Culture and Economic Competitiveness:  
An Emerging Role for the Arts in Canada

A Western Cities Project Discussion Paper

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Introduction

Western Canadians are increasingly aware of the opportunities and challenges presented by the global economy. There is the opportunity to find new markets, to attract new investment dollars, new businesses, and new residents—particularly skilled workers. At the same time, there is the challenge of dealing with the growing mobility of individuals, businesses and capital, and ensuring that other cities, provinces, regions or countries do not attract away our existing strengths. In essence, the opportunities and the challenges are two sides of the same coin.

Global economic competition, particularly in areas of new technology, is highly concentrated in urban areas; the large cities are not only population hubs, but also economic hubs that drive a province’s or region’s competitiveness. By necessity, then, any question of western Canada’s global economic competitiveness must consider the competitiveness of the region’s largest urban centres – Vancouver, Calgary, Edmonton, Winnipeg, Saskatoon, and Regina. What tools are available to promote the economic competitiveness of western Canada’s large cities? How can they attract and retain people, business and investment capital?

“Between 1990-91 and 1997-98, budgetary restraint in government spending reduced culture-related spending at the federal and provincial/territorial levels by nearly 7.8% and 2.9% respectively. Municipalities, on the other hand, reported an increase in spending on culture over the same period of 19.6%” (Statistics Canada 2000).

To answer these questions, it is important to understand what makes a city a place where people want to live and work, what keeps a recent university graduate in a city, what makes a small manufacturing business or a major head office want to set up shop in a particular city, and what prevents them from leaving. The answer is likely rooted in a combination of climate, quality of public services, tax rates, crime levels, perceived opportunities, and cultural amenities. The problem is that it is difficult to disentangle the effect of various factors, weigh them against personal values and then try to understand their roles.
Various researchers have identified the development of strong arts and culture communities as a key strategy in attracting people to a city. More and more, international analysts are arguing that arts and culture may aid in attracting and retaining skilled workers, and ultimately in establishing a strong, viable and globally competitive economy. At the same time, there is a growing body of research indicating that arts and culture have a strong positive impact on the quality of life within cities, creating a vibrant urban culture of creativity and innovation. Arts and culture, an often overlooked aspect of western Canadian life, may in fact be a tool to enhance our competitiveness, build our economy, and make our cities better places in which to live.

This paper argues that, because it is inherently difficult to measure the artistic soul of a city, analyzing the effects of the arts is fraught with challenges. Ultimately, the value of the arts cannot be fully quantified and a degree of uncertainty regarding their role in a city’s economic success must be accepted. Nonetheless, the existing research does make a strong case for recognizing the importance of enhancing the arts in western Canada’s urban centres.

“Between 1990-91 and 1996-97, performing arts organizations received increased revenues from private sector sources (a rise of 44%). . . . Private donations to heritage institutions also grew, by 23%, between 1990-91 and 1997-98” (Statistics Canada 2000).

_Culture and Economic Competitiveness: An Emerging Role for the Arts in Canada_ examines the research on the importance of arts and culture to quality of life for individuals in urban settings and culture’s role in enhancing a city’s global competitiveness. In doing so, the paper will answer two key questions:

1. How do arts and culture affect a city, its urban culture and its long-term viability? Many analysts argue that arts and culture play a strong role in urban quality of life (through health outcomes, social cohesion and urban revitalization) and in the urban economy (both as an industry and, perhaps more importantly, by creating an urban culture of creativity and innovation).

2. How do arts and culture contribute to a city’s global economic competitiveness? Numerous factors, ranging from economic climate and infrastructure to human capital and urban amenities, influence urban competitiveness. How does the presence of arts and culture amenities fit into this larger picture?
These questions will be explored by looking at the existing research—in particular, impact studies, best practices research and comparative analyses—on the linkage between arts and culture policy, quality of life, and economic development. The purpose of this paper is to present a tool or approach that western Canadian cities may use to both improve urban life and to better position themselves to compete globally.

