Economic Impact Methodologies
For the museums, libraries and archives sector:
What works and what doesn’t

Report by Jura Consultants
Commissioned by the MLA Council and MLA South East

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Table of Content

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>3</td>
</tr>
<tr>
<td>1.0   INTRODUCTION</td>
<td>8</td>
</tr>
<tr>
<td>2.0   LITERATURE REVIEW</td>
<td>12</td>
</tr>
<tr>
<td>3.0   ECONOMIC IMPACT AND THE SECTOR</td>
<td>28</td>
</tr>
<tr>
<td>4.0   MOVING TOWARDS DEMONSTRATING IMPACT / VALUE</td>
<td>32</td>
</tr>
<tr>
<td>5.0   CONCLUSIONS AND RECOMMENDATIONS</td>
<td>41</td>
</tr>
<tr>
<td>APPENDIX 1: ORGANISATIONS CONSULTED</td>
<td>46</td>
</tr>
<tr>
<td>APPENDIX 2: SOURCES</td>
<td>47</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

Study Aims
The aim of this study is to provide guidance on how the sector can effectively demonstrate the economic contribution it creates. The study has considered the following:

- Can effective economic impact appraisals be undertaken within the MLA sector and do they provide robust assessments of impact?
- Should the sector focus on demonstrating the value it provides in economic or financial terms?
- Can the sector construct compelling arguments based on economic rationale that are powerful for the purpose of communication strategies?
- Should the sector focus on non-economic arguments to demonstrate its value and impact to strategic stakeholders?

Literature review
A comprehensive literature review has been completed covering studies commissioned by museums, libraries and archives, articles by industry commentators and studies undertaken for other sectors which provide non-priced goods, such as the environment.

The literature review indicates that there have been few economic impact methodologies applied to the MLA sector. The most commonly applied methodology being multiplier analysis which demonstrates the employment impact in the local, regional and national economy of the existence and activities of museums, libraries or archives. Multipliers are effective at illustrating the trickle down effect of spending in an economy, however it is subjective in that users can define their own multiplier and in some cases visitor expenditure per head. In addition, multipliers fail to capture the broad range of additional social, cultural and educational benefits which the sector can deliver.

Stated preference techniques place the user centre stage and assess value through asking the users and non-users of a service to place a value or price on the services delivered via the concepts of willingness to pay (WTP) for a free service, or willingness to accept (WTA) the loss of a service in the form of compensation. The contingent valuation technique can be used to assess the value of services delivered, however there are serious concerns with respect to including non-users in the value calculation and values obtained through existence and in some cases option values. Contingent valuation does not demonstrate impact in terms of expenditure and employment, but it illustrates value and it can be used to present a value for money argument.

Return on Investment (ROI) was also reviewed as part of the literature review process. This technique has been applied to many State library services in the US. The technique includes a combination of multiplier and stated preference techniques to create a range of indicators of impact and value. The research team at MLA pursued a further scoping exercise on the advantages and limitations of ROI after Jura Consultants submitted their report. Social Return on Investment (SROI) approaches were identified as having many potential benefits for the sector.
As developed by the New Economics Foundation (nef), the London Business School and Roberts Enterprise Development Fund, SROI aims to capture the **social, environmental and financial benefits of investments** (i.e., the Triple Bottom Line).

**SROI captures the social value created by a project by translating social benefits into financial measures.**

As described by nef, SROI is not a ‘one number’ answer but gives an explanation of an organisation’s impact. In the field of government spending, SROI could help a department to assess the full extent of the costs and savings created by introducing an initiative. There are other areas where use of SROI can bring about change:

- **Social economy** - There is an increasing demand from management for ways of proving social and environmental impact. From the point of view of the organisation, this information is not only invaluable in illustrating the effectiveness with which they achieve their goals but also in helping to improve the performance of the organisation by tracking and measuring outcomes and impacts.

- **Grant giving and financial investment** – As new methods of investment are developed from outcome-related grants to social investment and venture philanthropy, new ways to capture the returns are needed – and hence enable these new forms of investment to develop.

**How does SROI work?**

- In general terms, SROI gives us a ratio between benefits and costs. The social value created by the programme is assessed against the programme’s investment, or the amount it costs to run the programme. The higher the ratio, the higher the social and economic return of the programme.

- In more technical terms, the SROI ratio is composed of the discounted, monetised value of the social and economic benefits that have been created as a result of a programme and the discounted value of the investment required to achieve that impact. Namely,

\[
\text{SROI} = \frac{\text{Net Present Value of Benefits}}{\text{Net Present Value of Investment}}
\]

- In general, a positive net present value of benefits suggests that a programme is worth investing in.

- However, the SROI ratio is only one of the many metrics that could be used to assess the impact of the programme. It is also worth considering the “payback period” of the project (i.e., how long it will take for the programme to pay back or return the initial investment or cost). In general, the shorter the payback period, the better.

- This approach allows us to paint a full story of the social and economic value of investment in the cultural sector. For instance, for projects around unemployment, this approach allows us to make statements such as “the SROI ratio for year 1 is 2.89. This means that for every £1 invested in the project, £2.89 of social value would be created for society in terms of reduction in unemployment (...) Government is to receive a higher amount of taxes and National Insurance contributions as a result of this additional income. It is also likely the State will save on welfare payments from reduced unemployment”.

- As suggested by the new economics foundation’s framework, SROI recognises that there will be some benefits that are important to the
programme’s participants but that cannot be easily monetised (e.g., increased self-esteem, improved family relationships). This value can still be monitored and tracked using qualitative research methods and approaches (e.g., interviews, case studies, etc).

- This approach offers the flexibility to capture data and undertake analysis to meet the needs of both stakeholders and the sector on a micro (project/programme) and macro (local authority; place) level.
- One of the limitations of SROI is that funders and managers may focus on monetisation without following the rest of the process, which is crucial to proving and improving. Also, there is currently no external accreditation body for the use of SROI. The MLA has welcomed the work the Office of the Third Sector is undertaking to develop, support and promote a common SROI approach.

**View of the sector and stakeholders**
Consultation with the sector indicated that economic impact and valuation methodologies must consider more than the income, expenditure and employment impacts of the services and must take into account wider social and economic impacts. Therefore it was reported that multiplier analysis was considered to be ineffective at capturing the real value of the services. Contingent valuation was considered to be more effective at capturing the value and impact, however there was some concern with respect to the application of the contingent valuation methodology, particularly related to issues associated with user and non-user values, option and existence value.

