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The Performing Arts Trends and Their Implications

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Media coverage of the performing arts in America paints a contradictory picture. On the one hand, the arts appear to be booming: The number of organizations offering live performances continues to grow, Broadway plays and live opera performances are bringing in record audiences, and the demand for commercial recordings is stronger than ever. Other stories, however, focus on theater groups, symphony orchestras, and dance companies that are cutting costs or closing their doors because they are unable to attract the audiences and contributions needed to meet expenses. How can these stories be reconciled? What are the overall trends affecting the performing arts in the last few decades, and what do they imply about the future of arts in America?

A new RAND report, *The Performing Arts in a New Era*, by Kevin McCarthy et al., addresses these questions. The study, supported by funds from The Pew Charitable Trusts, is the first to provide a comprehensive overview of the performing arts. It synthesizes available data on theater, opera, dance, and music, in both their live and recorded forms. Although most of the existing data are about the nonprofit performing arts—and those data have serious limitations—the study also analyzes the commercial performing arts, such as the recording industry and Broadway theater, as well as the volunteer sector, by which the authors mean arts activities that are carried out primarily by amateur and small community-oriented nonprofit groups. The research focuses on signs of change in arts audiences, artists, arts organizations, and financing over the past 20 years—both in the aggregate and, where the data allow, by discipline and sector.

The authors conclude that the structure of the performing arts system is undergoing a fundamental shift. While the commercial recorded and broadcast performing arts industry is growing more and more concentrated globally, live performances are proliferating at the local level, typically in very small organizations with low oper-

ating budgets and a mix of paid and unpaid performers and staff. At the same time, a few very large nonprofit and commercial organizations are growing larger and staging ever more elaborate productions. Midsized nonprofit organizations, on the other hand, are facing the greatest difficulty in attracting enough revenues to cover their costs. Many of these groups are likely to disappear.

PUBLIC INVOLVEMENT

The number of Americans attending live performances and purchasing recorded performances has been growing consistently over the years. The most dramatic growth has been in the market for the non-live arts, both recorded and broadcast performances. The report attributes the popularity of media delivery to several factors: the increasing quality of electronically reproduced substitutes for live performances, the rising direct and indirect costs of attending a live performance, and an increasing preference among Americans for home-based leisure activities.

While it is true that Americans have also been attending more live performances of all kinds, the authors point out that most of the increase in attendance is the result of population growth and increasing education levels, not an increase in the percentage of the population that attends live performances. This distinction is important because lower population growth and shifts in the composition of the population—both of which are expected in the future—may weaken attendance levels.

The authors cite a number of sociodemographic trends that are likely to further dampen future demand for live performances. Although education levels are expected to rise—a trend that should create more demand for the arts—Americans are placing an increasing premium on flexibility in their leisure activities. They favor art experiences that allow them to choose what they want to do, when and where they want to do it. (This preference

helps explain record levels of attendance at art museums.) Additionally, baby boomers will gradually be replaced by a younger generation that appears less inclined to attend live performances and is more comfortable with entertainment provided through the Internet and other emerging technologies. The uncertain status of arts education in public schools may also be a factor in reducing demand for the arts, although little research has been conducted in this area.

ARTISTS

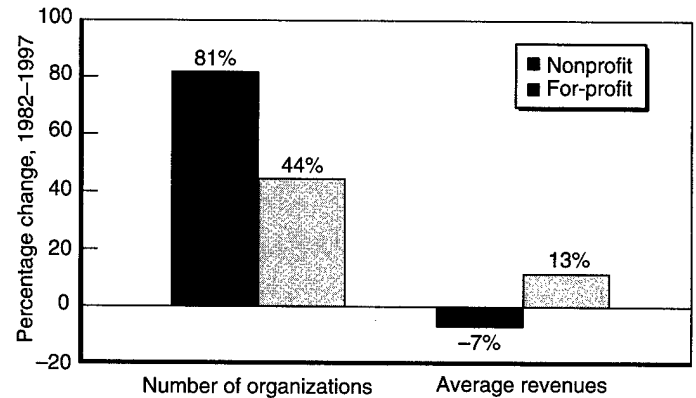
Overall, three broad trends characterize the population of artists. First, their numbers have been growing dramatically. The prodigious increase in both nonprofit and commercial arts organizations between 1970 and 1990 led to a doubling in the number of self-proclaimed professional artists over that period to 1.6 million, about 261,000 of whom are performing artists. There are also more amateur performing artists—those who pursue their craft as an avocation with no expectation of being paid for it—and they are estimated to outnumber professionals by 20 or 30 to 1.

