



THE SOCIO-ECONOMIC
**VALUE OF MUSIC
TO IRELAND 2017**

imro Deloitte.

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CONTENTS

- 2** Foreword
- 5** Introduction
- 6** Summary Results
- 11** The Core Music Industry & Creative Cycle
- 13** Results for 2015
- 15** Fulfilling The Potential of Music in Ireland
- 19** The Core Music Industry & Creative Cycle GVA Breakdown
- 20** From Policy to Impact: Making The Ambitions of the Creative Ireland Programme a Reality
- 22** Appendix

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FOREWORD

**Eleanor McEvoy, Chairperson,
Irish Music Rights Organisation**

Music is part of our national identity, our psyche, our way of life. It surrounds us wherever we go, as we visit restaurants, cafés, offices, on the commute as we play our own personal soundtrack through our headphones. It is part of family occasions, it helps with learning, it can make sporting events more memorable. As a nation, we are proud of our musical talent, which is intrinsic to the perception of Ireland and of Irish culture on the world stage.

Without a doubt, the benefit of music to our lives, to society, is clear. The benefit does not end here, however. Beyond its important social and reputational contribution, music is a vital economic driver – both directly and indirectly – creating jobs, helping small businesses grow and attract customers, and boosting local economies through festivals and music events.

To capture the extent of this economic impact, in 2015 IMRO commissioned Deloitte to carry out an analysis of the annual contribution made by the music industry to Ireland's economy. As Chairperson of IMRO, I am pleased to present this updated report for 2017 and to further shine a light on our members' contribution – those music creators who write and perform musical works - to Ireland's economy.

Based on the latest figures available, this updated report has found that the total contribution of the music industry, directly and indirectly, to the Irish economy is almost three-quarters of a billion euro annually – €703 million – including music-related consumer expenditure and supply-chain impacts.

This significant contribution comes against a backdrop of what is welcome, but relatively limited State investment in music. With gross expenditure for the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs in last year's Budget standing at €368 million (to include rural investment, and other cultural activities, beyond music), the return on investment of the music industry means that at the very least, for every euro invested, double that returns to the economy – a conservative calculation.

IMRO welcomes increased Government funding for culture last year and notes the growing focus of Government and the political system on the arts, through Creative Ireland, Culture 2025 and other welcome measures. We are aware that funding is not limitless, and that economic recovery is not yet widespread. However, in our view, the return on investment in music alone, is so significant that it merits specific political focus, particularly given its capacity to boost growth in the regions, to support small businesses, and local economies.

Therefore, IMRO believes that now is the time for a dedicated National Music Strategy.

A coherent National Music Strategy would be a positive recognition of the significant contribution of music to our society, and particularly, to the economy. It would be a psychological boost to those music creators who are entrepreneurs in their own right, that the output of their creativity is appreciated, that music as a career is recognised and understood.

The strategy does not require prohibitive investment, and in fact, our view is that small steps would make a huge difference.

Incremental changes, that could be delivered at little cost, and simply require greater collaboration between Government Departments, and with the music industry, would bear dividends. We are keen to work with Government and political representatives in this regard.

Detailed further in this report, IMRO recommends four proposals in respect of a National Music Strategy:

- Coordination & collaboration through the establishment of a cross-Government music grouping to work with a cross-sectoral Industry Advisory Panel to address barriers to growth in the sector;
- Concentration on copyright to help ensure a fair return for music creators, crucial at a time when the music copyright landscape has changed utterly as a result of technology and the industry is under threat from the extremely low level of return to writers and performers, from platform services;
- Creative skills development through advanced training and education services that will ensure musicians realise their potential, and that the 'business of music' is understood;
- Access to credit to address income uncertainty associated with work in the creative and cultural industries – perhaps the single greatest barrier faced by entrepreneurs in the sector.

Collectively, these actions would provide

the infrastructure required to ensure that opportunities for growth in Ireland's thriving music sector is realised. The positive impact for Ireland's music industry would be substantial.

Policy initiatives have been developed to support the arts, which we acknowledge. The political conversation around culture, is changing - indeed An Taoiseach Leo Varadkar TD advocated doubling of funding for arts, culture and sport in seven years. This is welcome.

However, while there is significant collaboration across industries, the focus on 'arts and culture' as an umbrella term, is not sufficient to continue to grow the economic contribution of the music sector in Ireland. Momentum in music to date is largely due to the music creators and those working in the sector themselves. In an era of technological challenge, this cannot continue to be supported to a minimal extent.

If we are to continue to maintain and grow the success of Ireland's music industry, and increase its economic and social contribution, now is the time for the development of a National Music Strategy. More importantly, it needs to be implemented.