For stakeholders (those groups not of the sector but interested in it), gross value added impacts, which are identified via multiplier analysis were considered to be of greatest interest and value. There was little interest in the outcomes of stated preference studies, which includes contingent evaluation, etc, as this does not calculate an economic impact.

With respect to preferred economic impact methodologies, we conclude the following:

- Although widely applied, multiplier analysis is ineffective at demonstrating the economic impact or the value of the MLA sector. Multiplier analysis is however of most interest to stakeholders.
- The sector does not support the use of multipliers as it does not represent the full value of the sector. Techniques such as contingent valuation have some support although there is concern about how it can be applied and how results may be interpreted.
- Return on Investment offers the flexibility to capture data and undertake analysis to meet the needs of both stakeholders and the sector.

**Capacity of the Sector**
There are fundamental data collection issues with respect to terminology and reporting which will constrain the application of any methodology. Inconsistency in terms of the meaning and reporting of users / visitors will mean that the application of any methodology will produce results which reflect what is counted rather than actual ‘user’ numbers.

The priority in the short and medium-term for the MLA is to provide guidance for the sector regarding what and how user and non-user data should be collected and utilised. Only when the data is robust can the sector consider implementing economic
impact appraisal methodologies on a broad scale with sufficient credibility as to
develop robust arguments. To ensure consistency of data capture and language,
MLA must:

- Prepare and communicate an effective data capture strategy
- Initiate a process of data rationalisation as part of the capture strategy which
  ensures that the correct data are being recorded and the purpose for capturing
data is acknowledged
- Ensure a common language is used within and across the sector(s)

The MLA should develop a communication strategy which stresses the importance of
the value of the sector and the means through which the sector can contribute to
local, regional and national agenda. Shifting emphasis to value should also be
communicated to regional and national stakeholders to facilitate the introduction of
contingent valuation and stated preference as a means of expressing the importance
of the sector.

**Recommendations**
The following recommendations emerge from this study

**Preparatory Work**

- MLA must provide guidance and tools to facilitate consistent data capture across
  museums, libraries and archives as this will provide the basis for any future work
  on economic impact assessment. Guidance should be delivered on the following
  topics:
  - Definition of visitor numbers
  - Definition of user numbers
  - Definition of visitor motivation and its relationship with user numbers and
    visitor numbers
  - Definition of potential visitors and users to encourage museums, libraries
    and archives to effectively target and allocate resources

- MLA must communicate with strategic stakeholders to encourage them to see the
  value in contingent valuation and return on investment methodologies.
  Stakeholders need to be educated about the advantages of these services but
  also the constraints which affect the development of economic impact appraisal
  models in the cultural sector
- Only when museums, libraries and archives have collected robust data and
  strategic stakeholders have been persuaded to consider more than gross value
  added in investment decisions should museums, libraries and archives engage in
  further economic impact work

**Applying Methodologies**

When the bullet points raised above have been effectively addressed, the following
recommendations should be applied:

- If the purpose of economic impact assessment is to demonstrate value, a return
  on investment or stated preference model should be applied
- If the purpose of the economic impact assessment is to demonstrate economic
  impact, the application of the return on investment model will be appropriate
If ex ante project evaluation is the purpose of economic impact appraisal work, multipliers must be used as other techniques cannot be applied to pre-investment appraisal.

Ways Forward: Response from MLA’s Research Team to the Report

- MLA’s Research Strategy for 08-10 has a strong focus on capturing learning and community outcomes from the activities we fund and manage. We will be undertaking two pieces of evaluation to capture the Social Return on Investment (SROI) of:
  1) Investment in Community Engagement activities at Renaissance-funded museums. This project is scheduled to start in January 2009.
  2) The Big Lottery Fund investment in Community Libraries. This project started in September 2008.

- We will hold a series of knowledge exchange forums with Renaissance-funded museums and Community Libraries to discuss SROI, its strengths and limitations, and how it can be used for performance management, planning and to support communication strategies. For more information on SROI,

  - SROI Primer by the London Business School: http://sroi.london.edu/
  - REDF’s update and lessons learned from using SROI: http://www.redf.org/learn-from-redf/publications/126

- MLA will continue to provide guidance and tools to facilitate consistent data capture across museums, libraries and archives. For instance,
  - MLA’s Data Collection Framework: (see http://www.mla.gov.uk/programmes/renaissance/what_is_renaissance/data_coll)
  - Tools to plan and assess outcomes-led projects: http://www.mla.gov.uk/policy/Learning and http://www.mla.gov.uk/policy/Communities/gso_overview
  - The Outcomes Framework includes evidence of impact, and best practice, as well as suggestions for indicators that can be used: http://www.mla.gov.uk/policy/improvement/Delivering_outcomes
1.0 INTRODUCTION

1.1 Background

The MLA Council has developed a sustainable vision for the MLA sector. A key element of the sustainability agenda relates to communication strategies and the mechanisms through which the MLA Council, museums, libraries and archives can demonstrate their economic and social contribution. At present there is considerable debate regarding the process through which economic contribution can be captured, the extent to which economic contribution and impacts can be attributed to the MLA sector and the capacity of the sector to capture economic contribution data which will facilitate the development of economic impact / contribution debates with various stakeholders at a local, regional and national level.

To inform the development of the sustainability policy, MLA commissioned Jura Consultants to consider methodologies which identify the economic contribution of MLA and other sectors / organisations with a social remit with a view to recommending the most appropriate methodology which could be applied by the sector, or organisations within the sector, to demonstrate impact / value.

1.2 Background

In 2005 / 06 libraries in England reported 290 million visits (an increase of 7.5% over a 5 year period), museums welcomed 50.4 million visitors (Source: Visits to Visitor Attractions 2006) and more than 2 million people visited archives at least once during 2005/ 06. Museums in 2005 / 06 reported that in aggregate 1 million school children engaged with museum activities and 275 million books were borrowed by library users during the same period. These statistics provide a useful snapshot of the level of engagement with museums, libraries and archives across England. The same survey provided an indication of the success of these facilities in terms of meeting user demands in terms of service quality etc. 94% of archive users and 92% of library users indicated that their library service was ‘good’ or ‘very good’. Quantitative measures of performance provide an indication of the success of these services, however these measures are output focused with little appreciation of the outcomes and impacts of MLA. In order to demonstrate wider benefits we must plan more emphasis on outcomes and impacts.