Second, performing artists continue to dedicate themselves to their art even though their pay and job security have scarcely improved since the 1970s. On average, performing artists earn considerably less, work fewer weeks per year, and face higher unemployment than other professionals with comparable education levels. The median annual salary of professional and technical workers in 1989, for example, was 10 percent higher than the median salary of professional actors and directors, and more than twice as high as the median salaries of musicians, composers, and dancers. Moreover, the salary figures for artists include non-arts income from the part-time jobs that artists, unlike other professional workers, tend to hold when they are unable to find work in their chosen profession.

Third, the presence of superstars continues to tilt the arts market toward a select few. Technological advances have helped magnify small differences in talent and diffuse that information, while marketers have increasingly focused on certain artists as “the best.” These developments tend to coalesce demand around a very few stars and drive their wages above everyone else’s in the field. Like professional athletes, few performing artists make it to the top, but many are inspired by stories of those who do. New technologies such as the Internet could give artists more control over their futures by allowing them to market themselves directly to audiences. But it seems more likely that the importance of critics and marketers will increase, not decrease, in an Internet-driven entertainment world.

PERFORMING ARTS ORGANIZATIONS

The number of nonprofit performing arts organizations increased by over 80 percent between 1982 and 1997, while the number of commercial performing arts organizations increased by over 40 percent (see Figure 1). At the same time, the average real revenues for nonprofit performing groups have declined, suggesting that most of the new nonprofit organizations are small. These small companies—especially those with annual revenues under \$100,000—tend to emphasize local participation and rely heavily on volunteer labor.

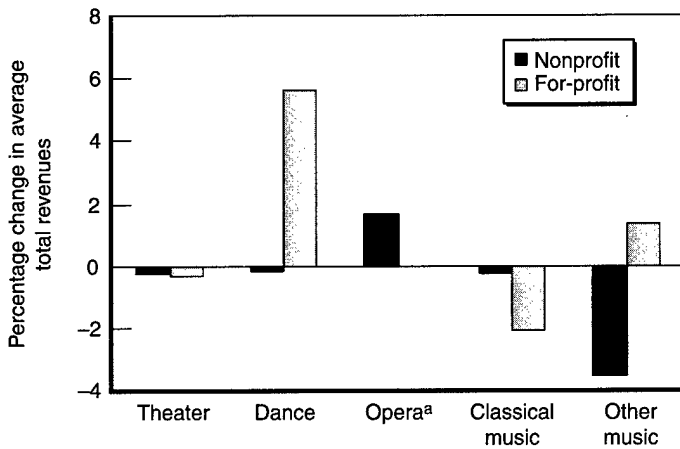


SOURCE: U.S. Census Bureau, 1982 and 1997.

Figure 1—Nonprofit Performing Arts Organizations Are Proliferating, but Their Average Revenues Have Declined

Opera is the only discipline in the nonprofit sector in which companies on average experienced real revenue growth between 1982 and 1997 (see Figure 2). In contrast, the average budget size of groups performing “other music,” that is, music other than classical instrumental music, fell almost 4 percent per year. The dramatic growth in the number of nonprofit performing groups combined with declining budgets, particularly in non-classical music categories, suggests a new trend in the organizational dynamics of the performing arts world: proliferation of niche-market nonprofits and volunteer organizations.

Performing arts spaces have been built at a rapid pace in the past 30 years. According to 1993 data collected by the Association of Performing Arts Presenters, over one-third of all their member venues were built between 1980 and 1993. Most of these organizations are tax-exempt, and many receive strong financial support from local governments. Many theaters, symphony halls, and all-purpose performing arts centers, for example, are financed by community development block grants. It is not clear, however, who will use these facilities or whether their day-to-day operations will be affordable to many performing groups.



SOURCE: U.S. Census Bureau, 1998 Economic Census and 1982 Census of Service Industries.

^aData not available for the for-profit sector.

