

PERSPECTIVE

The Arts, Entertainment and Recreation Sector: A Little-Known Economic Player

Why take an interest in this economic sector, which accounts for less than 1% of Quebec's real gross domestic product (GDP)? Mainly because growth in the number of salaried workers in this sector is outpacing that of Quebec and because it has activities in all, or nearly all, of the province's municipalities. For now, the economic parameters are favourable to these activities. However, some structural factors, such as ageing of the population and workforce, consumer preferences and anticipated climate change, could be game-changing. We cannot work based on what happened in previous decades. Competition to corner the portion of the household budget dedicated to arts, entertainment and recreation is also fierce, and client requirements are high. Therein lie some formidable challenges.

Little-Known, Yet Widespread

Statistics Canada defines arts, entertainment and recreation as follows: "This sector comprises establishments primarily engaged in operating facilities or providing services to meet the cultural, entertainment and recreational interests of their patrons."

Based on this definition, a common characteristic that unites these sectors emerges: they are directly related to choices made by consumers. Unlike transportation, which is necessary to make a living or to get around, or the health and food industries, which are essential to sustaining life, these industries fall under the discretionary portion of households' time and money budget. It is in this budget that decisions on "other" activities are made once obligations (housing, food, transportation, taxes, etc.) have been met. For some, entertainment or recreation are activities that are carried out because they are a habit or a passion. In certain cases, they can even be part of a city's or municipality's signature. Museums, festivals and sports teams come to mind.

This large economic group usually comprises three categories. The first category is performing arts (theatre, dance, etc.), spectator sports and related industries (box on page 2). The second is heritage institutions (museums, historic sites, zoos, etc.) and the third is amusement, gambling and recreation industries (amusement parks, casinos, golf courses, skiing facilities, fitness centres, etc.).

Lastly, this sector is highly diversified, with reach across areas such as culture, recreation and tourism, to name a few. These activities relate to the interest they spark in the local population, but some rely on tourist demand (be it regional, national or international) for their success.

However, this does not include culture as a whole, which mostly fits into the broad "Information and cultural industries" sector. Arts, entertainment and recreation therefore do not include movie theatres, comedy shows, libraries, archives, book publishers, newspapers and magazines, restaurants and nightclubs that put on stage shows in addition to serving food and drinks. Nor do they cover all the tourist activities that fall under accommodations and food services or transportation and retailing.

What Place Does It Occupy in the Economy?

In 2018, real GDP for arts, entertainment and recreation was assessed to be around \$3.2B. Its share in Quebec's economy was estimated to be 0.88%, compared to 1.08% in 2001. While the level has increased since 2014, the share has held steady at about 0.87%–0.88% since 2011. What we have to keep in mind is that, during this period, huge sectors, such as real estate, transportation and health, expanded rapidly, leaving less and less space for any others.

The GDP analysis is divided into just two large sections, not three like we initially saw. Statistics Canada grouped the activities of

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NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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BOX**Arts, Entertainment and Recreation**

- ▶ Performing arts, spectator sports and related industries
 - Performing arts companies
 - √ Theatre companies and dinner theatres
 - √ Musical theatre and opera companies
 - √ Dance companies, musical groups and artists
 - Spectator sports
 - √ Spectator sports; horse race tracks; independent athletes performing before a paying audience; sports teams and clubs performing before a paying audience
 - Promoters (presenters) of performing arts, sports and similar events
 - √ Promoters (presenters) of performing arts, sports and similar events with facilities; sports stadiums and other presenters with facilities; festivals without facilities
 - Agents and managers for artists, athletes, entertainers and other public figures
 - √ Agents and managers for artists, athletes, entertainers; sports agents and managers
 - Independent artists, writers and performers
 - √ Independent artists, writers and performers; independent visual artists and artisans; independent actors, comedians and performers; independent writers and authors
- ▶ Heritage institutions
 - Heritage institutions
 - √ Museums; historic and heritage sites; zoos, botanical gardens, nature parks and conservation areas
- ▶ Amusement, gambling and recreation industries
 - Amusement parks and arcades
 - √ Amusement and theme parks; amusement arcades
 - Gambling industries
 - √ Casinos (except casino hotels); other gambling industries
 - Other amusement and recreation industries
 - √ Golf courses and country clubs; skiing facilities; marinas; fitness and recreational sports centres; bowling centres; all other amusement and recreation industries; sports clubs, teams and leagues performing before a non-paying audience, etc.