Guidance from MLA concerning recording experiences of engagement such as Generic Learning Outcomes (GLO) and Generic Social Outcomes (GSO) has attempted to widen the agenda in terms of measuring performance and success. Both GLO and GSO focus on the impact of an engagement with museum, library or archive collections and as such ensure that qualitative measures of success are recorded in tandem with quantitative indicators. This dual approach provides a broader expression of the impact of the sector, by illustrating the impact activities or collections have had on individuals or groups.

The MLA sector has always had an uneasy relationship with agencies interested in economic impact, development and regeneration. Museums, archives and some libraries are key contributors to the tourism product, either
attracting visits or extending the duration of a visit to a particular locality. The contribution of these organisations can be difficult to extract from the broader tourism product. In addition, museums, libraries and archives have a social role and responsibility, which can support economic development through either tourism type impacts or through contributing to the development of social capital, via education, skills development activity or creative transfer (inspiring the work of others). As museums, libraries and archive sectors are supporting agencies, adding value to the work of other organisations in addition to its own core purpose, it can be difficult to identify the unique contribution which the MLA sector provides. Economic impact however is of great interest to a number of agencies and is often the basis for investment decisions. Therefore, the MLA sector must identify if and how it should measure its economic impact to provide a robust assessment of the impacts it creates.

The measurement of the economic impact of the MLA sector also has relevance to wider strategic and policy arguments, particularly in relation to national agendas relating to outcome-focussed activities. Of particular relevance are the Local Government Improvement Agenda and the Sustainable Communities initiative. The Local Government Improvement Agenda is driven by the changing nature of public governance and public services, which is moving towards a focus on local outcomes and responsiveness to individual and community needs, as well as partnership working between public bodies and service providers. As such, the MLA sector may have a role to play in contributing to the change in public service provision and responding to the needs of the communities for whom museums, libraries and archives provide a service.

The Sustainable Communities agenda is part of the government’s drive to raise the quality of life in communities through increasing prosperity, reducing inequalities, more employment, better public services, better health and education, tackling crime and anti-social behaviour and much more. MLA has acknowledged the role which the sector can play in contributing to sustainable community, including:

- Fostering and creating pride in communities
- Celebrating local identity and sense of place
- Providing safe and trusted public spaces
- Promoting vibrant local cultures
- Empowering and engaging people from all backgrounds
- Creating cohesive communities
- Providing access to other services

MLA has acknowledged the role which the sector can play in contributing to these national agenda. It could be argued that the contribution which the sector plays in changing the nature of public service provision and raising quality of life in communities may have an impact on the overall value which is attributed to it. By providing an assessment of methodologies for measuring and demonstrating impact which report will identify the potential for a methodology to be applied which could capture the range of potential impacts of the MLA sector, including economic, social and environmental.

1.3 The Study Brief
This study has been commissioned to recommend the most effective economic impact methodology which should be applied in the MLA sector. Specifically, the research will answer the following two questions:

1) What methodologies are most effective at capturing the economic impact the MLA sector makes at the national, regional and local level?

2) What is the sector’s capacity to assess and effectively demonstrate the economic contribution it makes at the local, regional and national level?

The process and results of this work will inform the implementation of MLA’s vision for a sustainable sector. Also, MLA expects results to allow us to gather valuable information to develop stronger communication strategies around this subject, identify communication and advocacy gaps, address methodological challenges, inform the development of benchmarks and help MLA align its thinking with the sector’s main stakeholders (e.g. Regional Development Agencies, local authorities and DCMS).

Underpinning this study is the requirement for the sector to be more able to effectively demonstrate its contribution to the economy and society. Traditionally, these arguments have been captured through economic impact analyses and reporting of performance measures such as visitor / user numbers, visitor satisfaction, and the profile of users of museums, libraries and archives. The brief defined that the study should consider different methodologies and approaches to measuring economic contribution. In response to the views of the sector and the literature review, economic contribution has been defined as both economic impact, i.e. income, expenditure and employment, and the value, or benefits of the sector or service within the sector, expressed in economic terms.

1.4 Economic Impact, Contribution and Value

The principle aim of this study is to provide guidance as to how the sector can effectively demonstrate the economic contribution it creates for communication purposes. Economic impact, i.e. income, expenditure and employment is considered to be of greatest interest to sector stakeholders and as such this should be one of the areas of economic contribution considered during the study. However, economic contribution should be considered in wider terms than merely economic impact and as such the study considers alternative measures of economic contribution such as value expressed in economic terms, supporting other development agendas etc.

Essentially, the study is intended to assist the MLA in defining on what grounds the sector should communicate with respect to economic issues. Therefore, the study must consider the following:

- Can effective economic impact appraisals be undertaken within the MLA sector and do they provide robust assessments of impact?
- Should the sector focus on demonstrating the value it provides in economic or financial terms?
- Can the sector construct compelling arguments based on economic rationale that are powerful for the purpose of communication strategies?
• Should the sector focus on non-economic arguments to demonstrate its value and impact to strategic stakeholders?

For the purposes of this report we will use the following definitions:

**Economic impact** – expenditure and employment generated or sustained by the activities of a museum, library or archive

**Value** – benefits of using the museum, library or archive expressed in economic terms

**Contribution** – includes the economic impact in terms of income, expenditure and employment and the holistic benefits which the sector provides with respect to social and economic value.
2.0 LITERATURE REVIEW

2.1 Introduction

John Myerscough’s “Economic Impact of the Arts” was published in the late 1980’s and represents the first real application of multiplier analysis to demonstrate the economic impact of the creative and cultural sector. This study clearly demonstrated the volume and value of employment and contribution of the creative industries to the national economy. Using multiplier analysis, a robust estimate of employment and spending in the economy, driven by creative activities was achieved. This approach has been further developed and applied by many sectors and organisations which can be considered ‘creative’, including museums, libraries and archives. Debate has continued for the last 20 years or so, discussing how the economic contribution made by the creative industries can be effectively defined and measured. Of greatest interest and contention is the transmission mechanism, converting activity or output into financial measures of value or impact and capturing the full economic impact of a sector which provides direct economic impact in addition to enabling services and inspiration which is in the main intangible and difficult to define.

