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Final Report

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# City of Toronto

## Economic Contribution of Toronto's Culture Sector

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## **1. Background**

Deloitte was contracted by the City of Toronto (Economic Development, Culture and Tourism Department, Culture Division) to undertake a high-level analysis of the economic importance of the culture sector in Toronto. This report provides the results of that high level assessment.

Culture is defined by Statistics Canada in its 2004 *Canadian Framework for Culture Statistics* as "creative artistic activity and the goods and services produced by it and the preservation of human heritage".

To be included in the definition of culture, a culture good or service must meet one of the following criteria. It must be:

- *A creative good that warrants intellectual property rights;*
- *A service associated with presenting or preserving creative goods;*
- *A good or service supporting creation, production or transmission of other creative goods or services, including a good or service that adds to, or alters the content of culture products;*
- *A service associated with conserving, exhibiting, or interpreting human heritage; or*
- *An educational service aimed at workers who produce creative goods or services.*

The definition of culture establishments includes those firms involved in the creation, production, manufacturing and distribution of culture goods and services as well as those involved in supporting activities. It includes a very wide range of goods and services such as writing and published works, broadcasting, film and video, sound recording, performing arts, visual arts, design, advertising, libraries, festivals, heritage, photography, architecture, etc. For a more complete description, the reader is advised to refer to the Statistics Canada publication, *Canadian Framework for Culture Statistics*, 2004.

## **2. Economic Impact of the Culture Sector in Ontario**

In December 2004, Statistics Canada released its publication - *Economic Contribution of the Culture Sector in Ontario*. Using the definition of culture discussed above, Statistics Canada measured the economic contribution of the culture sector on Ontario's economy in terms of its portion of the province's GDP and employment over the period 1996-2001, as shown in Table 1. See Appendix A for additional data. Key findings of that study are discussed below.

**Table 1: Economic Contribution of Culture Sector in Ontario**

	1996	1997	1998	1999	2000	2001	Average (1996-2001)	Percentage change (1996-2001)	Average annual growth rate (1996-2001)
GDP (\$millions)	13,380	13,524	14,480	15,767	17,539	17,929	15,437	34	6
Employment	215,200	217,600	219,100	232,100	266,950	253,100	234,008	18	4

Source: Statistics Canada, *Economic Contribution of the Culture Sector in Ontario*, 2004

### Employment

The number of direct jobs associated with the culture sector is based on Statistics Canada Labour Force Survey ('LFS'). The LFS provides annual estimates of employment by occupation and industry. The LFS data, although very timely, do have some limitations. In certain areas, classifications do not permit the identification of all culture workers. In these cases, alternative methodologies and data sources have been used by Statistics Canada to estimate employment.

Ontario's direct employment in the culture sector was estimated by Statistics Canada at 253,100 for the year 2001, which represents 4% of Ontario's employment. The annual employment average in the culture sector between 1996 and 2001 was 234,008. Average annual percentage growth has been 4% (see Appendix A). It should be noted that only direct jobs in the culture sector in Ontario were estimated by Statistics Canada; indirect and induced employment were not estimated.

#### Gross Domestic Product (GDP)

The value-added method was used by Statistics Canada to calculate the GDP attributable to the culture sector in Ontario. GDP is calculated by measuring the gross production of each firm and subtracting each firm's costs of production in the form of purchases from other firms. Statistics Canada based this calculation on the System of National Accounts (SNA) data, supplemented with specific surveys. This approach considers direct impacts; multiplier effects are not considered.

Based on the above approach, Statistics Canada reported that GDP from the culture sector in Ontario was around \$17.9 billion in 2001, representing approximately 4% of Ontario's GDP. Between the years 1996 to 2001, the average GDP from the culture sector in Ontario was around \$15 billion per annum. On average, Ontario accounted for 46% of Canadian culture GDP per annum over that period (see Appendix A).

### **3. Economic Impact of the Culture Sector in Toronto**

The economic contribution of the culture sector in Toronto has not been estimated by Statistics Canada; rather, an economic impact analysis has only been undertaken at the provincial level. Therefore, for the purpose of providing a high level estimate of the likely level of economic contribution of Toronto's culture sector, we have estimated a percentage range of the likely level of economic impact. This has been based on data from Statistics Canada's publication on the *Economic Contribution of the Culture Sector* in Ontario, additional employment data from Statistics Canada, and the City of Toronto. The percentage range was then applied to the Ontario culture sector data to provide a high level estimate of the portion of economic impact which could potentially be attributed to the culture sector in Toronto. A discussion of the methodology and resulting estimates using culture sector employment and GDP as indicators is provided below.

#### Employment Impact

Culture sector employment in Ontario in 2001 was estimated by Statistics Canada as part of its *Economic Contribution of the Culture Sector in Ontario* report to be around 253,100 people (see Table 2). The labour force in culture industries in the Toronto CMA was estimated at 154,000 in Statistics Canada's paper *Census Metropolitan Areas as Culture Clusters*, October 2004. The culture sector labour force residing in the Toronto CMA therefore accounted for 60.8% of Ontario's culture sector labour force. It is noted that the culture sector labour force in the Toronto CMA also accounted for about 25% of the culture sector employment in Canada in 2001 (the culture sector labour force in Canada in 2001 was approximately 611,000).