At IMRO, we recognise the role we can play, and we look forward to working with policymakers in this regard.





INTRODUCTION

The Government's Creative Ireland Programme¹ noted that during the 1916 Centenary commemoration events "we rediscovered the power of cultural creativity to bring communities together, and to strengthen our sense of identity".

This sense of identity has long underpinned music in Ireland which has been central to so many of Ireland's cultural occasions, at both a local and national level. Indeed music is widely acknowledged as being a fundamental part of our national identity, and plays an important role in our society.

However, while the key roles music plays in shaping our identity and promoting Irish culture abroad are widely acknowledged, what is perhaps less well appreciated is the significant contribution that music makes to Ireland's economy. That role is clearly demonstrated in this report.

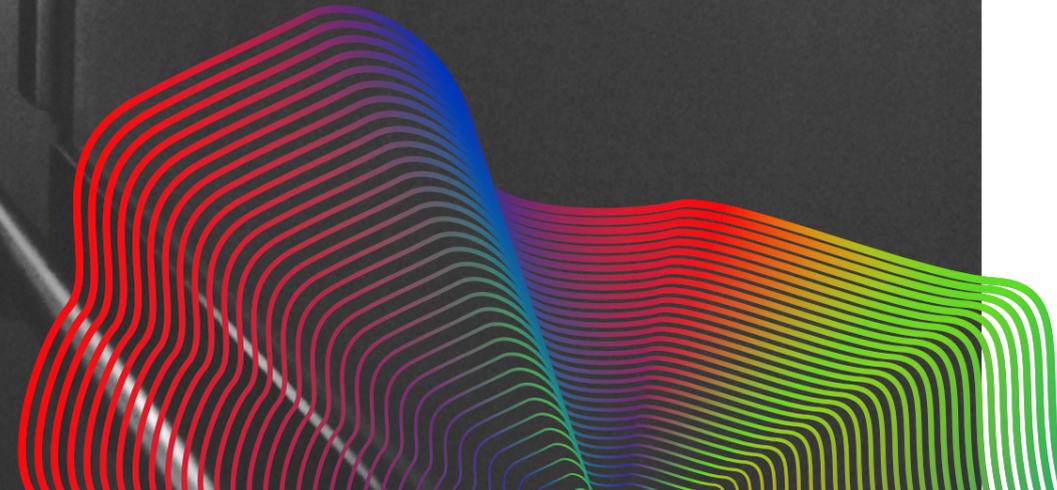
Irish music is not only integral to our society and national identity, but also to the economy through job creation, education, live and recorded entertainment revenue and the continued attraction of increasing numbers of tourists.

In 2015, the Irish Music Rights Organisation commissioned Deloitte to examine the impact of music to Ireland's society and economy, which revealed significant economic impact, along with real challenges and real opportunities.

Updating those findings, this report examines the latest data available from the Central Statistics Office and other sources, and notes:

- increased job creation and economic return from the music sector;
- some infrastructural challenges; and
- considerable potential which can be tapped through a small number of focussed policy interventions.

¹http://creative.ireland.ie/sites/default/files/creative_ireland_programme.pdf



SUMMARY RESULTS

The Irish music industry saw significant growth in both Gross Value Add (GVA) and employment in 2015 relative to the 2012, the last year the study was conducted.

- In 2015, the overall contribution of the industry (including music related consumer expenditure and supply chain impacts) stood at €703 million (0.3% of GDP), which represented a 48% increase over 2012.
- The contribution from the core music industry stood at €445 million, up 53% from €291 million in 2012. The increase was driven by the commercial success of a number of Ireland's leading acts, while the contribution from the live music sector also increased.
- Employment in the core industry increased by 5% to 9,490, while total employment (including those employed as a result of music related expenditure) increased by 14% from 11,510 to 13,130.

Full breakouts of these figures by segment (artist income, live events, etc.) are provided below, but one segment in particular merits mention. In 2015, we saw the first increase in global music sales in nearly two decades, with digital revenues overtaking physical revenues for the first time. Ireland was no exception to this trend, with digital