Urban Culture: Arts and Quality of Life

A considerable body of research suggests that arts and culture contribute to a range of positive impacts for western Canadian cities—impacts that ultimately create a distinct urban culture for each city. The qualitative research on the value of the arts points to four categories of benefit that communities derive: (1) better health and well-being of citizens; (2) enhanced community identity and social cohesion; (3) community revitalization and the re-development of inner cities; and (4) economic effects. Each of these four categories contributes to a city’s larger quality of life and urban culture.

Health and Well-Being

Exposure to arts and culture is believed by many to improve the mental and psychological health of an individual, with participation in arts and culture reducing an individuals’ sense of isolation. Understandably, there is a lack of concrete evidence to support such a cause and effect argument. Nevertheless, while it is difficult to isolate the specifics of health improvement, it can be reasonably asserted that a link between arts and well-being exists, and that individuals derive benefits from the opportunities for entertainment, self-expression, and pride in achievement.

Recent and ongoing research appears to support these claims. In a major community-based, health-oriented arts project in the United Kingdom, it was reported that health benefits from arts include enhanced personal motivation, feelings of connectedness to others, a more positive outlook on life, reduced sense of fear or isolation, and increased confidence, sociability and self-esteem (Coalter 2001a). A review of a number of studies that explore the relationship between arts participation and reduced stress levels of patients have found improved immune system responses, decreased medication and pain killer needs, more variations in hormone levels and decreased length of hospital stays among patients exposed to arts programs. Early results from a study at the Chelsea and Canada

“Many arts advocates argue that the social contribution of Canadian artists to our quality of life, shared values and identity is as important as the economic benefits. However, at this point in time, there is a dearth of research on the impact that the culture industries have on family life, community structure or social development” (Statistics Canada 2000).
Westminster Hospital suggests that “two thirds of the staff, patients and visitors who have participated in the study have felt that live performances significantly help take their minds off immediate worries or medical problems, diminishing their stress levels and changing their mood for the better” (Jermyn 2001).

**Social Cohesion and Community Identity**

Arts have the potential to promote intercultural understanding and to help validate a diversity of cultures and populations—values of particular importance for western Canadian cities as they attempt to increase levels of racially diverse immigration and to more fully incorporate First Nation populations into the workforce. Through cultural festivals, presentations and exhibits of art, it is possible to display and recognize different historical and cultural backgrounds, as well as other forms of social diversity. Arts projects have been used to address difficult social issues like HIV/AIDS, homelessness and special populations such as persons with disabilities, older persons, minority ethnic groups and even prison inmates (Coalter 2001b). Evaluation studies of arts projects have found that arts and cultural activities can play an important role in the validation of diversity, with participants reporting improved understanding of other cultures or lifestyles, decreases in social isolation and the establishment of new friendships (Coalter 2001a).

Beyond the impact on special populations, arts and culture assist urban planners in the development of corporate identities for the city as a whole. Whether marketing themselves internationally or appealing directly to their citizens, the involvement of cultural amenities is instrumental in crafting and selling a unique city vision. Using the arts, a local image or “brand” can be reinforced through a number of different mediums. Calgary’s “Heart of the New West,” Winnipeg’s “Embrace the Spirit,” and Saskatoon’s “Saskatoon Shines” are examples of local urban planning initiatives that promote cities on the basis of their cultural character.

**Community Revitalization and Urban Redevelopment**

Arts and culture can also contribute to urban quality of life as an instrument of regeneration. Research suggests that the arts can be linked to inner city redevelopment, building community pride and engaging ethnic minorities in civic endeavours. For example, in a detailed study of the role of arts in the neighbourhoods of Philadelphia, it was found that the communities that had an historical arts presence were those parts of the city that underwent the strongest economic revitalization. A strong...
arts presence was correlated with reduced poverty rates and population growth in these areas, while other districts with poor arts development experienced declining populations and lower incomes (Stern and Seifert 1998). The study’s authors conclude that the value of the arts in contributing to this transformation was to promote a process by which local residents take an interest in their own communities. By building bonds among neighbours, arts and culture promote social reconstruction and contribute to economic revitalization.