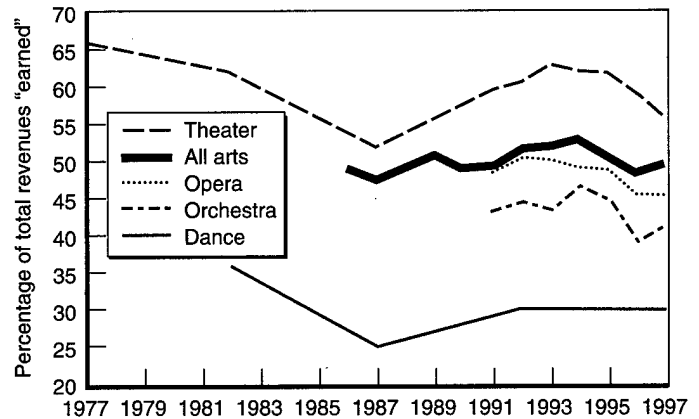
Figure 2—The Average Nonprofit Performing Group Is Getting Smaller (1982–1997)

In contrast to the live performing arts, organizations in the recording and broadcasting industries—of which the vast majority are commercial—are consolidating. These two industries are now among the most concentrated in the nation and are increasingly organized on a global scale.

ORGANIZATIONAL FINANCES

The revenues of America's nonprofit arts organizations fall into three main categories: earned income (ticket sales, other business activities, and investment income), philanthropic contributions (from individuals, foundations, and businesses), and direct government subsidies. In the 20 years between 1977 and 1997, as total average annual revenues for performing arts organizations rose steadily, the percentage received from earned income, contributions, and government remained remarkably steady. Despite anecdotes about empty seats at live performances, aggregate data on earned income for nonprofit performing groups do not show a downward trend in any of the art forms. As Figure 3 shows, the average percentage of total revenues that are earned varies by discipline, with dance companies at the low end at about 30 percent and theater groups at the high end with about 60 percent. In the aggregate, performing groups are about as dependent upon the market as they have been in the past, despite intensive efforts at marketing and audience development, and despite sharp rises in the cost of tickets. (Average ticket prices for orchestras, for example, increased by 70 percent between 1985 and 1995.)

On average, performing arts organizations receive only 5 percent of their revenues from government funding, according to 1997 data, and that funding has trended downward until recently. The main cause of the decline has been an almost 50 percent decrease in federal funding

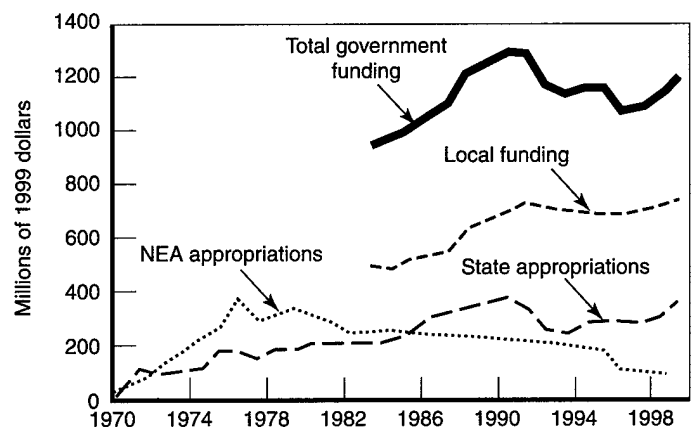


SOURCES: Economic Census (1977–97), IRS Form 990 data (1991–1997), Business Master File sample (1986–90).

Figure 3—For Most Groups, the Percentage of Annual Revenues Received from Earned Income Has Remained Relatively Stable

since the early 1990s, but as Figure 4 shows, that decline has been moderated by an increase in state and local appropriations. The result has been a shift in government funding from the federal to the state and increasingly the local level, with implications for the average size of grants, the characteristics of grant recipients, and the programming decisions of those recipients. In particular, state and local governments tend to focus less on the arts per se and more on the social and economic benefits to local communities in awarding grants.