Danny O'Reilly of The Coronas

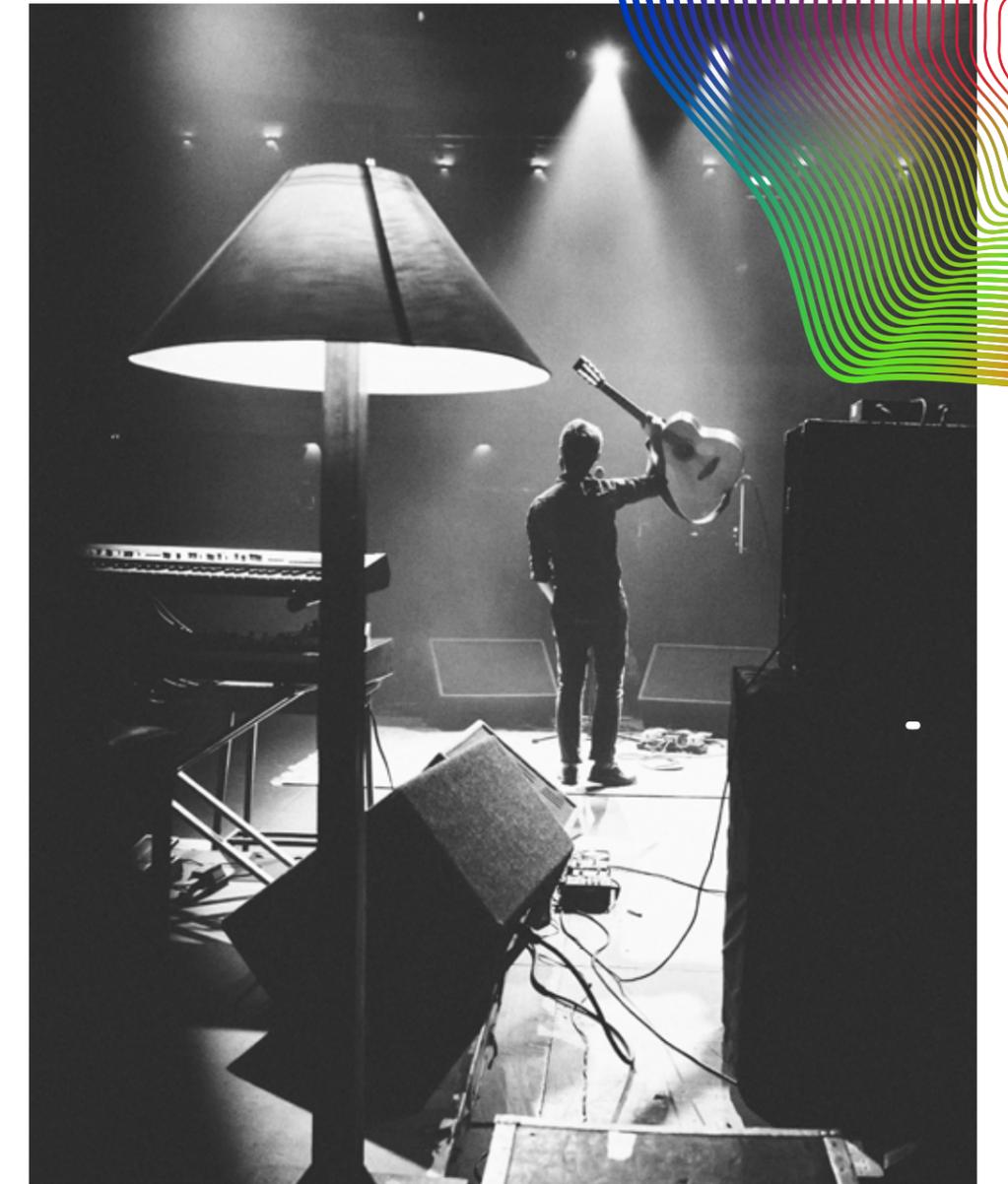
revenues of €16.3 million surpassing physical sales of €16.0 million. Growth in streaming revenues was particularly pronounced in 2015 and overtook downloads for the first time.

While these figures point to a successful and growing industry, overall recording revenue in Ireland is still well behind its heights of €160 million generated in 2003. Further expansion is possible with the help of a limited number of policy measures. The policy recommendations of the previous report commissioned by IMRO and produced by Deloitte² remain relevant in growing and deepening the industry in Ireland.

However, the environment has changed and the music industry is under threat like never before, as platforms continue to allow access to creators' work, for inadequate return. Musicians are simply not receiving fair value for their creative output.

Therefore, while we acknowledge action on the part of Government in focusing on culture through initiatives such as Culture 2025 and Creative Ireland, we believe that a 'one-size fits all' approach to the arts is no longer appropriate. If the success of the music sector is to be maintained and strengthened, a dedicated strategy for music is needed. This will require increased collaboration between industry and policymakers and IMRO is available to support in this regard. A National Music Strategy would provide recognition of the vast economic and social contribution of the sector, and of the value placed on music as a career. We recommend that a National Music Strategy should include the following elements:

² The Socio-Economic Contribution of Music to the Irish Economy
<https://www.imro.ie/news/the-socio-economic-contribution-of-music-to-the-irish-economy/>



Villagers



1. COORDINATION & COLLABORATION

The establishment of a cross-Government music grouping, as proposed in the report of the Joint Oireachtas Committee on Arts, Heritage, Regional, Rural and Gaeltacht Affairs on Culture 2025 is recommended. This grouping should liaise with an Industry Advisory Panel, comprised of representatives of the publishing, recording, and performance musical arenas, to identify opportunities, areas for growth, to address challenges and find solutions together. IMRO will support Government in the establishment of such an Advisory Panel. Collaboration could be coordinated through a body such as First Music Contact.

