Economic Impact of the Music Sector in Ottawa

Final Report

Spring 2020

1. Introduction

Ottawa has a vibrant cultural scene that includes a healthy and diverse music industry, bolstered by a rich live music, festival and event scene that is supported by a healthy network of live performance venues ranging from large auditorium theatres and concert halls, to smaller staple concert halls and a host of bars, pubs and restaurants that host live music year round.

Ottawa's local music industry exists within a unique cultural ecosystem characterized by the dynamics between the city's role and identity as the National Capital and the city's local identity, history, arts and culture. The presence of national institutions such as the National Arts Centre and the national museums stimulates the local arts scene. However, there is also an exciting, vibrant grass-roots music scene in Ottawa that reflects the diversity and unique identity of the city that is separate from its status as the National Capital. For example, as a bilingual city whose economic and cultural life easily flows across the river between Gatineau in Quebec and Ottawa in Ontario, a particular dynamic exists in a city that lives somewhat seamlessly across two provinces and two primary languages.

In order to help further grow and develop Ottawa's local music industry as an integral part of the city's authentic, local creative and cultural landscape, the industry needs to be able to demonstrate the impact and value it brings to the city. In other words, it is critical to track and measure the industry's activity, growth and impact on the local economy. Prior efforts to illustrate the value and importance of the local music industry in Ottawa supported the development and adoption of Ottawa's first Music Strategy in 2018. However, there has not been a study of this kind that measure the economic impact of the industry on the local economy.

In order to fill the gap in clear economic data about Ottawa's music industry, the Ottawa Music Industry Coalition (OMIC) engaged Nordicity to conduct an economic impact study. The objective of the study was to establish a baseline understanding of the size and impact the industry has on the local economy that could be used as a benchmark against which the future growth and health of the industry could be tracked.

1.1 Methodology and Data limitations

The primary source of data for this study was a survey directed to artists, music companies and music consumers in Ottawa. The survey was distributed directly to OMIC's database of contacts in addition to being promoted on social media and in newsletters by OMIC's partners. The table below shows the survey response rates.

Table 1: Number of responses received to the Ottawa Music Industry Survey 2019

	Complete responses	Usable Responses
A music company (owner of the company/responding for the company)	25	33
A musician/performing artist	95	125
A music consumer/concert-goer	56	57
Total	**176**	**215**

The survey received usable responses from 18% of the music companies in the known survey universe, and complete responses from 14% of known companies. As such, the response rate was too low for a robust analysis of the economic impact of music companies in Ottawa.

However, the response rate of artists was adequate to conduct an economic impact of the music income earned by artists. The economic impact of artist income was estimated using Nordicity's MyEIA™ model and relied on data collected through the survey.

This report also provides an analysis of consumer spending on music in Ottawa to provide an additional perspective on the role that local music plays in the lives of Ottawa residents and the extent to which local artists rely on local support. For aggregate consumer spend, Nordicity used average spending figures from the survey, and secondary research to arrive at a universe size of music consumers.

Additional details about the methodology can be found in Appendix A at the end of this report.

Methodological Note

In this report all references to "Ottawa" refer to the Ottawa-Gatineau Census Metropolitan Area (CMA) unless otherwise specified. The Ottawa-Gatineau CMA includes both the City of Ottawa (Ontario) and the Ville de Quebec (Quebec) as well as a number of surrounding municipalities and townships in both Ontario and Quebec that are part of what is often referred to as the National Capital Region.

2. The Music Industry Ecosystem in Ottawa

The following section provides an overview of the size and structure of the music industry in Ottawa, including a profile of artists who are based there and a brief description of the ecosystem that helps to support the artists and companies at the core of the industry.

2.1 Size and Structure of the Industry

Ottawa is home to several music companies including record labels, music festivals, radio stations and other types that constitute the live and recorded music industries. Using secondary research, OMIC and Nordicity identified a total of 139 active music companies in Ottawa. The table below shows the distribution of these companies by type. As the table illustrates, there is a robust live music scene in Ottawa with a total of 51 music venues operating across the city. Ottawa is also home to 36 music festivals.

Table 2: Number of music companies in Ottawa

	Live/Recorded music	Number of companies
Music Venue	Live music	51
Music Festival	Live music	36
Music Recording/ Mastering Studio	Recorded music	16
Music Manager/ Artist Manager /Booking Agent / Booker	Live music Recorded music	14
Record Label	Recorded music	10
Music Promoter	Live music	9
Music Broadcasters	Recorded music	3
Total		**139**

Source: Ottawa Music Industry Coalition

The companies listed above are directly involved in the making, distributing and performance of music. In addition, there are other companies that exist just outside the core of the industry and which support its activities – and also depend on the music industry for their revenue. The table below shows the number of such companies in Ottawa.

Table 3: Number of companies supporting the music industry in Ottawa

Company type	Number of companies
Instrument/Equipment Retailer	18
Music Retailers (i.e. record shops, etc.)	11
Music Organization	15

Source: Ottawa Music Industry Coalition

Music organizations and the local music ecosystem are further described in Section 2.3.