A number of case studies support the findings of the Philadelphia study. Arts can be used to improve an area’s image (Blake Stevenson 2000), increase community identity, improve recreational options and public facilities (Williams 1997), and provide a “safe” space for exploration where people from different backgrounds can meet to learn about each other (Hill and Moriarty 2001, in Jermyn 2001). For urban planners in western Canada’s cities, these studies suggest an opportunity to revitalize and re-populate inner city communities, and target marginalized populations with cultural programs that inject a sense of civic pride.

**Economic Effects**

There is a substantial body of research on the economic effects associated with arts and culture. The findings suggest that cultural industries create jobs for artists and those who supply the mediums in which artists work, that culture generates tourism and local investment, and that culture creates export products that can be consumed internationally (Coalter 2001b). However, it must be stressed that studies to date do not allow us to state in exact terms the “value for dollar” of arts and culture (Schwanen 1997). Although study after study reports the total employment benefits, tourism dollars spent or value of exports, in most cases, these kinds of assessments ignore that there is a public cost associated with the provision of arts. Economic assessments of this kind implicitly assume that arts investment is an efficient means of job creation. A true economic assessment of the impact of the arts would need to look beyond the employment figures and consider the effect of investment in the arts versus investment in other industries, the type of jobs created, the average salary and the length of work term. This is not to challenge the value associated with arts investment, but to suggest that economic analysis needs to consider both the cost and benefit of the arts to enhance our understanding of its economic effect.

Complicating our understanding of the impact of the arts on the economy is the notion that a vibrant cultural community contributes to a more creative business environment—one that is more efficient at problem solving and better equipped to adapt to change. Although impossible to quantify, some believe that this impact may be substantial. In one review of the role of arts in the information

"In 1996, Canadians spent an estimated $14 billion on culture events and activities, an increase of 90% from 1986. Over the same period, total expenditures by Canadians on all goods and services increased by 61%" (Statistics Canada 2000).
economy, it was found that the most important economic contribution of the arts is to inspire creative thinking, thus contributing to the innovation process that drives the new economy (Braman 1996).

Arts and culture can also impact the economy by enhancing a city’s global competitiveness—both through urban “branding” (discussed earlier) and by attracting businesses and skilled workers. The role of arts and culture in creating global competitiveness is discussed more completely in the second section of this paper.

**Summary**

Research to date strongly supports the notion that arts and culture enhance urban life. What is the exact social benefit of arts and culture? This question cannot be appropriately answered due to the difficulty of quantifying the effects of social benefits—be it of arts and culture or any other factor (Azmier et al. 2001). Although a single research study might report that benefits accrue, to what extent or how broadly these benefits are felt cannot be easily assessed. For this reason, it is important to approach financial or quantitative assessments of social benefits with extreme caution. Using economic calculations, such as “willingness to pay,” to quantify the perceived value of cultural amenities allows researchers to estimate individual benefit, but there is no equivalent calculation to determine the social value for a community as a whole. As we have seen from the qualitative research, arts and culture can have an important impact on quality of life, urban culture and the urban economy, but unfortunately there is no way to quantify these impacts.

**Global Competitiveness: Arts and Quality of Place**

In an era of an increasingly mobile workforce and industry, a city’s urban culture and “livability” can impact not only its existing residents and economy, but also potential future residents and businesses. Simply put, individuals and businesses base their location decisions on a number of factors, including urban amenities and quality of life. In the past, businesses chose locations on the basis of geographic factors such as access to ports, the availability of freight routes, and natural resources. Now it is argued that increasingly corporations choose “human capital centres,” locales that can attract managers and skilled workers who want the opportunity for an active cultural life (Kotkin and Moyers 2000, in Strom 2001).
Why are corporations locating according to the preferences of skilled workers? The answer is that concentrations of human capital provide three closely related benefits that substantially reduce the cost of doing business in a city. First, the availability of a highly skilled workforce reduces costs and increases the efficiency of doing business. These efficiencies include reduced hiring costs, less resources devoted to training, and more targeted use of training resources. Costs can also be reduced as there is a greater likelihood of modern or established infrastructure and facilities existing in areas with concentration of human capital.