2. CONCENTRATION ON COPYRIGHT:

The music industry is under threat like never before, not from technology, but from the extremely low level of return to writers and performers, from platform services. We call on Government to influence EU policy to the greatest extent possible, to ensure that the 'value gap' is addressed in upcoming proposals.³

Any upcoming national legislation must also address the need to ensure fair return to musicians for their creative works.

³ <https://ec.europa.eu/digital-single-market/en/news/proposal-directive-european-parliament-and-council-copyright-digital-single-market>.



3. CREATIVE SKILLS:

A variety of skills is needed to be successful in the music industry – creative and musical, technical and business skills. While music education is of a high-quality in Ireland, there are gaps in relation to the professional business/finance training to individuals operating in the industry, and also in relation to the provision of advanced training and education. We recommend therefore that support is provided for 'business of music' accredited courses, as well as bursaries for top students to study in leading music institutions. Finally, it is vital that younger generations are continually encouraged to pursue music through new initiatives and thus, we welcome the proposed investment in music education outlined in the Creative Ireland Programme.

4. CREDIT ACCESS AND COMPENSATION:

Access to credit is perhaps the single greatest obstacle faced by entrepreneurs in the cultural and creative industries. Musicians' assets can be intangible, and financial institutions do not always recognise their full economic value. Income in the creative industries is also highly variable. Therefore, IMRO recommends an amendment to the Artists' Taxation Exemption relief to allow optimisation across a number of years, as well as the retention and promotion of the Employment and Investment Incentive Funding taxation relief.