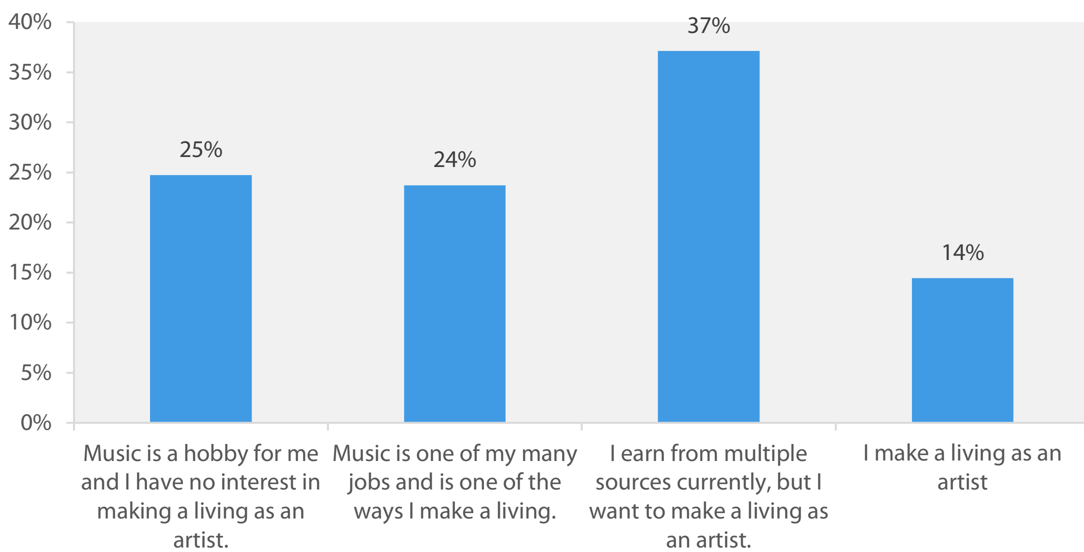
2.2 Artist Profile

According to Statistics Canada, there are almost 1,600 full-time musicians or performing artists living in the Ottawa Census Metropolitan Area.[1] Including part-time musicians, there are an estimated 12,900 artists in the region.

Musicians or music artists in Ottawa are not a homogenous group. As the survey results indicate, some earn all of their income from music and some earn less than 10%.

While only 14% of artists based in Ottawa indicated making a living solely from music, more than one-third (37%) aspire to do so. On the other hand, "hobbyists" who have no interest in making a living as an artist constitute one-quarter (25%) of artists in Ottawa.

Figure 1: Artist career intentions

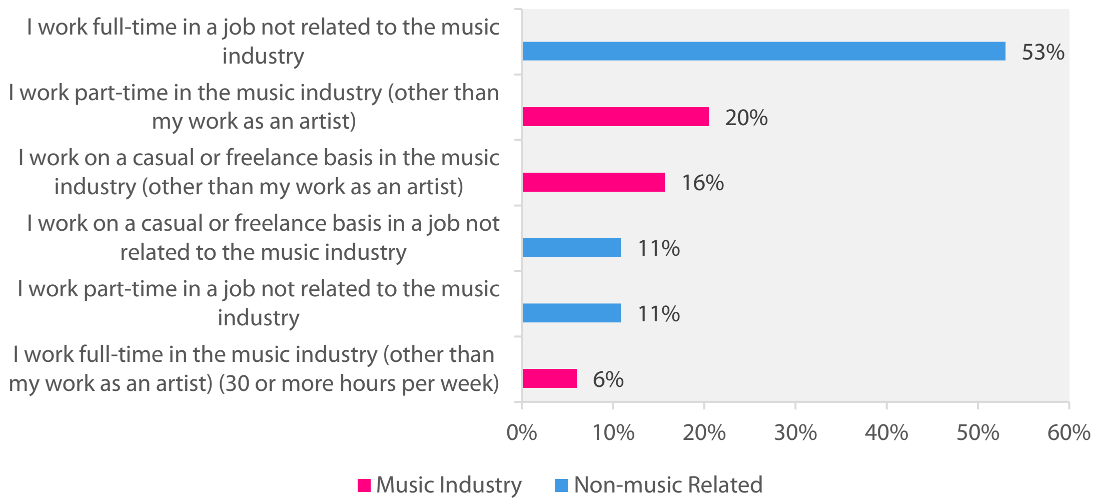


n = 97
Source: Ottawa Music Industry Survey, 2019

As seen in the figure above, artists are highly likely to earn income from other sources, in addition to their work as an artist. Many artists are employed elsewhere in the music industry, as shown in the figure below.