Second, due to social interaction among skilled workers, a city with a high level of human capital has a larger knowledge base and, as a result, higher productivity levels (Mathur 1999; Lucas 1988). For this reason, growth rates will be higher in those regions that invest to acquire more human capital. This spillover effect, in the presence of policies to encourage growth, has the potential to work as a “knowledge multiplier,” fueling itself as it further increases the competitive advantage of a region and attracts more human capital.

Third, human capital clustering tends to attract venture capital investment, particularly in high tech industries (Florida and Smith 1992, in Mathur 1999), and tends to create entrepreneurial opportunities out of the large accumulation of human capital. The availability of venture capital and entrepreneurial opportunities creates a “first mover” advantage in interregional competition that keeps concentrations of human capital on the edge of innovation and helps maintain the efficiency of human capital centres.

Understanding the forces that influence an individual’s choice to live in one location over another is the first step in developing strategies to attract human capital. The research of Richard Florida and others suggests that human capital aggregates around what can be described as “quality of place” amenities: inherent, acquired or built up goods and services that distinguish a city’s unique character. Florida’s research identifies three particular elements that appear to contribute most strongly to the aggregation of human capital: a diverse population, a favourable natural environment and the availability of cultural amenities (Florida 2001).

**Demographic Diversity**

Of all the quality of place elements that attract people, demographic diversity appears to have the greatest appeal. It has been shown that open and diverse regions are most successful in gaining an
economic advantage in attracting human capital and are therefore most likely to attract high tech industries (Florida et al. 2000). A diverse workforce creates the perception of low barriers to entry for new workers in a community, thereby giving a region an advantage in attracting skilled workers across a wide variety of fields and disciplines. Regions that are open to diversity are also able to attract a wider range of talent by nationality, race, ethnicity and sexual orientation than are more closed communities.

**Natural Environment**

Environmental factors such as climate, air quality, and proximity to oceans and mountains are all things that can influence an individual's decision to relocate. Although it may seem that there is little that a city can do to improve these elements, the marketing and promoting of a city can be tailored to address advantages and minimize weaknesses. Policies to address air and water quality or improvement of inner-city parks can contribute to both the quality of life of residents and the perceived quality of place internationally. When a city has relatively few natural advantages with which to compete, playing up other strengths becomes even more critical to urban planning.

**Cultural Amenities**

The availability of cultural amenities does appear to play a role in attracting human capital, although the research in this area is incomplete. Recent research by Florida (2001) found that culture is a draw for professional and technical workers, but perhaps not for scientists and engineers. Florida concluded that while cultural amenities can be helpful in attracting knowledge workers, other factors such as diversity of workforce play a more central role. Clearly, the research in this topic is still emerging. What is apparent is that there is at least a role for cultural amenities in the development of human capital centres, but that this role should not be overstated.

**Summary**

Quality of place contributes to the development of human capital centres by attracting individuals looking for the most desirable working conditions. As human capital is drawn to a specific location, it raises the production capability of the businesses in that region and draws new (and high

"Many tourists are drawn to Canada by festivals, museums, art galleries, performing arts, parks, historic and archaeological sites, or simply by Canada’s wide-open spaces and natural beauty. Both domestic and foreign tourists provide significant revenues to cultural institutions and organizations by visiting or attending these locations and events" (Statistics Canada 2000).
technology) industry to the area. This growth then raises the ability of the region to compete internationally. As illustrated in Figure 1, competitive advantage resides in places that can generate, retain and attract the best talent.