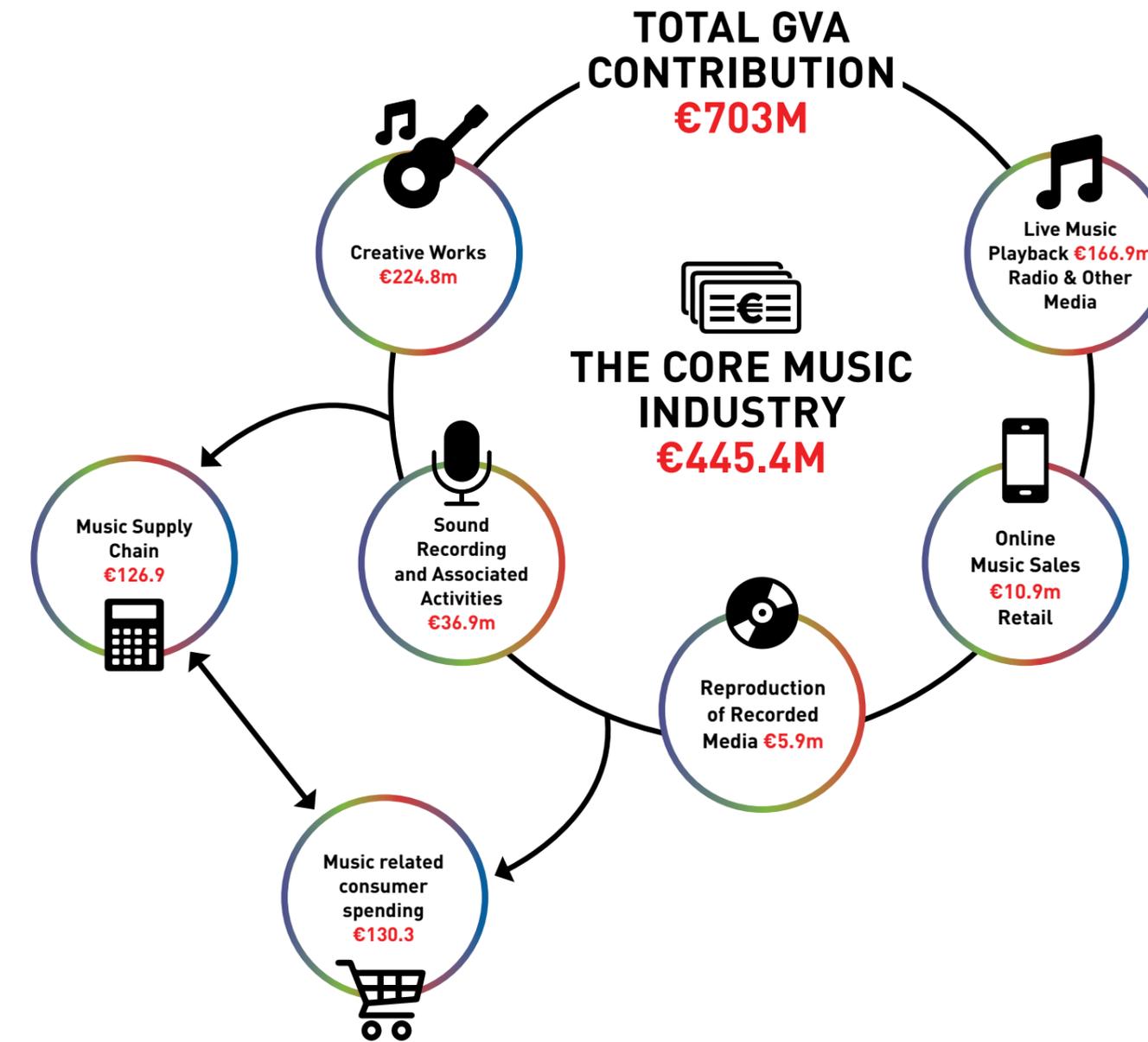
May Kay



Neil Hannon



Gavin James



EMPLOYMENT FOOTPRINT

13,131
Total jobs supported by music industry

9,490
"Core" Music Industry jobs

1,720
Music-related jobs in the supply chain

1,921
Music-related jobs through consumer spending



Paul Brady



Colm Mac Con Iomaire



Lisa Hannigan

LATEST FIGURES

Our definition of the core music industry builds on the creative cycle, from music composition at one end through to the listener at the other end. Of the five categories described below, Creative Works and Playback are by far the biggest economic contributors, and account for the majority of the increase in economic activity. The two categories combined accounted for €134 million of the €154 million increase in GVA from 2012 to 2015. Results for each of the five categories are outlined below.

CREATIVE WORKS

| | 2012 | 2015 | % Change |
|-------------------|-------|-------|----------|
| Employment ('000) | 3.95 | 4.37 | 10.7% |
| GVA (€m) | 118.0 | 224.8 | 90.6% |

Creative works refers to the income accruing to artists and songwriters, as well as their agents and managers. It was the largest single contributor to GVA during the period, though it is also the most volatile as the earnings from year to year are highly dependent on the activity of the highest profile acts. Figures in 2015 received a significant boost from a number of large tours, which will not necessarily be repeated each year.

Employment also increased during the period, though not to the same extent as GVA as the majority of the GVA increase was driven by a relatively small number of acts.

SOUND RECORDING AND ASSOCIATED ACTIVITIES

| | 2012 | 2015 | % Change |
|-------------------|------|------|----------|
| Employment ('000) | 0.47 | 0.37 | -20.6% |
| GVA (€m) | 17.4 | 36.9 | 111.8% |

Sound recording and associated activities includes the contributions

of labels and publishers, rights organisations and individuals involved in recording music. There was a significant increase in GVA in 2014 according to CSO data, though this increase was driven by higher productivity in the sector rather than an increase in turnover or employment. No data is currently available for 2015, and no change was assumed given the lack of a good proxy indicator for the category.

REPRODUCTION OF RECORDED MEDIA

| | 2012 | 2015 | % Change |
|-------------------|------|------|----------|
| Employment ('000) | 0.6 | 0.6 | 0.3% |
| GVA (€m) | 5.9 | 5.9 | 0.3% |

Reproduction of recorded media consists of the activities associated with producing and distributing sound recordings. No updated data was available from the CSO, and the category was proxied by Recording Industry in Numbers (RIN) data for total music sales in Ireland. This saw a slight increase relative to 2012.

MUSIC SALES

| | 2012 | 2015 | % Change |
|-------------------|------|------|----------|
| Employment ('000) | 0.22 | 0.24 | 7.4% |
| GVA (€m) | 9.8 | 10.9 | 10.8% |

Music sales includes physical and digital sales, as well as performance rights revenues from the collection societies. Music sales data for Ireland was taken from the Recording Industry in Numbers report³, which showed that music sales increased marginally from €32.5 million in 2012 to €36.2 million in 2015, after a number of years in decline. Indeed 2015 was a significant year for the music industry as a whole as it saw the first increase in global music sales in nearly two decades, with digital revenues overtaking physical revenues for the first time. Ireland was no exception to this trend, with digital revenues of €16.3 million surpassing physical sales of €16.0 million. Growth in streaming revenues was particularly pronounced in 2015 and overtook downloads for the first time.