Source: Statistics Canada, North American Industry Classification System (NAICS), 2017

heritage institutions with those of performing arts, spectator sports and related industries (graph 1). The second group consists of amusement, gambling and recreation industries. The relative weight of each one is fairly similar. However, it is the first category that has had the highest GDP since 2015. Its value was estimated to be \$1.76B in 2018, whereas the value of the second category was \$1.50B.

GRAPH 1
Arts, entertainment and recreation: Real GDP has been on an upswing in Quebec since 2014

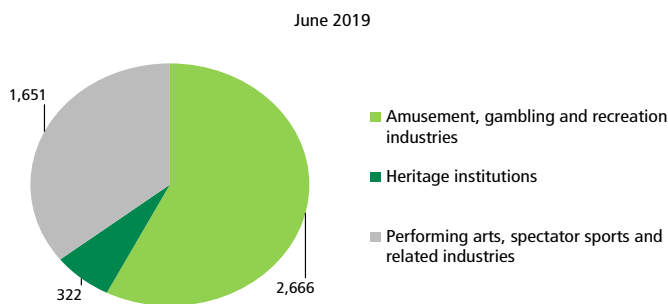


Sources: Statistics Canada and Desjardins, Economic Studies

The arts, entertainment and recreation sector comprised 4,639 institutions in June 2019, according to the Statistics Canada Business Register. These registrations represented 1.7% of all institutions in Quebec with at least one employee. This is more than the weight of the large sector in Quebec’s GDP, which has been below 1.0% over the past few years. Amusement, gambling and recreation industries was the sub-group with the largest number of institutions at 2,666. It was followed by performing arts, spectator sports and related industries (1,651) and heritage institutions (322) (graph 2).

Not surprisingly, there is a large proportion of small institutions: 45.8% had fewer than 5 employees. However, this share was 53.2% for all of the province’s institutions. For institutions

GRAPH 2
Quebec: The amusement, gambling and recreation industries sector has the most institutions



Sources: Statistics Canada and Desjardins, Economic Studies

with fewer than 20 employees, these percentages were 80.9% and 85.7%, respectively. The sector also comprises major corporations. For example, in the 500-plus employees category, Statistics Canada enumerated 24 institutions, a relative weight of 0.52% for the entire large arts, entertainment and recreation group. By comparison, this weight was half that (0.25%) for all Quebec institutions.

When we take a closer look at institutions with 500 employees or more, we see that the arts, sports and recreation sector had 3.5% of institutions this size in Quebec in June 2019. This is a lot compared to their share in real GDP. The breakdown is as follows: 5 in performing arts, spectator sports and related industries, 6 in heritage institutions, and 13 in amusement, gambling and recreation industries. For the final category, these are, to a large extent, likely Loto-Québec activities. There is little doubt that the organization has a certain degree of weight, since it has a head office, offices across the province and four casinos. However, the Charlevoix and Lac-Leamy casinos have fewer than 500 employees. This suggests that there are also large institutions in amusement and recreation industries.

Taking into account just its share in Quebec’s real GDP, the sector looks unassuming. On closer examination, however, we see that it comprises major corporations and large employers.

Workers

It is difficult to paint an accurate picture of the number of people who earn a living from arts, entertainment and recreation. *Labour Force Survey* (LFS) data do not estimate the number of jobs based on this categorization. However, the *Survey of Employment, Payrolls and Hours* (SEPH) does reveal the number of salaried workers. In 2001, there were 45,379 employees in the sector as a whole. This number increased to roughly 65,000 in 2019,¹ which accounts for 1.72% of all salaried workers in Quebec.

Growth in the number of employees in arts, entertainment and recreation was a little over 43.0% between 2001 and 2019. Comparatively, the increase in salaried employment in Quebec, which has been strong, was 21.8% during the same period. This means that the number of employees rose practically twice as fast in the arts, entertainment and recreation sector than it did for all Quebec employees. Was the situation the same between 2010 and 2019? Yes; however, the gap between the Quebec average (+11.2%) and the arts, entertainment and recreation average (+16.7%) was narrower.