[1] Statistics Canada custom tabulation

Figure 2: Characteristics of work outside the industry



n = 83
Source: Ottawa Music Industry Survey, 2019

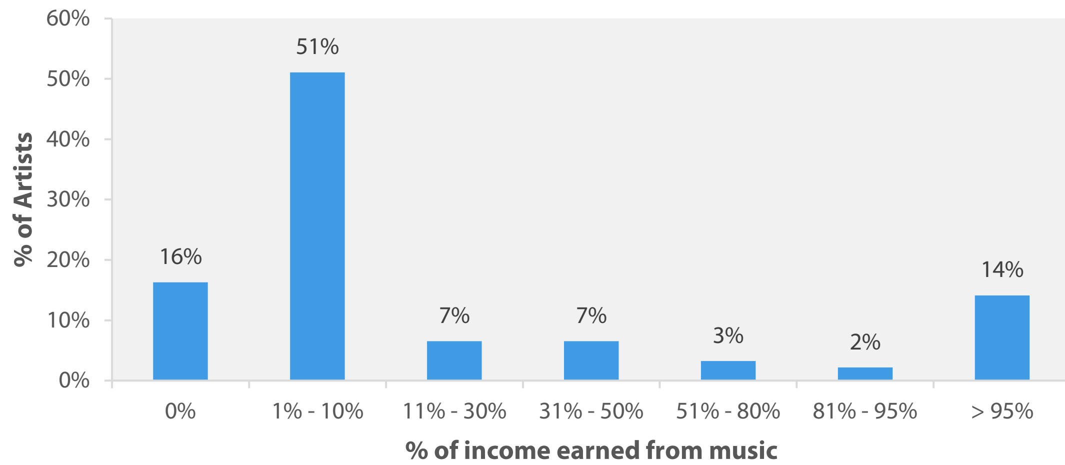
Over half of the artists (53%) work full-time in jobs unrelated to music, but 42% of artists are heavily reliant on the music industry in Ottawa, holding full-time, part-time or casual jobs within the industry.

Income profile

Artists in Ottawa reported having an average total annual income of $49,000. However, as indicated by the high likelihood of artists maintaining employment outside of their work as artists, not all of that income comes from their work as artists. Indeed, a majority (67%) of Ottawa artists reported earning 10% or less of their income from music, with 16% of artists earning no income from music. (as shown in the figure below). At the other end of the spectrum, more than one in ten artists (14%) earn upwards of 95% of their income from music.

Artists reported that a small portion (12%) of their total income is received in cash. However, artists who report making a living entirely from music tend to receive a larger portion of their income in cash (18%). These figures may hint at the gig-based economy that is characteristic of the music industry, and especially of the live music part of the industry where many venues pay artists in cash.

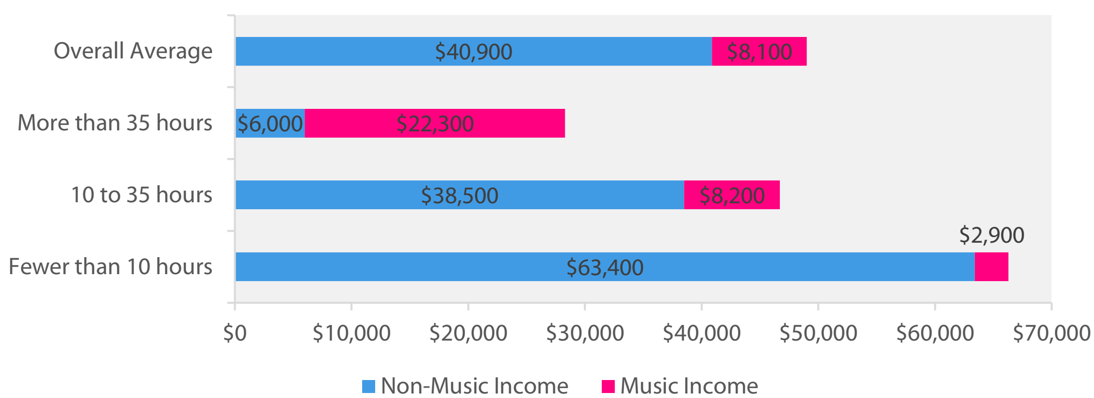
Figure 3: Music income earned by artists



n = 97
Source: Ottawa Music Industry Survey, 2019

In addition, the range of average income varies between those who work in music full-time (more than 35 hours a week), to those who spend fewer than 10 hours on their music, as seen in the figure below. For example, artists who reported make a living almost entirely from their music activities have a total average annual income ($22,900) that is significantly lower than the overall average ($49,000).