PLAYBACK

| | 2012 | 2015 | % Change |
|-------------------|-------|-------|----------|
| Employment ('000) | 4.34 | 4.46 | 2.6% |
| GVA (€m) | 140.0 | 166.9 | 19.2% |

Playback consists of the economic activity associated with live performances and radio broadcasts. Live performances include stadium and large venue performances, performances of classical music, and live performances at pubs and discos (where the performers do not create their own material). Radio broadcast figures are taken from the CSO and show a 14% increase in GVA, though employment has increased only marginally. The category also saw increases in the amount of revenue from large venues and classical performances.

CONTRIBUTION TO THE WIDER ECONOMY

The increased activity in the core music sector also had a positive impact on the wider economy, leading to a further benefit of €257 million to sectors supplying the music industry, as well as those sectors which benefit from music related consumer spending. This resulted in a total 'narrow' economic contribution of €703 million in 2015, an increase of 48% over 2012. This figure represented about 0.3% of Ireland's GDP in 2015.

Total employment meanwhile rose by 14% to 13,130. These numbers are calculated on a full-time equivalent basis, and given that many performers work part-time and have other sources of income, the number of people making at least part of their living from music is considerably higher.



FULFILLING THE POTENTIAL OF MUSIC IN IRELAND

The growth in the music industry is encouraging, and hints at the long term potential that exists. However, this potential needs to be actively cultivated in order for it to be fulfilled. As discussed in our previous report, the music industry, in common with other cultural and creative industries, is subject to a number of market failures that create a role for Government in its promotion and development. We discuss a number of implementable and targeted policy measures to overcome these market failures below. Their implementation will require strong Government leadership across Departments, in conjunction with the commitment of leading individuals in the industry.

Therefore,

IMRO proposes the development of a National Music Strategy, developed by Government in collaboration with industry, to drive the growth and development of music into the future. IMRO is available to support in the establishment of an Industry Advisory Group that could share insights with policymakers in relation to the development of a strategy, and which could liaise with a Senior Officials grouping across Government

Departments (as suggested in the Joint Oireachtas Committee report on Culture 2025).

Such a strategy could help achieve a core aim of the Creative Ireland Programme by promoting collaboration between industry and government departments and ensure that funding for the sector is utilised effectively.

CREDIT ACCESS AND COMPENSATION

Access to finance and funding is perhaps the single greatest obstacle faced by entrepreneurs in the cultural and creative industries. The assets of many cultural entrepreneurs are intangible (creativity, copyright etc.) and difficult to assess, meaning that banks do not always recognise their full economic value. This is exacerbated by the fact that income in the creative industries is often highly variable.

In order to help overcome these obstacles, IMRO recommends an amendment to the Artists' taxation exemption relief to allow optimum utilisation of the relief across a number of years, assisting individuals to manage the cyclical nature of the industry. IMRO also requests that the Employment and Investment Incentive Funding taxation relief is retained and promoted as a funding mechanism within the music industry.

CONCENTRATION ON COPYRIGHT

Protection of IP and awareness of the potential options for managing IP are key concerns for the music industry – success in managing these will ensure a viable

creative industry. It will also assist those industries (technology, for example) which are dependent on creative works for their offerings. Recent years have seen a huge expansion in the consumption of music as it has become available across an ever increasing number of platforms. However, compensation for the creators of that content has not kept pace, and indeed was in decline for a number of years. This growing 'value gap' is one of the most important issues facing the music industry.

The European Commission is currently examining legislation in this area and issued a draft copyright directive in September 2016. IMRO welcomes the Commission's proposal as a step in the right direction, but emphasises that loopholes in Safe Harbour law must be addressed fully. Ultimately this will afford consumers a better experience and will filter down through the music ecosystem to the benefit of all. IMRO also calls for the establishment of an IP advocate who will consider the impact of IP and copyright legislation and enforcement on both the creative and technology industries. A core element of this role will be influencing and informing policy at a European level.

CREATIVE SKILLS

A successful music industry relies on three core skillsets – musical and creative skills for musicians, performers

and songwriters; technical skills for industry professionals such as sound engineers; and business skills for cultural entrepreneurs. While there are a number of high quality music education providers in Ireland, skills and training gaps remain in the provision of professional business / finance training to individuals operating in the industry, and also in relation to the provision of advanced training and education.

In order to address this, IMRO recommends that support be provided for 'business of music' education and qualifications. In addition bursaries should be introduced for top students to study in leading music institutions. Finally, it is vital that the government contribute to initiatives to encourage creativity through the teaching of music in schools. We therefore welcome the proposed investment in music education outlined in the Creative Ireland Programme.

CLUSTERS AND COLLABORATION

Collaboration between different sectors can be enablers of innovation and growth in the creative industries. The tourism, technology and games sectors are all examples where closer collaboration could provide significant benefits.