This reading of the labour market is good, but still not perfect. Although the SEPH is very useful, it does not take into account self-employed workers. Statistics Canada assessed the percentage of self-employed workers in Quebec as a whole to

¹ Data for 2019 are available for only the first 11 months of that year.

be 13.3% in 2018.² [Works](#) carried out by the Observatoire de la culture et des communications du Québec and published in December 2018 provide some points of reference on the share of workers who are self-employed, especially in culture-related occupations. In particular, this work states that cultural occupations are marked by a higher rate of self-employed workers (30%) than the experienced labour force as a whole (12%). This rate has not really changed between 2006 and 2016, edging up from 29.7% to 30.4%. The occupation groups with the highest proportion of self-employed workers are creative and performing artists (53%) and announcers and other performers (37%).

It would be unrealistic to assume that more than 30% of arts, entertainment and recreation workers are self-employed. We have only to think of those employed year-round by museums, Loto-Québec and promoters of performing arts and sports events to see that this assumption can hardly hold up. A 30% scenario would mean approximately 93,000 jobs. However, establishing this share at 12% or 13% would probably not be representative either, as it would bring the number of jobs down to around 75,000. Assuming a rate of 20%, there would be a little over 81,000 jobs, and just under 87,000 at 25%. We can therefore assume that the total number of jobs could range from 80,000 to 90,000 in 2019.

A Drawback

At a time when technology seems to be the leading source of growth, employment is seeing a rather remarkable rise in less apparent sectors, such as arts, entertainment and recreation. While it can be argued that a significant share of these positions are seasonal or part-time (golf courses, ski hills, water slides, etc.), not all of them are. In performing arts and entertainment organizations, as well as in recreational businesses, there are people employed full time year-round to carry out promotional activities, look after finances, deal with public relations, work on programming, and even tend to technical and equipment matters. However, like elsewhere, recruitment is difficult because of the labour shortage. Job offers on the Quebec and Canadian labour markets are not in short supply.

What is the explanation for so many people working? Employees are needed to create the activities on offer. They are needed to welcome and host those who choose to participate in these activities or visit the places where they are held. Others are needed to maintain these places. The statistics below illustrate and offer insight into the vibrancy of these environments.

According to the Institut de la statistique du Québec, attendance at theatre performances in Quebec in 2018 totalled 1.57 million. Attendance at dance performances was 291,000, and a little

over 1 million at music concerts (classical, opera, modern, contemporary, etc.). For all types of museums combined (art, science, interpretation, etc.), 15.52 million admissions were recorded in Quebec in 2018 (table 1).

TABLE 1
Quebec attendance statistics – 2018

| IN NUMBER | TOTAL ATTENDANCE |
|----------------------|------------------|
| Theatre | 1,567,521 |
| Dance | 291,449 |
| Music | 1,042,431 |
| Museums (admissions) | 15,518,034 |

Sources: Institut de la Statistique du Québec and Desjardins, Economic Studies

In 2019, according to Golf Québec, the Québec Golf Federation, the province had approximately 350 golf courses, that is 1 per 24,243 inhabitants. The number of golfers is estimated to be around one million. There were 73 ski hills according to the Quebec Ski Area Association, that is 1 per 116,233 inhabitants. An estimated 1.4 million Quebecers and tourists have practised this sport in recent years. Admittedly, golf courses and ski hills offer seasonal activities, but they need staff to provide and maintain a quality of service in order to retain, if not increase, their clientele. The selection of activities is vast and competition is fierce. These places have to make the cut with users every time and give them an experience that will bring them back and, in the age of social networks, lead to a recommendation!

Conditions within Which the Sector Operates

We touched on this a little earlier: the arts, entertainment and recreation sector has a reach across the cultural and tourism sectors. Its vitality depends on a primarily local and, in some respects, international clientele. It is interesting to see how much Quebecers spend on recreation. To do this, we can use the Statistics Canada *Survey of Household Spending*. In 2017, the year for which the most recent data are available, Quebec households spent a total of \$73,357 (table 2).