Figure 4: Average income earned by artists, classified by number of hours spent on music every week



n = 102
Source: Ottawa Music Industry Survey, 2019

From the figure above it would appear that total income decreases in proportion with hours spent on music. Artists who spend fewer than 10 hours on music likely have other well-paying jobs, earning on average $63,400 in non-music related income. In comparison, the average employment income earned by individuals in Ontario in 2017 was $47,900.[2] For full-time artists (more than 35 hours), the

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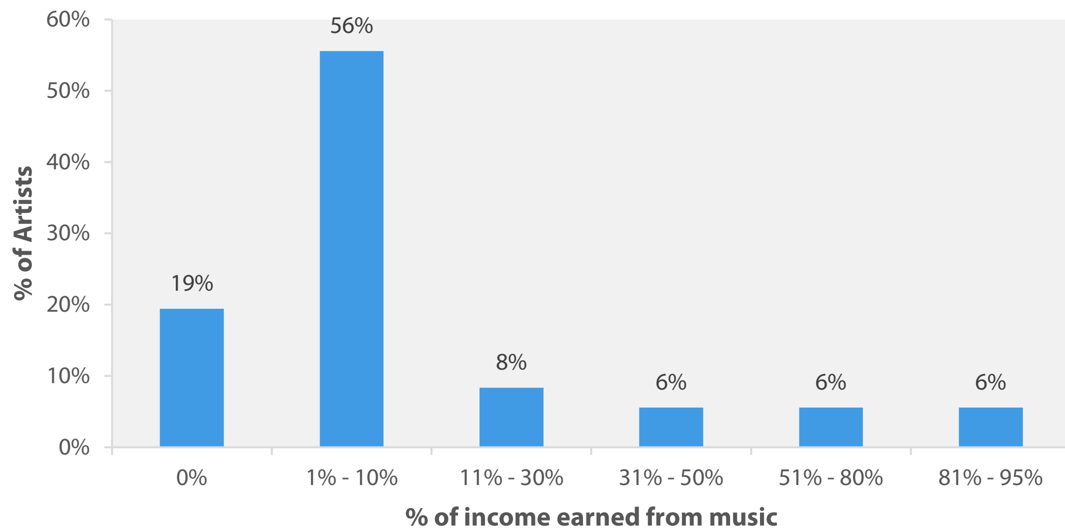
[2] Statistics Canada. Table 11-10-0240-01 Distribution of employment income of individuals by sex and work activity, Canada, provinces and selected census metropolitan areas

total income earned on average is an estimated $28,300, which is 47% lower than the average employment income for Ontario. Similarly, artists who make a living entirely on music earn $33,000 on average. Essentially, artists who either spend full-time hours on music, or earn entirely from their work as an artist are more likely to have a lower annual income than their "hobbyist" or part-time counterparts.

Looking only at artists who report having the intention to earn a living entirely off of their music activities, the figure below shows a similar distribution regarding how much of their income comes from their music activities. Almost three-quarters (75%) of these artists make only up to 10% of their annual income from music, and one in ten make no income from music at all.

Figure 5: Music income earned by artists who would like to make a living as an artist



n = 36
Source: Ottawa Music Industry Survey, 2019

2.3 The Support Ecosystem

In any industry, there is typically a group of businesses and professionals (and in some cases artists) that make up what is called the core of the industry. These are the companies and individuals that are directly involved in the value chain of producing and distributing the core good or service of that industry. However, for an industry to be able to thrive and grow, a wider ecosystem needs to be in place. This ecosystem includes peripheral services and business that directly support the creation of those products and services (such as those described in section 2.1) as well as all the other industries that supply goods and services not directly related to making the core product or service (in this case music)

In addition, healthy, vibrant industry ecosystems often include a robust network of support organizations that surround the industry. These organizations help to ensure that the right conditions are in place in order for an industry to thrive and grow in a given jurisdiction. For example, they work to ensure that the funding and financing environment can adequately meet the needs of the local industry. They also develop and advocate for local policy that supports a healthy industry. And they contribute to build up a robust and skilled local talent pool to continue to feed and build the industry.

Ottawa's music industry benefits from a robust support environment that includes a mix of organizations with a very local focus alongside a number of organizations with a broader Provincial or

National mandate. The table below summarizes the structure of the support environment for the music industry in Ottawa.

Table 4: Ottawa Music Industry Support Organizations

Category	Count
Education and community engagement, music specific	5
Education and community engagement, multidisciplinary arts	4
Association, National Mandate	2
Association, Provincial Mandate	1
Education, Post-secondary	3
Association, local Ottawa mandate	3

3. Economic Impact generated by Artists Living in Ottawa

The following section details the economic impacts generated from the collective music income earned by artists in the Ottawa Census Metropolitan Area, on the economy of the region, unless otherwise specified.

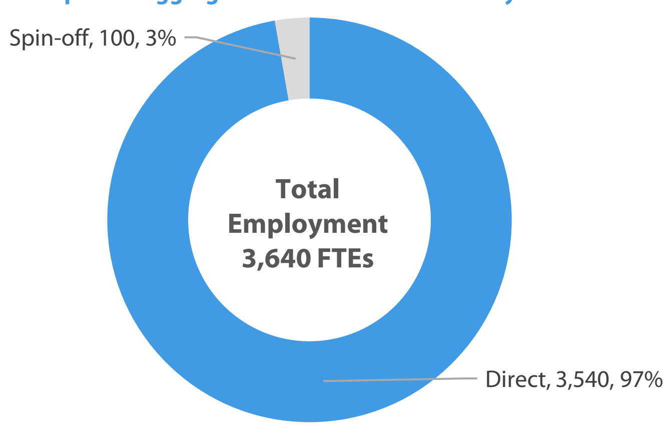
The main source of *direct* economic impact in any economy is money paid to or generated by individuals. As such, artists contribute to the economy by earning income from their music activities.