However, collaboration is also vital within the music industry itself. Networking, collaborating and sharing knowledge are fundamental to the creative process, and it is particularly



important for artists in the early phase of their career to have a location where such collaboration and information sharing can occur.

Finally, it is vital that the Irish industry has sufficient levels of technical expertise in order for it to thrive. A number of individuals within the Irish music industry have referred to a 'hollowing out' in some professional aspects of the industry. IMRO therefore calls for an amendment to the "SARP" taxation relief to encourage immigration of skilled individuals capable of performing key functions within the industry.

CONCLUSION

The Irish music industry had a strong year in 2015 during which GVA increased substantially. A large part of this increase was due to the Creative Works segment which benefited from touring activity by a number of high profile acts. Consequently we would expect the contribution from this segment to have declined in 2016. Nevertheless, the emergence of a number of new artists alongside many of the more established names in Irish music points to the potential for further growth in the years ahead.

However, if we are to make good on this potential it is vital that steps are taken to grow and deepen the industry in Ireland.

The industry has given a glimpse of its potential in 2015 – with the development of a focused National Music Strategy encompassing relatively easily-implemented, simple policy suggestions as set out above, it will hit even higher notes in the years to come.



THE CORE MUSIC INDUSTRY & CREATIVE CYCLE GVA BREAKDOWN

| |  Jobs (000) |  Turnover (€m) |  GVA (€m) |  PpW (€,'000) |
|---|--|---|--|--|
| Creative Works  | 4.4 | 249.8 | 224.8 | 51.5 |
| Sound Recording +  | 0.4 | 111.4 | 36.9 | 99.8 |
| Reproduction of Recorded Media  | 0.1 | 28.8 | 5.9 | 102.6 |
| Music Sales  | 0.2 | 85.0 | 10.9 | 45.7 |
| Playback  | 4.5 | 266.0 | 166.9 | 37.5 |
| 2015 Irish Music Industry  | 9.5 | 741.0 | 445.4 | 46.9 |

FROM POLICY TO IMPACT: MAKING THE AMBITIONS OF THE CREATIVE IRELAND PROGRAMME A REALITY

Ham Sandwich

Photo by Peter O'Hanlon

CREATIVE IRELAND AMBITION

MUSIC STRATEGY IMPLEMENTATION

| | |
|--|---|
| <ul style="list-style-type: none"> • The promotion of collaboration between central and local government, between culture and industry, and between artists and policy makers to facilitate an ecosystem of creativity. (p.5, Creative Ireland Programme) | <ul style="list-style-type: none"> • The establishment of a cross-Government music grouping, as recommended in the report of the Joint Oireachtas Committee on Arts, Heritage, Regional, Rural and Gaeltacht Affairs on Culture 2025 is recommended. This grouping should liaise with an Industry Advisory Panel, comprised of representatives of the publishing, recording, and performance musical arenas, to identify opportunities, areas for growth, to address challenges and find solutions together. |
| <ul style="list-style-type: none"> • Encourage ambition, risk, innovation and excellence in the creative and cultural sectors. • Promote Ireland's culture on the international stage • Finance this vision with well-designed funding mechanisms. (p.15, Creative Ireland Programme) | <ul style="list-style-type: none"> • We call on Government to influence EU policy to the greatest extent possible, to ensure that the 'value gap' is addressed in upcoming proposals. Any upcoming national legislation must also address the need to ensure fair return to musicians for their creative works. |
| <ul style="list-style-type: none"> • By 2022, every child in Ireland will have access to tuition and participation in art, music, drama and coding. (p. 23, Creative Ireland Programme) | <ul style="list-style-type: none"> • Expand funding for music in schools and extend the support provided to Music Generation in their efforts to provide access to music tuition. |
| <ul style="list-style-type: none"> • Three year, €9 million capital investment scheme in regional and local arts and cultural centres. (p. 26, Creative Ireland Programme) | <ul style="list-style-type: none"> • Ensure that the scheme provides for the development of practice and performance space for local musicians throughout the country. |
| <ul style="list-style-type: none"> • Develop Ireland as a centre of excellence in media production. (p. 28, Creative Ireland Programme) | <ul style="list-style-type: none"> • Promote collaboration between the music industry and sectors such as film, television, games and technology. |

APPENDIX

DATA SOURCES

As with the previous report it has been necessary to complement official statistics for elements of the sector, with a range of primary and secondary data in order to estimate the industry contribution presented in the report. In instances it has been necessary to use 2014 data, where 2015 data is not yet available.