TABLE 2
Average expenditure per household in Quebec

| IN \$ | 2014 | 2015 | 2016 | 2017 |
|--|--------|--------|--------|--------|
| Total expenditure | 69,209 | 68,431 | 70,853 | 73,357 |
| Total current consumption | 50,657 | 50,193 | 52,447 | 53,969 |
| Recreation (including equipment purchases) | 3,262 | 3,364 | 3,439 | 3,569 |

Sources: Statistics Canada and Desjardins, Economic Studies

When taxes, individual insurance, pension plan contributions, cash gifts, support payments and charitable donations are

² Lahouaria YSSAAD and Vincent FERRAO, *Labour Statistics at a Glance – Self-employed Canadians: Who and Why?*, Statistics Canada, May 28, 2019, 11 p.

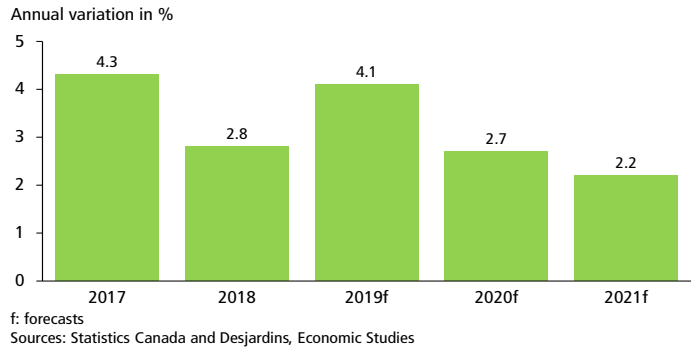
subtracted, total current consumption expenditures were \$53,969. The average spending on recreation per household was estimated to be \$3,569. This amount also takes into account recreational vehicle purchases, satellite radio and television subscriptions, and summer camps—in short, many things. It accounts for 6.6% of total current consumption. By way of comparison, in 2017, spending on food accounted for 14.4% of current consumption expenditures, with housing taking the lion’s share at 27.0%.

Delving further, however, a more detailed picture emerges of the amounts spent annually on various activities. The average for sporting events and indoor shows over the past few years has been around \$94 per household. Households spent approximately \$75 on museums, zoos and other sites and around \$137 on lottery tickets. Dues and admission to sporting and recreational events are estimated to be \$282.

Parameters with a Potential Effect on the Sector

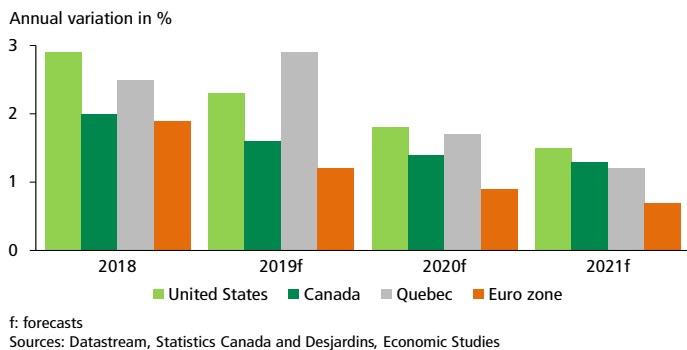
What parameters could have an effect on the sector and how will they change? The first thing that comes to mind is good or bad economic performance. Looking at growth in real GDP, which supports employment and consumer spending to a certain extent, we see that it will be up in the years to come (graph 3). However, the pace of the U.S., Canadian and Quebec economies in 2020 and 2021 will be slightly slower than in previous years. The addition of new jobs should be expected, but at a more modest rate than in recent years.

GRAPH 4
Quebec: Real personal disposable income will rise, but at a slower pace



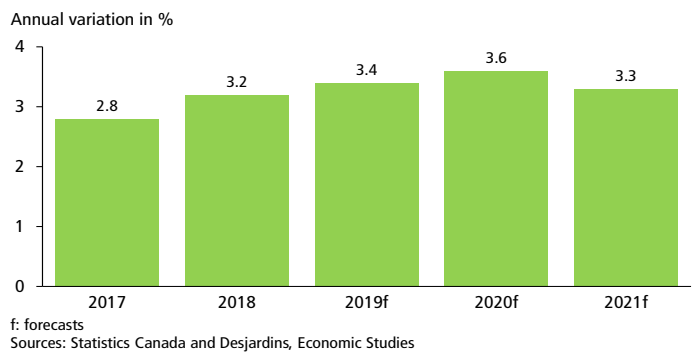
In this same vein, average weekly earnings are also worth examining. Rapid growth has been observed in recent years, particularly due to the labour shortage, which is pushing up wages. The prospects remain relatively high for 2020 and 2021 compared to the past few years (graph 5). This could benefit the sector in that the gains are directed toward its institutions. However, the labour shortage just mentioned also affects arts, entertainment and recreation businesses. It entails higher recruitment costs and wages, and additional difficulty meeting the quality standards that clients expect. If we look at demographics alone, the situation is not about to turn around.

