebrides is thought to be more than the 390 identified from the BRES analysis, with the inclusion of Harris Tweed weavers (estimated to account for more than 100 jobs) as well as a proportion of the sole traders identified from the survey results suggesting the total could exceed 500.

Under standard accounting conventions, of the total GVA of the Outer Hebrides of £380 million in 2009, almost £11 million (just less than 3%), is generated by the A&CI, with turnover in the sector of more than £24 million. Harris Tweed dominates because it is the only creative sector trading at a significant volume in an unsubsidised market.

For some areas of the A&CI, the conventional approach to GVA does not capture their full impact – particularly Heritage and Broadcasting. The impact of bringing heritage and broadcasting accounting practices into line with other industries is to increase the estimate of A&CI turnover for the Outer Hebrides from £24.3 million to £51.4 million and to increase the total GVA of the A&CI in the Outer Hebrides from £11 million to almost £26 million. Looked at in this way, the economic importance of the sector is greater, as is the measured overall performance of the islands.

On the basis of the adjusted results, within the sector, broadcasting dominates; it is clearly the driving force of creative income in the Outer Hebrides. The Heritage industry is also substantial, but remains smaller than Harris Tweed. Based on these results, the approach adopted for accounting for the economic contribution of the sector in the Outer Hebrides is a key issue for partners to consider going forward.

The study further estimates that the A&CI in the Outer Hebrides generate an additional £4.4 million in Turnover in indirect impacts (i.e. supply chain effects) and induced effects (i.e. spending by those employed directly and indirectly in these industries) amounting to £11.2 million. The total direct, indirect and induced employment for the A&CI in the

Outer Hebrides on the local economy is almost 490 jobs, with a GVA more than £33 million (see below).

Summary of direct, indirect and induced effects of A&CI – Outer Hebrides Economic Impact					
	Direct	**Direct (adjusted[2])**	**Indirect Effects**	**Induced Effects**	**Total**
Turnover (£ million) excl. VAT etc	£24.3	£51.4	£4.4	£11.2	**£66.9**
GVA (£ million)	£10.9	£25.9	£1.9	£5.6	**£33.3**
Employment	386		21	81	**489**
Notes: (i) Employment = employee-jobs plus working proprietors (indirect and induced are approximate); (ii) Does not include revenues/jobs induced in tourism and its dependent industries					

The economic impact is also felt outside the Outer Hebrides; off island impact raises the total direct, indirect and induced employment to more than 540 jobs with a GVA of almost £39 million.

Regarding tourism, although the beauty and isolation are the main drivers of visitor numbers, the A&CI do make a significant contribution to attracting people, totalling £6million in expenditure terms. Some of this will already have been accounted in the main economic analysis, so a figure of approximately £5 million might be estimated. The GVA associated with this would be approximately £2.5 million, achieved mainly in the accommodation and catering industries. The heritage sector is the stronger influence of the two main tourist-attracting creative sectors.

Characteristics and drivers of the A&CI in the Outer Hebrides

In terms of their characteristics and profile, there are four main categories of A&CI in the Outer Hebrides (with key sub-categories also identified). This provides a 'snapshot' of the diverse population consulted as part of the study, and is also thought to represent the main categories that exist within the wider A&CI sectors in the Outer Hebrides:

- Larger enterprises - including market or sector leaders.
- Main venue-based organisations (fulfilling role of cultural activity hubs).
- Wider cultural community (from extreme lifestyles, to 'cultural crofters', to micro and small and medium enterprises).
- Public services - public bodies and associated agencies and organisations.

Based on survey results, the sector in the Outer Hebrides is dominated by small (micro) businesses, with over half of survey respondents being sole traders. Over half of all survey respondents operate in the 'Visual Art' cultural domain, and only 17% of respondents were VAT registered.

Respondents to the survey account for more than 100 full time equivalent employees and a total of more than £2.5 million turnover (possibly as high as nearly £3 million depending on how VAT is treated) for their most recently completed financial year. The importance of the income/turnover from creative and cultural activity is exemplified by the fact that, on average, 84% of income/turnover is due to creative activity (with 16%

[2] The GVA and Turnover figures used in the analysis of the indirect and induced effects are the **adjusted** figures from Section 3. This is because, regardless of which GVA figure is used (conventional or adjusted) as the key headline measure, the supply chain and income effects should be based on the adjusted figure to ensure the wider (indirect and induced effects) of broadcasting and heritage are analysed.

therefore being a result of other activity). For the majority (53%) of respondents, creative activity provides all of their income/turnover.