Based on data provided by the City of Toronto on location of work for the Toronto CMA culture sector labour force for 2001, and data from Statistics Canada, it is estimated that around 40% of Ontario's culture labour force worked within Toronto in 2001.

To provide high level estimates of employment in the culture sector in Toronto for other years, we have applied the 40% capture range to the Ontario culture sector labour force data, as shown in Table 2. Based on this analysis, it is estimated that employment in the culture sector in Toronto ranged from 86,000 and 101,000 between 1996 and 2001. It is likely that the culture sector employment in Toronto decreased slightly in 2001 as a result of the aftermath of the terrorist attacks on September 11, 2001 in the U.S which adversely impacted the level of tourism in North America and as a result affected some culture industries such as performing arts.

**Table 2: Estimated Culture Sector Employment**

	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>Average</b>
Ontario Culture Sector Labour force	215,200	217,600	219,100	232,100	266,950	253,100	234,008
Estimated Toronto culture sector employment - 40%	86,080	87,040	87,640	92,840	106,780	101,240	93,603

Economic data are not available on the economic contribution of the culture sector in Ontario beyond 2001. However based on data from Statistics Canada for some segments of the culture sector, it is noted that employment in the Toronto CMA, and therefore city of Toronto has increased since that year. Based on data from the Labour Force Survey, it appears that there has been labour force growth of 5% or more per annum in following culture sector segments: printing and related support activities, manufacturing and reproducing magnetic and optical media, newspaper and periodical, book and database publishers, sound recording industries, information services, and performing arts companies. Based on the data, it also appears that there was a significant drop in the performing arts segment in 2003, declining from around 7,900 in 2001 to 5,200 in 2003, and then increasing to 9,700 in 2004. This could partly be attributed to the decline of tourism in Toronto in the aftermath of the terrorist attack and SARS. It should be noted, however, that Statistics Canada has advised that this data should be interpreted with caution. The two segments, which show employment declines are the book, periodicals and music stores segment and advertising and related services- see table 3 below.

**Table 3: Toronto CMA Data**

Culture Industries by NAIC	(estimated employment in the thousands - '000)				Growth ('000)	% Per Annum Change
	2001	2002	2003	2004		
3231-Printing & Related Support Activities	24.5	28.5	31.5	28.1	3.6	4.9%
3346-Manufacturing and reproducing magnetic and optical media	1.8	NA	3.4	2.2	0.4	7.4%
4512-Book, Periodical & Music Stores	6.1	3.8	6.4	4.9	-1.2	-6.6%
5111-Newspaper, Periodical, Book & Database Publishers	16.4	14.1	19.6	19.8	3.4	6.9%
5121-Motion Picture & Video Industries	13.7	17.5	14.9	15.0	1.3	3.2%
5122-Sound Recording Industries	2.5	NA	3.0	2.9	0.4	5.3%
5141- Information Services	5.0	1.8	4.7	6.3	1.3	8.7%
5151-Radio and Television Broadcasting	10.1	8.9	8.9	10.1	0.0	0.0%
5152-Pay and Specialty Television	NA	NA	NA	NA	NA	NA
5414-Specialized Design Serv.	14.6	15.3	14.4	15.3	0.7	1.6%
5418-Advertising & Related Serv.	23.4	20.8	23.3	20.4	-3.0	-4.3%
7111-Performing Arts Companies	7.9	7.7	5.2	9.7	1.8	7.6%
7113-Promoters of performing arts, sports and similar events	1.5	NA	NA	NA	NA	NA
7114-Agents and managers for artists, athletes, entertainers	NA	2.5	NA	1.8	NA	NA
7115-Independent artists, writers & performers	13.4	12.3	13.6	14.9	1.5	3.7%
7121-Heritage Institutions	NA	NA	NA	NA	NA	NA

Source: Statistics Canada, Labour Force Survey

## GDP

As mentioned previously, the value-added method was used for estimating the gross domestic product (GDP) of culture industries. Specifically, this method involves calculating the GDP by measuring the gross value of production of each firm and subtracting each firm's cost of production in the form of its purchases from other firms (see Statistics Canada *Economic Contribution of the Culture Sector* report, 2004 for further explanation). It provides a measure of the direct economic contribution of the culture sector.

Unlike data for culture labour force, GDP data for the economic contribution of the culture sector at the Toronto level are not available. However, an estimate of Toronto's likely portion of the Ontario culture sector GDP can be developed using the following logic:

- In 2001, Ontario accounted for 41% of Canada's employment in culture sector and 47% of Canadian culture sector GDP – ie. Ontario accounts for a higher portion of Canada's culture sector GDP than its culture sector labour force, reflecting the higher value-added of economic activity in the culture sector in Ontario; and
- In the above section on employment, it has been estimated that in 2001, Toronto accounted for roughly 40% of Ontario's culture sector employment. Based on this data and the fact that Ontario's portion of Canada's GDP in the culture sector is higher than its portion of employment by six percentage points, it can be inferred that Toronto's portion of Ontario's culture sector GDP is likely to be higher than its portion of Ontario culture sector employment. For the purposes of providing a high-level estimate, we have assumed that the likely level of Toronto's portion of Ontario's culture sector GDP is somewhere between 45% and 50%.