A comprehensive literature review has been completed covering studies commissioned by museums, libraries and archives, articles by industry commentators and studies undertaken for other sectors which provide non-priced goods, such as the environment. Completion of this review has provided an indication as to the most effective methodologies which should be considered for application to the MLA sector.

2.2 The Sector and Economic Contribution

The literature review has identified methods through which the sector can deliver economic and social impacts. Before reviewing the ways in which this impact can be delivered however, it is worth noting the research carried out by Eleonora Belfiore and Oliver Bennett1, which identifies the limitations in the exiting approaches to measuring impacts. Belfiore and Bennett provide an analysis of the extent to which we can determine the impact of the arts on individuals. By reviewing a range of sources, the authors conclude that there is a gap in existing research in terms of providing an understanding of the aesthetic experience, without which we cannot fully assess and measure the impact which the arts have on people. Belfiore and Bennett recommend an exploration of the ‘determinants of impact’, the social, cultural and psychological factors which contribute to the shaping of the aesthetic experience, in order to measure impact in a robust and meaningful way.

Acknowledging the arguments presented by Belfiore and Bennett, the literature review has identified ways in which the MLA sector can deliver economic and social impacts. Economic impacts delivered by the sector take two forms:

1. Tangible – outputs that can be directly measured
2. Intangible – outputs which are facilitated by the activities and programmes delivered by Museums, Libraries and Archives

1 Determinants of Impact: Towards a Better Understanding of Encounters with the Arts (2007) Cultural Trends Vol. 16 (3)
As in almost all sectors, the MLA provides employment, which delivers direct impacts in terms of spending in the economy by employees. The sector also purchases supplies to facilitate the delivery of services, from heat, light and power, to products to sell in the gift shop or café. Expenditure on supplies therefore supports the continuing operation or growth of suppliers, who in turn employ people who spend their salaries in the economy. Clearly, this expenditure, income and employment can be identified and in some instances, defined with a reasonable degree of certainty. This approach has been taken by a number of organisations and sectors to identify impact. This will be discussed in greater detail in a later section.

Of greater interest and debate are the intangible impacts which the sector creates. A number of activities, events and programmes are delivered by museums, libraries and archives which contribute to economic development at a local, regional and in some cases national level. The existence of museums, libraries and archives contributes to the sense of place - creating a better place to live, and a more interesting / exciting place to visit. In an economic impact assessment for National Museums Liverpool, Tony Travers argues that National Museums Liverpool (NML) is a key pull factor, drawing visitors to Liverpool, even though it is recognised that the scale of this is impossible to measure. The report also argues that NML has helped to enhance Liverpool’s brand, partly due to presence in the media and the frequency at which this occurs.

In terms of existence, museums, libraries and archives contribute to the economic and social strength of a locality and can act as a key tourism development driver, providing reasons to visit or extend the length of visit to a location, thereby supporting the local economy.

Museums, libraries and archives, through the provision of information and presentation of collections can inspire creativity, new ideas and approaches to life, business and social interaction. Visitors to exhibitions, researchers of archival collections and users of reference collections gain benefits from these experiences which can be translated into social benefits, i.e. an enjoyable experience, greater understanding of family or local history or improved understanding of topics of personal or academic interest. They may also report an economic benefit from these interactions. Creative transfer from viewing an exhibition into the production of a work of art / product for sale, record agents operating businesses delivering services which use archival collections and authors, designers and businesses benefiting from free access to reference material which stimulates product development. The existence of MLA assets and public access to these assets undoubtedly produces economic impacts and benefits through enabling economic transactions to be created downstream. David Powell Associates argue that:

“In a post-industrial knowledge economy, the management and exploitation of knowledge will rely greatly on finding new ways of using libraries and archives”

Museums, libraries and archives are sources of information which can assist people into work and personal development. The Leitch Review of “Skills in the UK: the long term challenge” published in 2006 recommended that libraries play a key strategic and operational role in the delivery of Adult
Careers Service, which is currently delivered by the Learning Skills Council. It is proposed that libraries provide a one-stop-shop careers service, assisting individuals and businesses to identify individual and business training needs. The successful delivery of this model will improve the skills of individuals and ultimately the competitive strength of employers and the nation. Libraries were selected to be the key engagement and liaison point as they are seen as non-threatening areas which serve a community development function at present.

Lifelong learning activities and services delivered by museums, libraries and archives contribute to the social development and educational attainment of school based and other learners. Although only a contributory factor, there is clearly a beneficial social impact of early engagement with cultural activity, as demonstrated by the recent commitment by DCMS in February 2008 for schools to deliver 5 hours of culture per week. Culture in terms of education and skills development is clearly important and as this has an economic dimension should be considered within the wider assessment of impact and contribution.

Training and volunteering programmes delivered by museums, libraries and archives assist in the development of human capital, increasing participants' employability in terms of technical and inter-personal skills. The sector therefore contributes to the local, regional and national economies in terms of workforce development via supporting personal development.

2.3 How does the sector deliver value?

The value of the sector has traditionally been demonstrated via participation in activities and services delivered by the museum, library or archive. User or visitor numbers and their satisfaction with services engaged in provide a measure of value, i.e. x people reported that they were very satisfied with their engagement with the service, collection etc. There has been an increasing movement towards the value of outcomes of participation with the publication of Generic Learning Outcomes and Generic Social Outcomes. These models were designed to capture the experiences and benefits reported by users and visitors against set criteria and the approach has reported some success.

The Renaissance in the Regions Programme has provided funding, distributed through regional hubs to a number of museums which has delivered a range of new activities designed to engage with key audiences. This wider role, facilitated through additional funding has enabled museums to test new concepts in service delivery, new activities and new ways of working to deliver additional value and benefits for existing and new visitors / users.

Museums, Libraries and Archives contribute to the wider health and social agenda through outreach activities. For instance, doctors prescribe books to patients, which are distributed from the library to help patients understand their condition or implications of treatments. Some museum and archive services are delivering reminiscence, often intergenerational projects which are delivering real benefits to elderly members of society through personal interaction with peers and younger members of society. Anecdotally, these
activities improve the quality of life of participants and assist other
departments, such as social care to deliver and manage services.