In addition to the *direct* impact, economic activity also has what can be called "spin-off" impacts, which represent the ripple effects that an industry has on the broader economy. In the case of artist income, *spin-off* impacts are generated from the re-spending of their income in the economy. Both direct and indirect impacts are expressed in terms of GDP, labour income, employment and tax (or fiscal impacts).

Employment

The direct employment impact of the music income earned by artists in Ottawa is an estimated 3,540 FTEs. In total, including spin-off impacts, artists contributed an estimated 3,640 FTEs to Ottawa's economy.

Figure 6: Total employment impact of aggregate music income earned by artists in Ottawa CMA

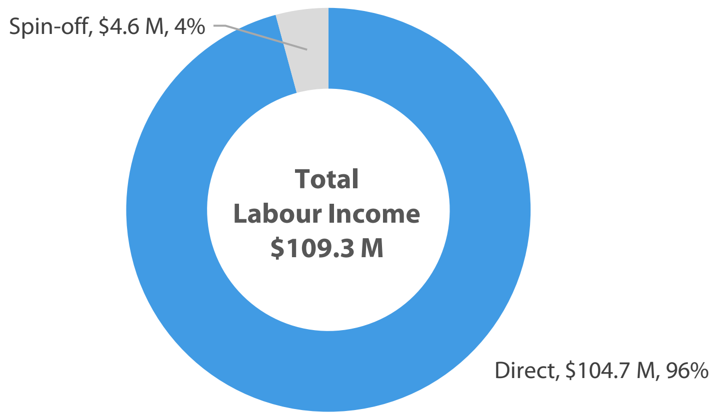


Source: Nordicity MyEIA Model, Statistics Canada, federal and provincial government accounts.

Labour Income

The labour income collectively earned by artists in Ottawa through their music activities is an estimated $104.7 million. Including spin-off impacts, the total labour income impact as seen in the figure below, is an estimated $109.3 million.

Figure 7: Total labour income impact of aggregate music income earned by artists in Ottawa CMA

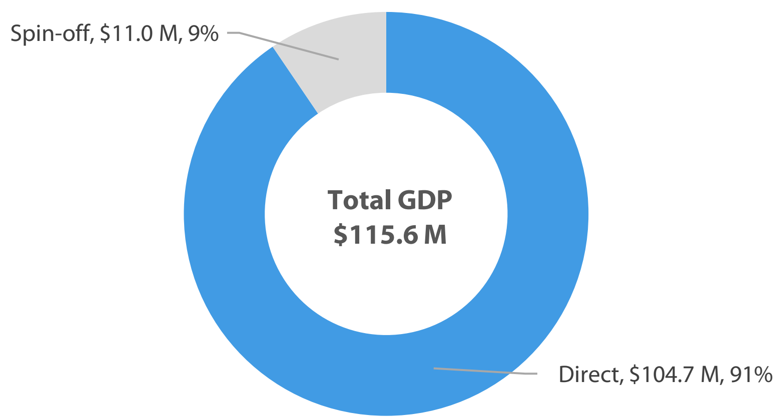


Source: Nordicity MyEIA Model, Statistics Canada, federal and provincial government accounts.

GDP Impacts

The direct GDP impact of the income earned by artists is an estimated $104.7 million. The total GDP impact on Ottawa's economy, including spin-off impacts is an estimated $115.6 million, as seen in the figure below.

Figure 8: Total GDP impact of aggregate music income earned by artists in Ottawa CMA

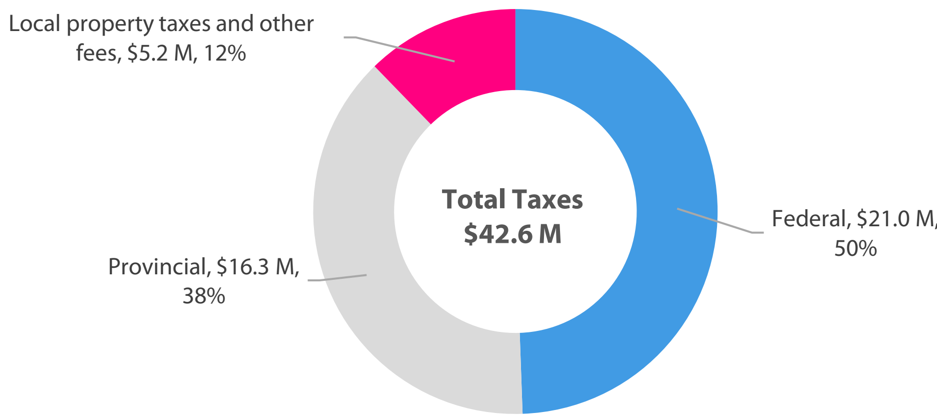


Source: Nordicity MyEIA Model, Statistics Canada, federal and provincial government accounts.