The A&CI in the Outer Hebrides: Identity & Location

There is a tension between a strong sense of identity surrounding the Outer Hebrides, *as a place*, supported by associations with history, cultural traditions, Gaelic and a 'wildness' of landscape and weather, and what some think is an insufficiently distinct *marketable* identity, capable of supporting the A&CI of the Outer Hebrides (and other sectors) both locally and in the wider world.

- On the positive side, it is agreed that an amalgam of qualities and characteristics define the Outer Hebrides' sense of place.
- Conversely, in some respects the Outer Hebrides is viewed as less strong - almost certainly by comparison with what other 'places' have achieved - with Orkney being most frequently mentioned as a useful comparator and exemplar.

There are many levels of association from those within the A&CI with the 'place' and the identity of the Outer Hebrides. In some instances, the connection is immediate, obvious and practical; in others the connection between place, identity and creative work has more imaginative and intellectual associations. The level of importance of where respondents live and work as a source of creative inspiration holds true across all areas of the A&CI.

In terms of the Outer Hebrides as a business location, and why individuals chose to locate there, some were already part of the community or an established enterprise which they have inherited or otherwise acquired was already there. For most of those who were not already resident, and who were adult incomers to the Hebrides, the reasons are more individual and complex. This has usually involved chance, opportunity, emotion and some degree of romantic association with an imagined 'sense of place'.

There can be no doubt as to the importance of Gaelic to the identity, cultural traditions and contemporary life of the Hebrides**.** Previous studies have found Gaelic language and culture to be amongst the top two markers of distinctiveness in the area. However, the position of Gaelic, culturally and linguistically in the lives and work of those in the A&CI varies and there are considerable sensitivities surrounding perceptions of Gaelic, with some of those consulted suggesting there was an imbalance in the level of support given to Gaelic projects.

The A&CI in the Outer Hebrides: Markets, Sales & Competition / Networks & Hubs

More than half (53%) of survey respondents said that their main geographic market in terms of sales was the Outer Hebrides itself, with national (i.e. rest of Scotland and rest of UK) markets being the next most significant. These findings are mirrored in those from the interviews, and taken together a large number of A&CI enterprises in the Outer Hebrides rely on local markets (typically the smaller scale enterprises), whilst a smaller number of enterprises (typically the larger 'market leaders') have national and international markets. This assessment of geographic markets, especially given the proportion of respondents that rely on local markets, is an important consideration in terms of future development for the creative and cultural industries in the Outer Hebrides.

Commercial sales account for almost two-thirds (66%) of income for creative enterprises and individuals that responded to the survey. Fees earned account on average for just over one-quarter of income/turnover, with grants and awards accounting for the lowest proportion (less than 9%). Assessing these sources of income/turnover by sector shows some variances against the averages, with some sectors relying heavily on fees earned (architecture, music and radio & TV) whilst others rely heavily on commercial sales (clothing & textiles, crafts, publishing, design).

Almost three-quarters of respondents indicated that they have experienced fluctuations in overall income/turnover in recent years, and while many were related to the implications of wider economic circumstances and to the availability of funding, there were also a number of respondents that reported positive fluctuations driven by, amongst other factors, increased interest in Harris Tweed.

The most popular route to market was the internet, followed by direct selling to the public including visitors and selling through intermediaries.

Many in the A&CI say they value involvement in networks, especially those associated with their art, craft or business interests and value the opportunity to travel. The majority of respondents to the survey suggested that meetings with other artists and cultural organisations were currently often on an informal basis, with many held in local venues, or as social meetings between friends. There is thought to be potential for support around networking to be enhanced, possibly via the two main venue-based hubs in the Outer Hebrides.

The A&CI in the Outer Hebrides: Skills & Capabilities/ Infrastructure & Support

Across the Creative, Technical and Business areas of activity, the survey respondents reported that majority of time is spent on creative work (44%), closely followed by technical and delivery related work (almost 40%). The amount of time spent on business related activities accounts for just less than 17% of time. Visual arts, crafts and design (and cross-industry) respondents reported that they spend (on average) more than half of their time on creative activities.