There is an increasing shift towards digitisation and digital access to
collections which will further extend the debate regarding users, motivations
and value. As more collections are made available via electronic means, the
number of beneficiaries will increase and the ability of the sector to track and
trace benefits and end uses of engagements will become increasingly
challenging. With reference to current methodologies and toolkits, the social
economic outcomes of engagements with museums, libraries and archive
collections will require increasingly complex methods of capturing evidence
and data.
The challenge is to identify and implement an economic impact methodology
which captures all tangible and intangible benefits delivered by the sector.

2.4 Methodologies Applied to the Sector

A wide ranging review of economic impact methodologies applied in the
cultural and related sectors was undertaken to set the baseline and to inform
the debate. The following table summarises all methodologies identified and
includes techniques which have been applied and those which practitioners
have indicated may have some merit / application to the MLA sector.

<table>
<thead>
<tr>
<th>TABLE 2.1</th>
<th>IMPACT METHODOLOGIES IDENTIFIED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiplier Analysis</td>
<td>Cost Benefit Analysis</td>
</tr>
<tr>
<td>Contingent Valuation</td>
<td>Cost Effectiveness</td>
</tr>
<tr>
<td>Return on Investment</td>
<td>Actuarial Assessment</td>
</tr>
<tr>
<td>Production or Value Chain</td>
<td>Hedonic Pricing</td>
</tr>
<tr>
<td>Analytical Hierarchy Process</td>
<td>Impact Statements</td>
</tr>
<tr>
<td>Benefit Transfer</td>
<td>Linear Addictive Model</td>
</tr>
<tr>
<td>Budget Impact Models</td>
<td>Market Valuations</td>
</tr>
<tr>
<td>Decision Trees</td>
<td>Performance Matrix</td>
</tr>
<tr>
<td>Dominance</td>
<td>Ranking and Outranking</td>
</tr>
<tr>
<td>Fuzzy Sets</td>
<td>Trade Off</td>
</tr>
<tr>
<td>General Morphological Analysis</td>
<td>Value Dossiers and Strategies</td>
</tr>
</tbody>
</table>

The methodologies identified in bold in the table above were considered to be
of greatest interest and merit. These were selected as they are either
currently applied to the sector or the methodology and outcomes of the
application of the methodology could be used to provide results which would
be of use to the sector. The following table summarises the approach taken
as part of each methodology, and examples of the sectors in which they have
been applied.
<table>
<thead>
<tr>
<th>Methodology</th>
<th>Description</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiplier Analysis</td>
<td>Direct impacts identified in terms of income and employment. Multiplier value (derived from input-output tables) applied to identify indirect and induced impacts. Tourism impacts most frequently use the Cambridge or STEAM models.</td>
<td>Tourism (Cambridge) Natural and built Environment (National Trust) Arts and Culture (Welsh Economy Research Unit) Sport (UK Sport)</td>
</tr>
<tr>
<td>Contingent Valuation</td>
<td>Assesses willingness to pay to continue accessing a service, and amount they would accept to compensate for its loss. Expressed as the collective value which individuals derive from the existence of an asset.</td>
<td>Health (e.g. economic value of morbidity) Environment (e.g. recycling, countryside footpaths) Transport (rail travel)</td>
</tr>
<tr>
<td>Return on Investment</td>
<td>Combination of contingent valuation and multiplier models. Based on what would happen if asset ceased to exist (willingness to accept; includes the following: net benefits (added costs to use alternatives), the benefits which would be lost as some users would not bother to use alternatives revenues that would be lost by vendors and contractors. Impact expressed as a ratio of benefit of availability to cost of availability.</td>
<td>Libraries (e.g. Florida, Pennsylvania)</td>
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<tr>
<td>Cost Benefit</td>
<td>Identifies and analyses impacts in monetary terms – seeks to establish whether the benefits of an investment outweigh the costs. Can use contingent valuation techniques to identify benefit (e.g. willingness to pay and willingness to accept)</td>
<td>Used across the public and private sector to evaluate expenditure decisions: Environment Transport Policy Planning Health Care Urban Regeneration</td>
</tr>
<tr>
<td>Cost Effectiveness</td>
<td>Assesses the most cost effective option for delivering an objective. Can be applied to an independent analysis (i.e. Cost of providing a service/Benefits) or if the options are mutually exclusive (Difference in cost between options/Difference in benefits).</td>
<td>Public sector – (when assessing alternative options for delivering outputs e.g. the Green Book) Agriculture Fishing Ecology</td>
</tr>
</tbody>
</table>
2.5 Multipliers (Gross Value Added)

This section provides a short description of multiplier analysis, its advantages and disadvantages in general and with specific regard to the museum, library and archive sector.

Multiplier analysis is the most frequently used economic impact assessment tool in the cultural sector. The methodology was developed to assess the economic impact of projects and destinations in the tourism sector and is therefore based on expenditure incurred by businesses in the sector and income injected into the local, regional or national economy by visitors. The output of a multiplier study is based on the direct, indirect and induced impact of spending in an economy. Definitions of these terms are provided below:

(i) Those persons employed at the museum, library or archive and receive employment income – this is called the ‘direct effect’

(ii) Those persons employed in businesses who supply goods and services to the museum, library or archive – this is called the ‘indirect effect’

(iii) Those persons whose employment depends upon the consumption expenditure of persons in (i) and (ii) above

A key element of the analysis is calculation of visitors into the economy, their spending and the trickle down effect to other businesses and individuals in the economy. It allows the practitioner to undertake both ex ante evaluations of the impact of projects, based on assumptions related to user numbers and spending and also economic impact assessments of existing businesses / operations.
2.5.1 Attribution, Displacement and Additionally

Multiplier analysis has been broadly used across the museum domain by National Museums Directors Council and National Museums Liverpool as an advocacy tool to present the economic impact of the sector and to argue for additional resources. Although an accepted model of assessing impact, there are inherent issues which affect the consistency with which the model is applied. Issues of displacement and additionally are often ignored as there is no recommended method of dealing with them. This undermines the credibility of the results returned as in some cases, the museum claims all tourism benefit, whereas in reality it is more likely that the museum played a part in the decision to visit an area, but it was not the only reason. Issues of attribution are handled in many different ways. An economic impact evaluation carried out for the Museum of Modern Art in (MOMA) New York identified, through visitor survey, the role MoMA played in attracting visits to New York. This provided a more robust estimate of the real benefit the Museum delivered to the city.