GRAPH 3
Economic growth will be slower in 2020 and 2021 compared to 2019



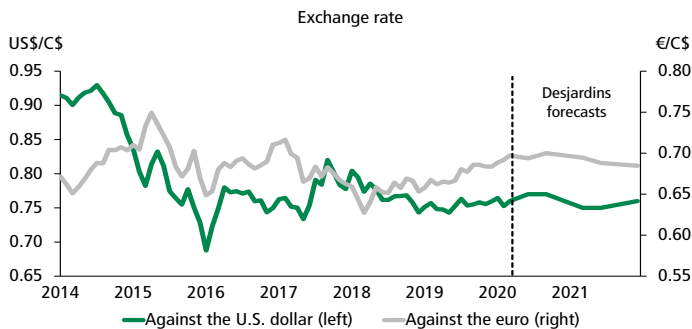
Another factor that could come into play is the trend in personal disposable income. This is what remains once taxes and mandatory contributions have been deducted. A notable appreciation has been observed in this regard over the past few years, which is interesting insofar as this new leeway would increase spending in the arts, entertainment and recreation sector. The outlook for the coming years is positive, although the increases will be more modest (graph 4).

GRAPH 5
Quebec: Weekly earnings will continue to grow



We noted earlier a portion of the client base for the arts, entertainment and recreation sector came from tourism. Changes in the Canadian dollar are therefore an important consideration. Based on the information available to date, the trend can be expected to continue for the Canadian dollar against the U.S. currency and the euro over the next two years (graph 6 on page 6). As a result, it is expensive for Canadians and Quebecers to travel to the United States and the euro zone, but Canada is still very affordable for Americans and Europeans. Tourist traffic could be high this year, particularly from the United States.

GRAPH 6
Canadian dollar: We should not stray too far from the trend of recent years



Sources: Datastream and Desjardins, Economic Studies

However, structural factors, such as ageing of the population and workforce, consumer preferences and anticipated climate change, could be game-changing. We can see what is coming: these parameters are slower to change than the economic situation. We cannot work based on what happened in previous decades. Competition to corner the portion of the household budget dedicated to arts, entertainment and recreation is also fierce, and client requirements are high. Therein lie some formidable challenges.

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Another fact that could have an effect on the sector is demographic ageing, which greatly influences consumer choices and the types of activities favoured. The golf industry is dealing with this reality, as is the ski sector. What is needed is openness to a new clientele, flexible packages, a range of options and collaboration with other operators in the same business line or in complementary fields. It becomes difficult to make all existing facilities profitable; to wit, the golf industry has gone public with its hardships in recent years.

In addition to these challenges, seasonal activities will have to deal with climate change. This is especially the case with downhill skiing. A [study](#) conducted by Ouranos and published in January 2019 laid out the situation of a few ski hills in the Eastern Townships. The finding was that the industry was already facing major seasonal fluctuations and climate change could exacerbate them. The conclusion was that ski hills would have to adapt to stay in business. Major investments, especially in snowmaking systems, and better knowledge of this equipment and its evolution would be a good idea to maintain the quality of snow cover and the client experience. This could mean substantial cash outlays.

Between Economic and Structural Factors

The broad arts, entertainment and recreation sector is worth talking about. At first glance, we might think that its share in GDP is sufficient to position it relative to the rest of the economy. However, an analysis of other parameters, such as the size of some of its businesses and labour market dynamics, calls for another look. For the time being, economic factors appear to be favourable to its vitality. This assumption works insofar as households continue to choose this sector and even give it greater priority owing to the gains it can offer them in terms of employment, personal disposable income and earnings.