The most common source of 'creative' related training, skills and CPD is from national providers, whilst the most common source of 'business' related training is from local providers.

The majority of those interviewed feel that they have 'in-house' capacity and capability around both creative and technical skills that satisfactorily meet their needs as a business. Business skills are the area where there is the lowest amount of 'in house' capacity, and it is here that the A&CI look for local provision.

Given the location and remoteness of the Outer Hebrides, supply side constraints around infrastructure are recognised as a key issue for the area for all aspects of the economy, including the A&CI. The headline issues around infrastructure for those working in the A&CI in the Outer Hebrides are:

- increasing fuel costs, affecting the affordability of all forms of transport;
- cost of deliveries;
- cost of air travel, which is viewed as prohibitive, but is regarded as essential and unavoidable, due to time, in some circumstances;
- road travel across the Hebrides, which can be time consuming and expensive;
- travel by sea, which can be subject to delays and cancellation and can add significant journey time - especially for those travelling from the Uists;
- broadband is regarded by many as absolutely critical, however, the speed, quality and consistency of service is highly variable outside of the HS1 area and can be especially weaker elsewhere on the islands; and
- mobile telephony, where there is thought to be scope for improvement on this aspect of infrastructure - connectivity is unavailable in some areas.

While these infrastructure issues are not unique to those within the A&CI, it is clear that improved infrastructure could increase opportunities for some of the key sectors identified in the study.

Opportunities & Strategic Priorities for the A&CI in the Outer Hebrides

The study has confirmed the extent of the sector's diversity in the Outer Hebrides. The analysis shows the contribution made at every level and scale of enterprise, from the economic predominance of activities associated with Harris Tweed, heritage and broadcasting, to self-employed entities - from 'extreme lifestylers' through 'portfolio lifestyles' to micro-businesses. By virtue of their small numbers and small income and expenditure, the latter are not likely to be of very great economic weight - as conventionally measured - but have substantial cultural and community importance, as well as offering promotional benefits for the islands' future cultural tourism.

Within the broad and diverse mix of sectors and activities that make up the A&CI in the Outer Hebrides, the key role of particular sectors – most notably Harris Tweed, broadcasting, and Heritage – needs to be recognised, given their dominance in terms of economic contribution. Looking forward, support for these key sectors should continue, and could include assisting independent broadcasting companies to diversify their market/customer base and supporting the Harris Tweed industry to maintaining and further develop and enhance its market position.

Analysis of the main geographic markets by value of sales, supported by information derived from interviews, illustrates the importance of the immediate market provided by both the local area and Scotland as a whole, with a regional contribution from other parts of the Highlands and Islands. However, it is through a combination of sales from new markets and related profile raising promotions that the economic impact of the A&CI is most likely to be enhanced. This would, at the same time and as an additional benefit, attract new people and enterprises to consider re-locating to the Outer Hebrides.

Cultural tourism also produces economic benefits, and in considering whether the Outer Hebrides is currently fully exploiting its assets, some of those consulted during the study thought there was scope to do more. The Outer Hebrides, as a 'place', offers a rich and varied mix of cultural offerings and experiences, to which all cultural entities (regardless of scale and type) located on the islands, have something to offer, including every sub-sector of the A&CI.

Quality and innovation are of fundamental importance to creative activity, of all types and at all stages: from the generation of ideas, through their development and production, to their promotion, marketing and sales. The evidence of this study suggests the need and value of a more strategic approach to 'raising the bar' in supporting skills and competencies, knowledge and continuous professional development.

Gaelic lies at the heart of the culture, history and traditions of the Outer Hebrides and is one of its defining characteristics. Yet, the majority of those contributing a view to this study did not regard Gaelic as central to their practice. In the forthcoming strategy for Creative and Cultural Industries it will be important to thoughtfully distinguish between:

- Measures and mechanisms designed to support, sustain and advance appreciation of Gaelic culture, traditions and Gaelic as a language; and
- Measures designed to promote development of the A&CI which happen to be located within what remains a predominantly Gaelic community, but whose activities and 'products' are *not* associated with Gaelic culture, nor would their owners describe their entities as being Gaelic organisations.

Finally, there is no doubt that the majority of those consulted think that a single all-encompassing Vision of the Outer Hebrides is essential for the future development and promotion of the Arts & Creative Industries of the islands.