2.5.2 Assessment of Visitor Spending, Multiplier Development and Selection

The fundamental principles underpinning the volume of the impact is the number of visitors, value of visitor spending and the multiplier applied to these assumptions. Clearly, the bigger the visitor number and spend per visitor, and the larger the multiplier, the greater the impact. This raises concerns where the methodology is used to inform decision making for capital investment or service enhancement. There is a risk that figures will be inflated to produce a favourable result. In addition, effective multiplier analysis is based on the assumption that there is an effective Input-Output table in place. Input-Output tables use multipliers to demonstrate how an injection of income into an economy is filtered through industry types.

Within several studies, a multiplier within the range 1.5 to 1.7 is considered to be most appropriate and acceptable to DCMS and stakeholders.

2.5.3 Application to the Sector

Multiplier analysis can be applied to museums, archives and libraries with unique collections. By definition, multiplier analysis focuses on visitors to the local economy, and as such would ignore local residents spending related to a trip to the museum, library or archive. Local lending libraries would report a very low economic impact using multiplier analysis. As their collections are not unique and as such there is no need for users to travel and therefore no injection of income into the local economy.

Although there are concerns about the application and usefulness of multiplier analysis, it is widely accepted by Regional Development Agencies as a key tool in decision making and resource allocation.

This methodology does not take into account the wider benefits of the sector, e.g. supporting elements of economic development, e.g. training and
development etc. In addition the methodology does not allow an identification of the unique benefits of a sector.

Some MLA services provide a range of services which would deliver modest impacts via multiplier analysis. Traditional multiplier analysis would present funds invested compared against economic impact. The impact may be small, but the benefit large to some or all users. Cost-benefit analysis, which would undoubtedly be performed would suggest the service poor in economic impact (jobs etc) terms and as such could become a target for budget cuts. In essence, assessing the impact of a social service in economic development terms in which case the museum, library or archive will fail in comparison with other sectors.

If considered, the economic impact as measured by multiple analysis of museums, libraries and archives should be an interesting aside, rather than the primary assessment of impact / value / contribution. The agenda should consider the value placed on services as opposed to impact of an organisation / service designed to deliver social benefits. Investors in museums, libraries and archives must have an understanding of the return on their investment, however, the way in which this is captured and expressed requires greater consideration than that afforded by multiplier analysis.

2.5.4 Data Required

Representative surveys are required to undertake effective multiplier analysis. The number of surveys undertaken varied across the studies reviewed. The MoMA study included 1,625 interviews, captured across 12 days, whilst a survey carried out by ECOTEC in the East Midlands used 57 surveys. Robust methodologies should capture the spending pattern of circa 1,500 respondents.

2.6 Stated Preference

The economic principle of stated preference concerns asking users / consumers to state the value they would place on the consumption of a non-priced good. As many museums, and almost all libraries and archives are free at the point of use, this can be a useful tool in identifying the value placed on services. The two main techniques through which stated preference has been employed in the MLA sector are contingent valuation and return on investment. These techniques are considered in detail below.

2.7 Contingent Valuation

Contingent valuation has been applied twice in the UK in the MLA sector. It was first used by the British Library in 2004 and then applied in Bolton in 2005. The technique stems from environmental economics, where it was used to estimate the value in economic terms of landscapes, protection of rare species etc. It was also used in the Supreme Court in the U.S to estimate the compensation to be paid by Shell in the wake of the Exxon Valdez oil spill in 1989.

The technique asks users and non-users to state what they would be willing to pay, to access a good or service, or conversely, what they would be willing to accept as compensation for the cessation of a service. Large,
representative sample sizes are required to provide average willingness to pay and willingness to accept factors which are then grossed up based on actual number of users. This provides the user value of the service. A key principle of contingent valuation is that non-users are also asked to indicate the value that they place on a service or good which they have never consumed. This is called the non-user value and is identified again through surveys conducted with a representative sample of the non-user population which identifies willingness to pay and willingness to accept values. Due to the large sample sizes, the average is taken as a representative value which is grossed up against the population of the catchment area which are considered to be non-users. Non-users are asked to provide two values:

1. Option value – i.e. “I like to know that I have the option to use the museum, library or archive at some point in the future”
2. Existence value – “I like to know that the museum, library or archive exists even though I may never use it”

The grossed up aggregate values are summed to provide a total non-user value which is added to the user value to obtain the value of services provided. This approach was used in the completion of the British Library and the Bolton studies. Comparing these studies provides useful insight into some of the key issues associated with this technique.

### 2.7.1 Non-User Values

The first issue relates to the size of the non-user population. The greater the population size, the larger factor the non-user values will be grossed up by. The British Library claimed that all residents of the UK who were not users, were non-users. This gave a non-user population of circa 55 million and resulted in a significant non-user value. The Bolton study however used a non-user population which was the population of the Bolton Metropolitan Borough minus the number of users of each service. This was informed by the fact that Bolton reports very little in-commuting and low levels of tourism. Therefore, the assumption was made that all residents of Bolton were either users or non-users, which provided a defined catchment area and population.

The method and tools are not without their criticism however, with many non-economists (psychologists, scientists etc) disagreeing entirely with the assumptions they are based on. One of the primary arguments is that people are not capable of valuing non-market goods within the parameters of the market (Sagoff 1988). Others, (Turner 1988) say that there is a dilemma between the consumer and the citizen aspects of our person, in which the consumer wants the lowest price and best product with disregard to its effect on the environment, heritage etc. while the citizen side of our person holds those intangibles above a market value.