In contrast, private contributions from individuals, corporations, and foundations—which make up an average of 35 percent of the total revenues of nonprofit

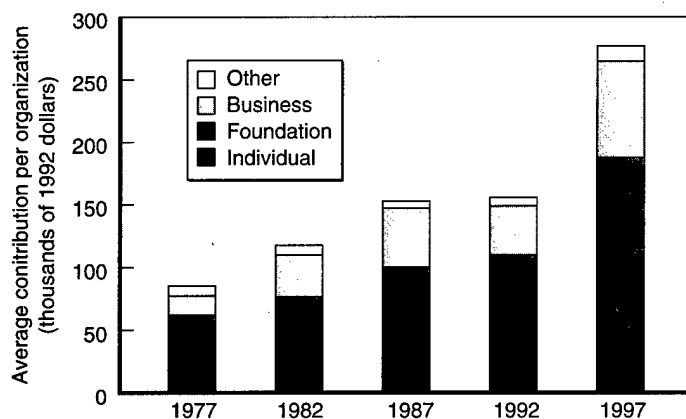


SOURCES: IRS Form 990, Business Master File Sample, National Endowment for the Arts, National Association of State Arts Agencies, Americans for the Arts.

NOTES: Local and state appropriations do not include NEA block grants. Components do not sum to total government funding because of differences in estimation methodologies.

Figure 4—Government Arts Funding Is Shifting to the State and Local Levels

performing arts organizations—increased steadily from 1977 to 1997 (see Figure 5). Although contributions from individuals increased more than any other single source of giving, particularly from 1992 to 1997, this increase seems to have come in the form of more numerous small donations that require higher development costs. Funding from corporations has also been growing, but corporate donors are increasingly providing support for targeted purposes rather than giving unrestricted grants that allow organizations more flexibility in using these resources.



SOURCES: Economic Census and National Endowment for the Arts.

Figure 5—Philanthropic Giving to the Arts Has Been Increasing

Because systematic data are not available on artistic output—such as number of productions, performances, or admissions tickets sold—the authors point out that trends in real expenses averaged across organizations are difficult to interpret. It is impossible to know, for example, whether the 2.2 percent annual increase in opera companies' expenditures between 1987 and 1997 is due to increased costs per production or an increased number of productions per season. Similarly, the 2.8 percent decline in symphony orchestras' annual expenditures over the same period could reflect greater efficiencies or a cutback on the length of their seasons.

In fact, a good deal of case-study evidence suggests that performing arts organizations are using multiple strategies to deal with financial demands in an increasingly competitive leisure market. The authors describe some of the strategies for cutting costs, developing revenues, and financing performances that various organizations are pursuing, and point out that the size of an organization's budget will often determine which strategies will be most effective. In an effort to increase their revenues, for example, large nonprofits rely more on star-studded blockbuster productions, midsized organizations on "warhorse" programming (traditional works loved by general audiences), and small commercial, nonprofit, and especially

volunteer organizations more on programs for niche markets. Many large nonprofits have also adopted for-profit business models to stabilize revenues: As their productions grow larger and more elaborate, and the celebrity artists they feature more expensive, many large nonprofits are turning to the same revenue-enhancing and financing techniques that have long been popular among for-profit firms, such as merchandising spin-off products and collaborating with financial partners in productions or facility construction.

A VISION OF THE FUTURE

If the trends of the past 20 years continue, the authors envision a fundamental shift in the performing arts system. Instead of a sharp demarcation between a nonprofit sector producing the live high arts and a for-profit sector producing mass entertainment, major divisions in the future will be along the lines of big versus small arts organizations, or firms that cater to broad versus niche markets.

Big organizations—both commercial and nonprofit—will rely increasingly on massive advertising and marketing campaigns promoting celebrity artists to attract large audiences. Although for-profit firms will still focus primarily on the recorded arts (with the notable exception of Broadway), and nonprofits will continue to perform live, distinctions between what is "popular" and what is "high" art will continue to erode as both sets of organizations seek to produce the next blockbuster. As the rewards of success and the costs of failure continue to climb, these large organizations will seek to minimize their risks by choosing conservative programming and technology-intensive productions designed to appeal to the largest possible audience. At the other end of the scale, small performing arts organizations will be both more dynamic and more diverse than their larger counterparts. In the commercial sector, small firms will target niche markets within the recorded branches of the performing arts. At times these firms will move into areas such as classical recordings that have been abandoned by larger firms because these markets don't provide them sufficient margins and volume. Technological changes such as the Internet and e-commerce will enable small for-profits to provide more adventuresome programming that serves a wider variety of smaller, more specialized markets.