**Arts, Urban Life and Global Competitiveness: Implications for Western Cities**

Taken together, the research presents a compelling argument for western Canadians to begin to consider arts and culture in a slightly different manner. Arts and culture may be a tool for western Canada’s cities to improve quality of life, and to enhance creativity and innovation in their economies. Arts and culture may also be a tool for western Canada’s cities to brand themselves, to attract skilled workers, and to increase global competitiveness.

Three particular opportunities appear present for western cities. First, arts and culture present an opportunity for western Canada’s cities to build off of their existing advantages in the area of social diversity. Western Canada has a long history of multiculturalism: four of Canada’s highest visible minority per capita populations are located in the western Canadian cities, and western Canada is home to two-thirds of the national Aboriginal population (Roach and Berdahl 2001). The weight of the research suggests that arts and culture can assist in creating an environment that values diversity, one in which individuals of different social, ethnic or cultural backgrounds can feel at home. With such a social environment, western Canada’s cities would reduce their risk of losing diverse populations to competitor cities, and would increase their ability to attract more diverse residents. This, in turn, would aid western Canada’s cities in attracting skilled workers.
Second, arts and culture present an opportunity to mask weaknesses – perceived or actual – in quality of place. The West is well endowed with the environmental amenities of clean air and water, mountains, oceans, lakes and abundant park land. However, environmental advantages accrue differently across the West. The reality is that Vancouver and Victoria, with milder climates, have quality of place advantages that Regina and Winnipeg do not claim. However, all cities share an equal opportunity to build off existing cultural amenities, such as the Royal Winnipeg Ballet, to increase their overall quality of place and, ultimately, to attract a growing number of skilled workers.

Third, by creating a culture of innovation and creativity, and by attracting human capital, arts and culture may present an opportunity for western Canada to increase its economic competitiveness, particularly in the new economy industries. Considering the importance of economic competitiveness to the region, the creation of an “innovation culture” represents a considerable potential advantage for western Canadian cities.

In addition to presenting opportunities for western cities, it is important to note that the emerging argument about the relationship among human capital, urban competitiveness and arts and culture provides an opportunity for the arts and culture sector itself. When thinking about the arts, it is now possible to consider the economic and social output of investment in culture. Seeing arts and culture in a new perspective provides greater fuel for the argument that arts and culture are a public good, and moves cultural policy to the centre of urban policy and planning.

The impact of this paradigm shift is beginning to be felt by cultural agencies themselves. As Adrian Ellis (2001) describes, “cultural agencies play—and are expected to play–an increasing number or roles in contemporary society, and their specific cultural roles have been joined by and often overshadowed by, more ‘instrumental’ responsibilities as agents of economic development, tourism and social cohesion.”

“Consumption in the area of not-for-profit performing arts generally decreased in the 1990s. From Statistics Canada’s survey of non-profit performing arts companies we know that between 1992-93 and 1996-97, overall attendance declined by 15%. Theatre, music and dance all showed decreases in attendance of 19%, 5% and 1% respectively, while operas managed an increase in patrons of 4%” (Statistics Canada 2000).
Yet cultural agencies do not necessarily have the capacity to take on these additional roles while still fulfilling their internal mandates. Many organizations would find themselves stressed, organizationally and financially, to meet these new societal expectations of economic development. It is somewhat paradoxical to consider an examination of the role of arts and culture in promoting international competitiveness at a time when many of Canada’s cultural institutions are facing insolvency. When the boards of arts festivals and symphonies are unable to meet their financial commitments or find themselves in need of public funds to bail out debts, there are sectoral problems that hinder the capacity of the sector to promote innovation. There remains a need to address the governance and funding concerns that limit the capacity of arts agencies to address issues of regional competitiveness.

Thus, the perennial question of “who pays?” returns. The linking of arts and culture to human capital and global competitiveness not only provides governments with a tool to meet their goals, but also provides arts and cultural agencies with an opportunity to make a renewed case for increased public funding for the arts. It is likely that a growing debate about arts and culture funding will emerge in Canada in the years ahead; however, unlike previous arts funding debates, this one will centre on global competitiveness and human capital.

References


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