Those are general criticisms for valuating non-market goods. There have also been specific criticisms of using willingness to accept as a tool for contingent valuation, in that WTA is seen as being systematically higher or inflated than its counterpart WTP. Bateman and Turner (1992) identify previous studies that have found a discrepancy between people’s WTP and WTA; Knetsch & Sinden (1984), Brookshire, Randall & Stoll (1980), Bishop and Heberlein (1979), Banford, Knetsch & Mauser (1977), and Hammack and Brown (1974).
Some of the possible explanations for this discrepancy between WTP and WTA are:

- as a concept, WTA is more difficult to get across than WTP when giving a survey or questionnaire, thus respondents give different, uninformed answers
- loss aversion, also described as the “endowment effect”, such that people are inclined to value a loss of something higher than they are to value a gain of the same thing, a psychological phenomenon which is unaccounted for (in) and contrary to traditional economic thought (Eberle and Hayden 1991, Raban and Rafaeli 2003)
- income effects (Hanemann 1991), as described by Bateman and Turner (1992), “where the elasticity of substitution is low and/or the WTP/income rates is high i.e. for unique, irreplaceable assets which individuals care a great deal about”

Further, the concepts underpinning non-user values are also the subject of concern, criticism and debate. The option value of a museum, library and archive seems particularly pertinent given that a lack of time is one of the most common answers to surveys designed to identify reasons for not visiting museums. Similarly, for some users the use of some museums and archives can be linked to stages in the lifecycle, with engagement occurring when a child, when a parent of young children and then a grandparent of young children. Therefore when surveyed as a non-user, it may be the case that the respondent is between periods of engagement, but knows that a future period is upcoming. These individuals may be classed as a user (in that they have previously used the service) or non-user (in that they haven’t used for a long-time). The option value is clearly related to the principle of future benefit which can be obtained. In economic terms, we can consider the option value to be future utility, which will only be released at a set point in time, during a period in the lifecycle or when a particular activity or event is offered. The non-user option value has merit and should be included on an assessment of value as there is the intention to visit, albeit at a point in the future. The non-user value could be linked to the concepts and principles of audience development to prioritise activities to widen engagement, i.e. if issues and barriers were addressed, option value would become user value.

2.7.2 Existence Value

The second strand of value judgement is existence value. This concept has been used to demonstrate the existence value of a number of assets in environmental economics. Existence value does not require any action from the value. As the value given is not related to an intention to visit the museum, library or archive, there is no utility to unlock and if there is no utility there is arguably no value. In terms of communication strategies, does it matter that the public place an existence value on a facility if they will never use it?

Contingent valuation and stated preference techniques cannot be used to guide capital investment decisions for new buildings and projects. The project has no users, no existence value can be placed on the project and identifying
an option value would be so objective as to be untenable. The real value of stated preference techniques lies in establishing value for money for non-priced goods.

Contingent valuation does allow a broader range of benefits delivered by the MLA sector to be investigated and evaluated in greater detail. Where multiplier analysis focuses on expenditure, stated preference allows the practitioner to identify the value placed on activities which incur little or no expenditure to deliver.

There is great scepticism amongst some economic commentators as to the validity and robustness of contingent valuation, due in part to asymmetric information regarding the topic under review. Can people be expected to give a rational informed answer to a question concerning a product or service they have never used / experienced or have little knowledge of? Critics say no, and the exercise is little more than ‘pick a number’. The Bolton study referred to above, however, reported that the user value of libraries equated almost exactly to the cost per taxpayer to deliver the service. Participants (users) would have had no idea how much of their council tax is allocated to the library service. This would suggest that the contingent valuation methodology can provide relevant valuations. In a recent edition of the Journal of Cultural Economics, a number of commentators (such as Richard Epstein and David Throsby) discuss the limitation of the contingent valuation approach but conclude that, while the methodology is in need for refinement, there is potential for the contingent valuation technique to be applied more widely in the cultural sector. Commentators therefore appear to be giving cautious support to this methodology, while acknowledging the need for its limitations to be addressed.

2.7.3 Data Required

Contingent valuation studies undertaken for the British Library and the Bolton Metropolitan Borough Council Museums, Libraries and Archives services used large scale representative surveys to obtain user and non-user values. The Bolton study also used focus groups and interviews to provide context for the values returned by users and non-users.

The key requirement in terms of data collection and profiling relates to the need to be able to effectively define the non-user catchment area and population characteristics. This requires effective understanding of the current users of the service.

2.7.4 Refined Contingent Valuation Methodology

We consider that a refined contingent valuation methodology could be effectively applied in the MLA sector to effectively express the value of a service in economic terms. The following refinements are recommended:

- The existence value should be excluded from the value judgement process
- Willingness to accept questions should be used in addition to willingness to pay questions to provide a cross-check and further evidence that the willingness to pay estimate is appropriate. The concept of willingness to accept can be difficult to explain in a self-
2.8 Return on Investment Models

Libraries in the US have applied Return on Investment models which have combined the principles of both stated preference (contingent valuation) and multiplier analysis to establish the return on taxpayer investment. The Return on Investment model is essentially a combination of multiplier analysis, (used to identify direct in-state spending by the institution), and contingent valuation which examines the value placed on services and costs incurred by users caused by the service ceasing to exist. The technique uses the following measures:

- User investment – value placed on libraries by users, including time invested, travel expenses etc
- Cost to use alternatives – if the service did not exist what alternative would they use and what would it cost
- Lost compensation for library staff – no service means no staff which has a larger impact on the economy
- Direct in-state expenditures – purchases made by the service
- Community economic benefits – spending by visitors in local service providers (coffee shops etc)

A survey is used to identify the costs incurred to use the library (travel etc), cost of alternative sources of information and what users would do to obtain information if the museum, library or archive did not exist. Feedback and information from users was used to provide a series of cost benefit ratios which demonstrated the benefit to a range of types of user based on the analysis undertaken.

The information obtained by the survey can then be used to form a series of benefit : cost ratios. The headline ratio is the overall benefit derived from the service considered against the cost of delivery. The net benefit is identified through subtracting the user investment from the cost to use alternatives. This net benefit can then be considered against the cost of the service. Further analysis can be undertaken to present the following measures of impact / value:

Benefit (B) to Cost (C) ratios (read the following as ratio of benefit of availability of service against cost of availability)

B/C (Availability)
The benefit to the state in terms of availability (existence) of the service measured as the total cost to use alternatives, if the public libraries did not exist. The cost is the cost of delivery.
B / C (Use)
Benefit to the state (in terms of time and money saved through the use) of the service. The cost is the cost to deliver the service.

The B / C (REMI) (Wages)
Benefit to the state in terms of wages. The cost is the cost of provision.