Based on the above assumptions, it is estimated that the Toronto culture sector accounts for somewhere between 45% and 50% of Ontario's culture sector GDP, or between \$8 billion and \$9 billion in 2001.

To provide high level estimates of the likely level of GDP which could potentially be attributed to GDP in the culture sector in Toronto in 1996 - 2001, we have applied the estimated 45% to 50% capture range to the Ontario culture sector GDP data, as shown in Table 4.

**Table 4: Estimated Culture Sector GDP**

	1996	1997	1998	1999	2000	2001	Average 1996 - 2001
Ontario's GDP from Culture Sector (\$millions)	13,380	13,524	14,480	15,767	17,539	17,929	15,437
Estimated Toronto culture sector contribution to GDP - 45%	6,021	6,086	6,516	7,095	7,893	8,068	6,946
Estimated Toronto culture sector contribution to GDP - 50%	6,690	6,762	7,240	7,884	8,770	8,965	7,718

## Summary

This study has provided a high-level analysis of the likely economic contribution of the culture sector in Toronto based on applying a capture rate to data in Statistics Canada's report - *Economic Contribution of the Culture Sector in Ontario*. This study therefore provides our professional opinion of the likely level of economic contribution of Toronto's culture sector, rather than the results of a detailed economic impact analysis which is beyond the scope of this assignment.

Based on the high level analysis undertaken for this review, it is estimated that:

- Direct employment in the culture sector in Toronto in 2001 was in excess of 100,000 people.
- The culture sector in Toronto accounted for somewhere between 45% and 50% of Ontario's culture sector GDP, i.e. roughly \$8 billion - \$9 billion in 2001.

- Based on available data, it appears that the culture sector labour force in the Toronto CMA, and therefore city of Toronto, has increased since 2001, with several segments increasing by more than 5% per annum.

## Appendix A – Ontario Data

	1996	1997	1998	1999	2000	2001	Average (1996- 2001)	Percentage change (1996- 2001)	Average annual growth rate (1996- 2001)
GDP from culture sector in Ontario (\$ millions)	13,380	13,524	14,480	15,767	17,539	17,929	15,437	34	6
GDP in Ontario (\$ millions)	310,920	331,339	348,261	376,877	406,595	434,801	368,132	40	7
Culture as percentage of GDP in Ontario	4	4	4	4	4	4	4	4	
GDP from culture sector in Canada (\$ millions)	29,233	30,441	32,375	33,953	37,489	38,486	33,663	32	6
Ontario's percentage share of Canadian culture GDP	46	44	45	46	47	47	46		

Source: Statistics Canada, Economic Contribution of the Culture Sector in Ontario

	1996	1997	1998	1999	2000	2001	Average (1996- 2001)	Percentage change (1996- 2001)	Average annual percentage growth rate (1996- 2001)
Employment from culture sector in Ontario	215,200	217,600	219,100	232,100	266,950	253,100	234,008	18	4
Employment in Ontario	5,180,800	5,313,400	5,490,000	5,688,100	5,872,100	5,962,700	5,584,500	15	3
Percentage of employment in Ontario from culture sector	4	4	4	4	5	4	4		
Employment from culture sector in Canada	517,800	513,100	537,300	554,200	604,900	611,000	556,400	18	3
Percentage of culture employment in Canada from Ontario	42	42	41	42	44	41	42		

Source: Statistics Canada, Economic Contribution of the Culture Sector in Ontario

## **Appendix B – Limiting Conditions**

1. Financial scenarios, if any, produced in conjunction with our Study contain hypotheses and assumptions which are based on a set of economic conditions or anticipated courses of action that may be reasonable and appropriate in Deloitte's judgement, are consistent with the purpose of the projections, but which may not materialize as set out therein. The hypotheses represent plausible circumstances, but need not be, and may not be fully supported.

Since future events are not subject to precise projections, some assumptions will not materialize in the exact form presented by our analysis. In addition, other unanticipated events and circumstances may occur which could influence the future outcome and performance of the Project. Therefore, the results achieved in future operating periods will vary from the analysis of prospective market and financial conditions as set out herein. While there is no recourse to predicting these matters with certainty apart from informed and reasoned judgements, it must be stated that future events may lead to variations in Project performance which may materially alter Project results. Deloitte does not warrant that actual results achieved during the Projection Period will be the same, in whole or in part, as those shown in the Projection. The Projection is based on hypotheses and there is significant risk that actual results will vary, perhaps materially, from the results projected.

2. Information furnished by others, including Statistics Canada and the City of Toronto, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.
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