Fiscal Impact

The economic activity described above generates tax revenue for the federal, provincial and local municipal governments. In all, the income earned by artists contributed $42.6 million in taxes to the three levels of government, as seen in the figure below.

Figure 9: Total fiscal impact of aggregate music income earned by artists in Ottawa CMA



Source: Nordicity MyEIA Model, Statistics Canada, federal and provincial government accounts.

3.1 Summary of Economic Impact

The table below summarizes the economic impacts generated by artists Living in Ottawa, as described in the previous section.

Table 5: Summary of economic impact of aggregate music income earned by artists, Ottawa CMA

	Type of Impact	Amount
Employment (FTEs)	Direct Impact	3,540
	Spin-off Impact	100
	Total Impact	3,640
Labour Income	Direct Impact	$104,667,000
	Spin-off Impact	$4,593,000
	Total Impact	$109,260,000
Gross Domestic Product (GDP)	Direct Impact	$104,667,000
	Spin-off Impact	$10,962,000
	Total Impact	$115,629,000
Taxes	Personal income taxes	$29,995,000
	Corporation income taxes	$470,000
	Consumption taxes	$6,892,000
	Local property taxes and other fees	$5,223,000
	Total Fiscal Impact	$42,580,000

Source: Nordicity MyEIA Model, Statistics Canada, federal and provincial government accounts.

The table below provides a breakdown of the total economic impact generated by Ottawa artists (including direct and spin-off impacts) in the Ottawa-Gatineau CMA. It shows how much of the impact is generated the Ontarian part of the Ottawa-Gatineau CMA, the Quebec part of the CMA, and the City of Ottawa proper.

Table 6: Summary of impacts of aggregate music income earned by artists on the regional economies

Summary	City of Ottawa	ONTARIO part - CMA	QUEBEC part - CMA	CMA Total
Gross Domestic Product (GDP)	$95,693,000	$98,185,000	$17,444,000	$115,629,000
Labour Income	$90,422,000	$93,372,000	$15,888,000	$109,260,000
Employment (FTEs)	3,010	2,950	690	3,640
Total Fiscal Impact	$35,239,000	$34,990,000	$7,590,000	$42,580,000

Source: Nordicity MyEIA Model, Statistics Canada, federal and provincial government accounts.

The impact on the economy of the City of Ottawa can be estimated at 83% of the total impact on the CMA. This figure is based on the population of full-time artists living in the City as a proportion of the total number of full-time artists in the CMA.

4. Consumer Spending on Music in Ottawa

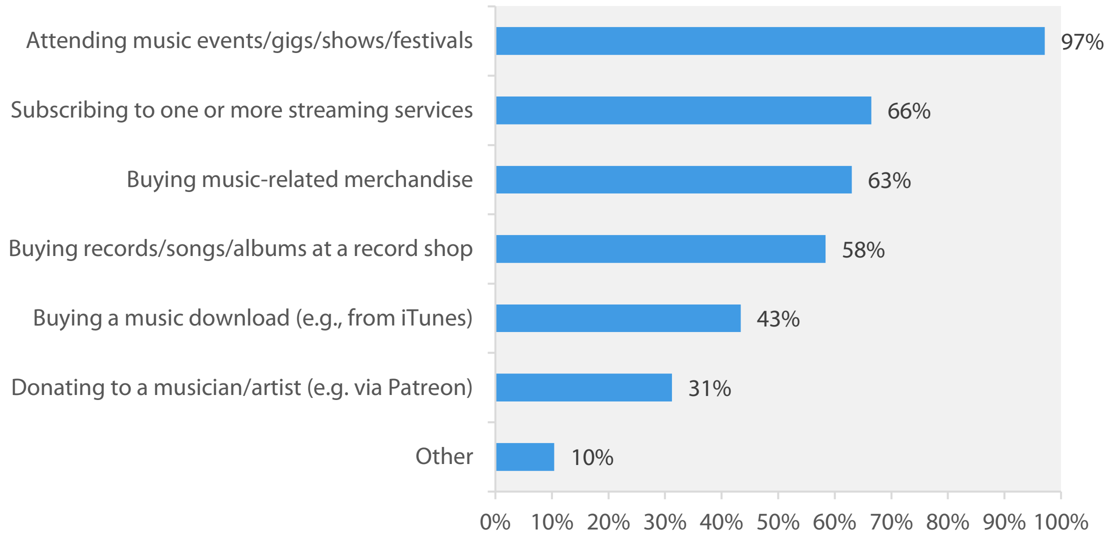
This section describes how music consumers spend their money on music in Ottawa. The analysis in this section is entirely based on survey responses to spending questions, which were answered by consumers, artists as well as music company representatives.