Data sources have included primary source information from:

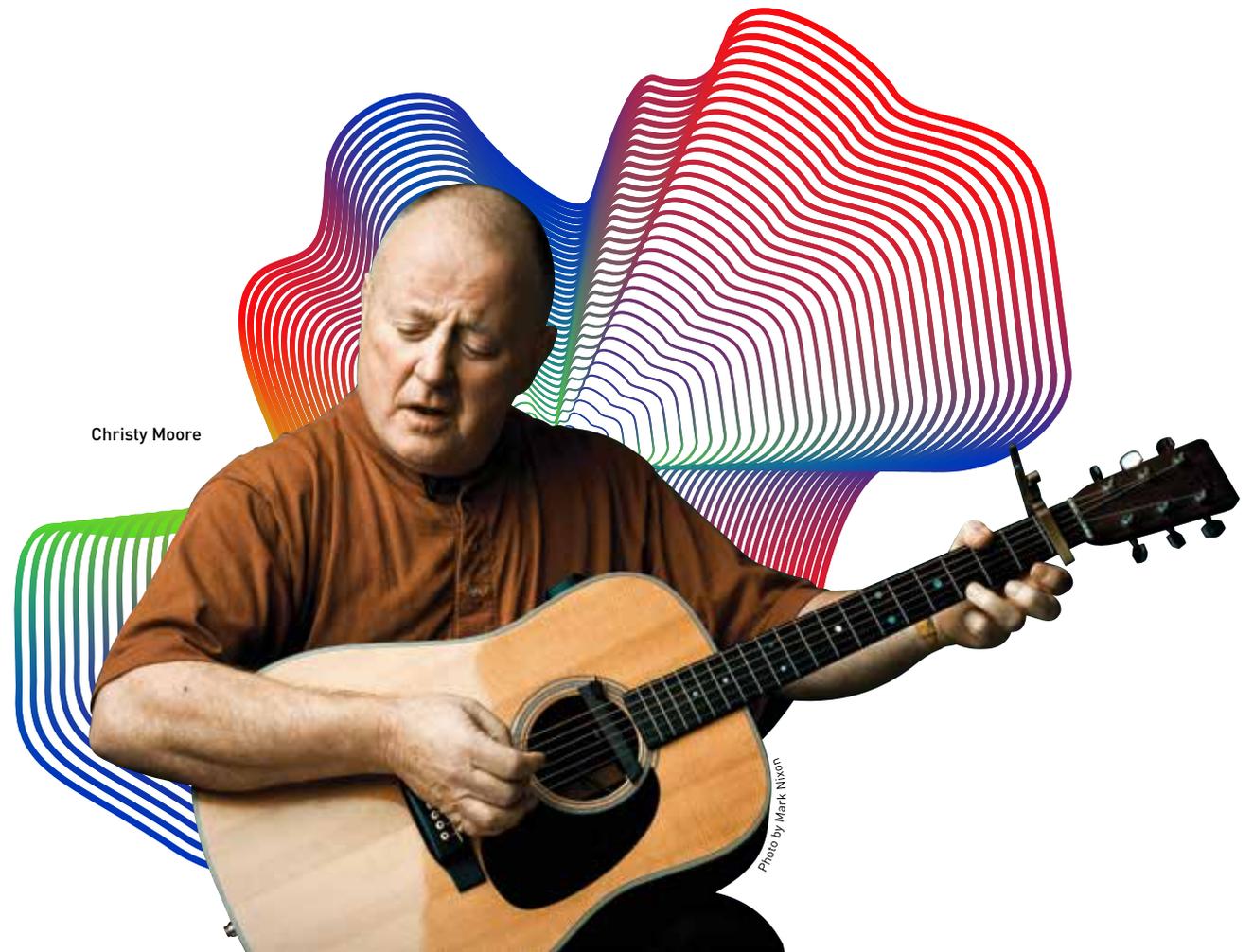
- IMRO
- RAAP
- PPI

AS WELL AS SECONDARY SOURCE DATA FROM:

- Central Statistics Office (CSO):
 - 2014 4-digit structural business statistics; and
 - 2011 Irish Census
- IFPI: 2014 and 2015 Recording Industry in Numbers (RIN):
 - 2014 and 2015 digital music sales;
 - 2014 and 2015 physical music sales; and
 - 2014 and 2015 music synchronisation revenues.
- Kantar Research: 2014 and 2015 Arts Attendance in Ireland;
- Public domain information regarding performers and live music events; and
- Financial Reports.

METHOD AND DEFINITION

Full definitions of the various segments used in this analysis as well as an outline of our methodology can be found in the previous report entitled 'The Socio-Economic Contribution of Music to the Irish Economy'. <https://www.imro.ie/news/the-socio-economic-contribution-of-music-to-the-irish-economy/>



Christy Moore

Photo by Mark Nixon