In the nonprofit and volunteer sectors, the growing number of small organizations will have little in common with larger nonprofits in terms of programming, audience demographics, or the professional stature of most of their artists. Small performing arts groups will focus on low-budget, low-tech live productions that rely heavily on volunteer labor. Many will cater to local and specialized markets, particularly ethno-cultural communities and neighborhoods. Others will provide opportunities for

hands-on participation for nonprofessional artists in traditional high-arts forms.

The biggest change suggested by these trends relates to the middle tier of nonprofit arts organizations, particularly those opera companies, symphony orchestras, ballet companies, and theater groups located outside major metropolitan areas. Likely reductions in demand, rising costs, and static or even declining funding streams will force many of these institutions either to become larger and more prestigious—which many lack the resources to do—or to become smaller and more community-oriented, using local talent to keep costs down and adapting programming to local audiences. Still others will simply close their doors, unable to reconcile conflicts among their various stakeholders.

IMPLICATIONS FOR THE ARTS

What will these trends mean for the vitality of the performing arts in the future? How are they likely to affect the quantity, quality, and availability of the arts? The authors suggest that the quantity of performances will increase in some areas and decrease in others, depending on whether they are live or recorded, and whether they involve the high, folk, or popular arts. Professional live performances of the high arts, for example, will be increasingly concentrated in big cities and provided by high-budget nonprofit organizations that can support the cost of top-echelon performers and productions. Touring artists and performing groups will bring the live professional arts to audiences in smaller cities and towns that are not able to sustain top-level performing arts.

The recorded and broadcast performing arts should continue to proliferate and diversify. Advances in production, recording, and distribution technologies will allow Americans to choose among a wider variety of performances and art forms than they do today. Although the Internet's ability to produce sustained profitability remains to be demonstrated, it is already reaching far-flung audiences and creating healthy markets for art forms that had previously been economically insignificant. In the future, niche arts markets may be not only possible, but profitable.

Americans will also have increasing access to live performances in their own communities. Small professional nonprofit and for-profit performing groups will be able to build and maintain comparatively small but loyal audiences who value their artistry and will be willing to participate both as consumers and patrons. Small organizations in the volunteer sector will continue to provide low-budget productions of great cultural and artistic diversity performed largely by volunteers.

The effect of future changes on the quality of the arts could be more serious. Several trends are likely to make

it more difficult for talented actors, composers, musicians, and dancers to mature artistically. If the polarization of artistic incomes created by the superstar phenomenon continues to grow and the number of both large and mid-sized arts organizations contracts, young artists will have fewer opportunities to gain experience in their field. Moreover, the pressures on performing arts organizations to earn ever greater revenues are producing programming that appeals to mass audiences in both the large nonprofit and the commercial worlds. As market categories with demonstrated success increasingly govern the selection of what gets performed and recorded, innovation is likely to be discouraged. Even the decentralized distribution system provided by the Internet poses its own obstacles: With so many artists entering the scene, it becomes harder for artists of unusual talent to attract the attention of more than a small circle of admirers.

The effects of change on access to the arts will be mixed, as are the effects on quantity. Although live professional performances will decline in some parts of the country, community-based performances and recorded products will proliferate. The central issue for access is likely to hinge on future patterns of demand.

CONSIDERATIONS FOR POLICY

How does this analysis of the performing arts help inform discussions of policy? The critical issue in arts policy is how current trends affect the broader public interest. The authors contend that this issue has not been given adequate attention by the arts community. Developing a policy-analytic capability for the arts today will require a new framework that is grounded in an understanding of the public interests served by the arts, the specific roles that government can play in promoting those interests, and the strategies that government at every level has at its disposal.

The report concludes with a discussion of each of these aspects of a policy framework and identifies future research areas that will contribute to the development of such a framework. The authors contend that the policy debate until recently has been too narrowly focused on supporting the production and performance of the arts—what they call supply strategies—rather than stimulating public involvement in the arts—or demand strategies. A new framework for the discussion that puts the public benefits of the arts at its center will require approaches designed to increase individual exposure, knowledge, and access to the arts. The authors call for more systematic analysis of how individual tastes for the arts are formed and how the public and private benefits of the arts can be identified and measured, so that policymakers can explore more diversified and innovative approaches to promoting the arts in American society.

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