Music consumers in Ottawa[3] spend on a range of music activities, both live and recorded music. As the figure below shows, 97% of music consumers in Ottawa who were surveyed spend money on attending music events, and two-thirds (66%) spend on streaming service subscriptions.

[3] Consumer spending questions in the survey were answered by artists, music company representatives, and the general public. As such, the sample may be biased towards high interest in music. Given that there is no exhaustive national or other survey of consumer spend on music, it is not possible to evaluate the magnitude of bias in the sample. Where there was a comparable statistic, it was included in the report to show comparability.

Nordicity

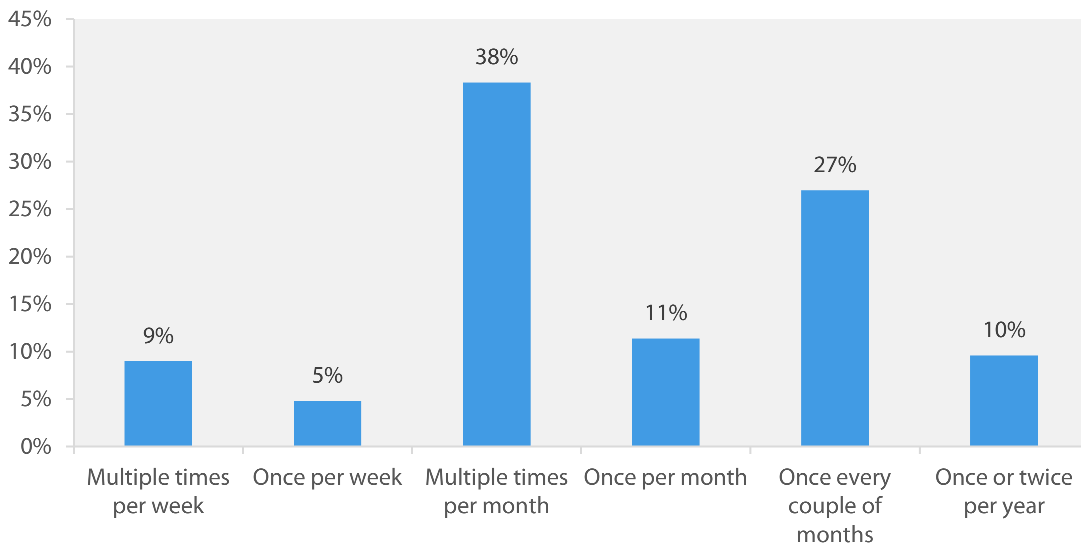
Figure 10: Activities on which music consumers in Ottawa spend money



n = 173
Source: Ottawa Music Industry Survey, 2019

The consumers surveyed appear to be enthusiasts, indicating that they attend almost 18 shows a year, on average. Indeed, more than half (52%) of consumers reported attending shows multiple times per month, or more frequently.

Figure 11: Frequency of attending shows reported by music consumers in Ottawa



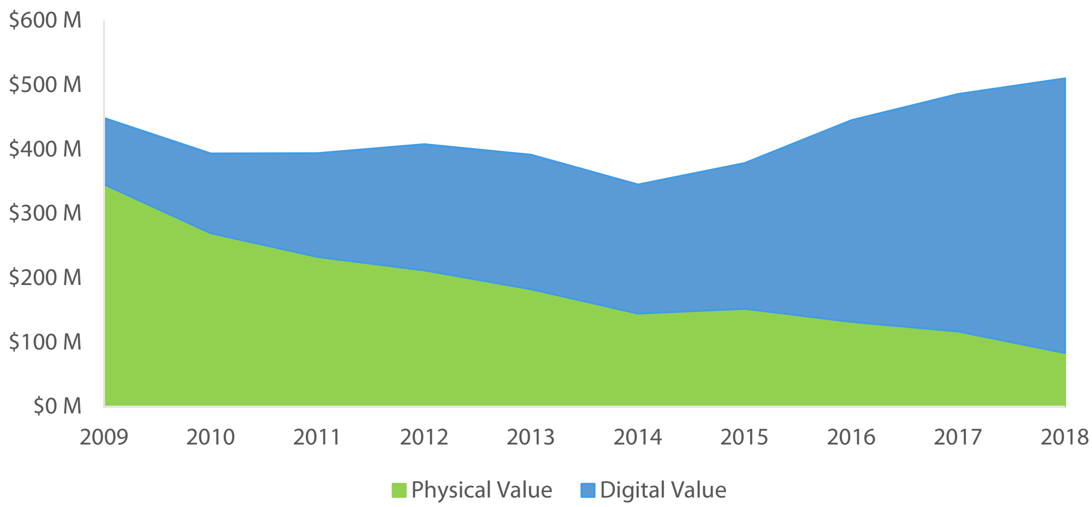
n = 173
Source: Ottawa Music Industry Survey, 2019

In attending these shows, consumers spent an average of $180 per year. This figure is approximately the same as the $192 annual live music spend for all Canadians.[4] Given that 58% of Canadians attend at least one live music event per year,[5] Nordicity estimates that music consumers in Ottawa spend approximately **$138.2 million** on **attending live shows**.

In addition, consumers in Ottawa also spend $123 annually on average, on merchandise at local music events or shows. All of this merchandise spend takes place locally in Ottawa, and artists tend to receive much of the proceeds from merchandise.

With the rise in digital consumption of music (demonstrated in the figure below), consumer spend on physical music in record stores has declined.

Figure 12: Trade value of the music sector in Canada ($ million)



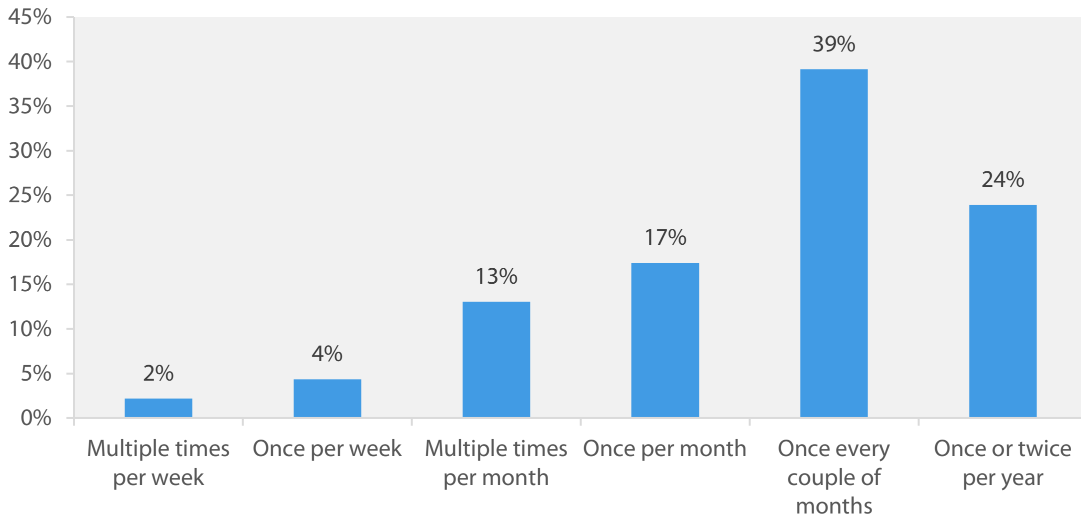
Source: Music Canada Statistics

However, the survey does tell us that over half (58%) of the consumers surveyed do spend money on buying music at a record shop, and spend on average $338 annually doing so. This figure is indicative of "enthusiast" consumers who see the value of buying physical music despite the accessibility and prevalence of digital music. Moreover, over one-third (37%) of the consumers who indicated spending at record shops visit stores once a month or more frequently, as shown in the figure below.

[4] Reported in *Canada Music 360 2018* by Nielsen Canada

[5] Nielsen Canada, Canada Music 360 2018: Report Highlights, p. 9.

Figure 13: Frequency of visiting record shops reported by music consumers in Ottawa



n = 173
Source: Ottawa Music Industry Survey, 2019

Appendix A. Methodology

A.1 Economic Impact

Nordicity combined occupational data from a custom tabulation of Statistics Canada's 2016 Census of the Population, and survey data related to full-time and part-time nature of artists' work to estimate the total number of artists in Ottawa, i.e. the artist universe. The artist universe was calculated separately for the Ontario part of the Ottawa CMA, the Quebec part of the CMA and the City of Ottawa.

Aggregate artist income was calculated as average music-related income (from the survey) multiplied by the artist universe size.

Economic impact was calculated using Nordicity's MyEIA™ model, which is based on Statistics Canada's most recent Input-Output economic data. Aggregate income and average music income were used as inputs. The model generated an output consisting of GDP, jobs and taxes at the direct, indirect and induced levels. The model estimated impact for the Ontario part of the CMA, as well as the Quebec part. For the City of Ottawa, a ratio of the population of the City of Ottawa to the Ottawa CMA population was applied. Nordicity assumes that artists are no more likely to live in Ottawa or Gatineau.

A.2 Consumer Spending on Music

The survey included questions about frequency of attending shows, visiting record shops and buying merchandise as well as average spend. To estimate aggregate spend on live music events in Ottawa, Nordicity used the average from the survey, and multiplied it with the population that might spend on live music events. The percentage of population that attends live music shows was derived from *Canada Music 360 2018: Report Highlights* by Nielsen Canada (58%). This percentage was applied to the population of Ottawa CMA sourced from Statistics Canada.

Other spending averages included in the report were derived entirely from the survey. In the absence of available public information on how many consumers visit local music retailers, it was not possible to estimate the aggregate spend at music retail stores incurred by consumers in Ottawa.