The B / C (REMI) (Gross Regional Product)
The benefit to the state in terms of GRP of output. The cost is the cost of delivery.

This technique provides the flexibility of delivering a broad range of indicators of value and impact from one process of data collection and a series of analyses. Effective application of the technique would enable the practitioner to demonstrate economic impact and the importance of the service to the local, regional or national economy, but also the value placed on the service by its users. A further advantage of the methodology applied is that it allows an identification and quantification of the benefits reported by purpose of use or type of user. Benefit : cost ratios can be calculated for the following types of use:

- Recreational
- Personal
- Education / Studying
- Education / Teaching
- Work

The Return on Investment model has been applied by several states in the U.S including Florida, Pennsylvania and North Carolina. The presentation of analysis in this manner ensures that the economic impact of a service is not viewed in isolation. User values, identified through survey, provide an indication of the benefit reported / experienced by participants. Taken together, these measures present the economic and social case for a service in economic terms. This should ensure that the discussion and debate on the impact and value of service are considered in tandem, joining the visitor aspect (multiplier analysis) to the resident aspect (user values).

There is clearly some merit in considering the wider application of the Return on Investment model. It appears to work well in the library domain, however there are some initial concerns about its validity. The process places emphasis on cost of alternatives. All available alternatives may not be known and as such the value placed on these services may be inaccurate. In addition, issues related to the principles of willingness to accept, i.e. that there is a risk that the service may be closed down may lead to protest votes, i.e. artificially inflating the cost of alternatives to maximise the current net benefit.

The Return on Investment model has been applied in the U.S in many library services. In general many library services provide access to sources which are not unique (excluding some reference libraries and local study collections). Therefore there are alternatives, the user could pay to purchase a book, CD, DVD etc or could subscribe to library services such as EMERALD, J-STOR etc. In contrast, museums and archives provide access to unique collections for which there are no like-for-like alternatives. Clearer definitions of the purpose of use would be required if true cost of alternatives
were to be found. For instance, assume user A’s purpose of visit is to see a specific collection of ceramic artefacts at a particular museum. If access was not provided at the museum, there would be no cost of alternative as the intention was to see a specific collection. If however the purpose of visit was to spend leisure time, the visitor could select a wide range of things to do, the cost of which would vary dramatically. If for instance, a cultural leisure experience was desired, the visitor could attend the cinema which would have one scale of cost. If a learning experience was desired, the visitor may spend time at home researching information on the internet, which would be relatively low cost. Therefore there are two key issues:

- Unique assets in the museum and library domain for which there is no cost of alternative for some users
- Some users may have alternative activities to engage in, for which the cost may vary dramatically, depending on intentions.

### 2.8.1 Data Required and Data Collection Process

Data collection to facilitate the development of a Return on Investment model is onerous and time consuming. The data collected can be used to demonstrate impact and value in a number of ways and as such a comprehensive approach must be devised to capture robust information. The following techniques were applied in capturing data to facilitate the development of the Return on Taxpayer Investment in Florida Libraries:

- Household Telephone Interviews
- Workshop
- 17 libraries conducted in-library surveys (library staff delivered)
- Surveys of schools and businesses
- Input-output model (Regional Economic Modelling Inc (REMI))

In developing the model in Florida, 2,388 adults and 169 organisations responded to surveys designed by the study team. In addition, an input-output model was developed for the local area to increase validity and certainty of economic impact calculations. Input-output modelling allows expenditures to be tracked as they filter through the economy (as defined, local, regional or national). As each economy will be different and will depend upon the types of business and industry located within it, the development of a unique input-output model will increase the validity of the analysis undertaken.

### 2.8.2 Application and Applicability

The Return on Investment Model as applied to state library services in the US provides a varied and detailed range of indicators of impact and performance, thereby meeting the requirements of a range of audiences and stakeholders from investment agencies interested in the job creation / safeguarding benefits of libraries and elected officials who may be interested in job creation and the views of the electorate, who fund the delivery of services through taxation.

This would therefore address issues of interest to the sector and to strategic stakeholders. The sector is interested in the value of the services which they
provide, whilst strategic stakeholders and development agencies are interested in the economic impact in terms of jobs created and supported. The application of this tool would address the needs of both audiences.

The fundamental issue associated with the application of this methodology to museums, libraries and archives and the MLA sector is the cost associated with capturing the required data and utilising this data effectively to produce robust results. The methodology is an econometric tool which charts the impact of spending in an economy.

2.8.3 Consideration of Wider Social Benefits

At present there is an interest in debate as to the wider social benefit of the MLA Sector, considering the role of the sector social care, health and well-being, etc. Activities such as books on prescription (libraries), object handling sessions in hospitals and day centres and the delivery of genealogical information from archives provide social benefits which undoubtedly have a value for existing and potential users. To what extent should the value of these services be included in value judgements as to the impact of the service provided?

No study that we are aware of, has attempted to examine or quantify the economic impact of services provided by MLA to other sectors, such as healthcare. In addition, no attempt has been made to assess the economic impact or value of the sector in terms of social cohesion, diversity etc. The delivery of services by MLA undoubtedly supports services service delivery in social care, education etc. However, there is a limit to the extent of benefit which the MLA sector can claim.

Museums, Libraries and Archives play a crucial role in recording, capturing and reflecting culture. They are a key means of expression of UK culture and address issues of diversity and commonality. In many ways, the MLA sector is similar to the indigenous UK film industry. Oxford Economics undertook an investigation into the economic contribution of the UK Film Industry which quantified the volume and value of the sector but also argued for its wider benefit, namely:

- Films depicting the UK are responsible for attracting about 1 in 10 overseas tourists
- Films deliver an educational value and increase awareness of social and cultural issues
- Positive spin-offs are generated through British Film which help to encourage good citizenship

The MLA sector is similar to the film industry in the following ways:

- Both deliver a product which can be consumed, i.e. movie, exhibition, use of collections, activity etc
- Both can reflect contemporary or historic culture to an audience
- Both can deliver creative transfer, i.e. inspiring others to create products, services, activities
- Both can have intrinsic cultural and educational value
• Both contribute to the tourism and cultural agenda, encouraging visits to an enjoyment of places

2.9 Conclusion

The literature review indicates that there have been few economic impact methodologies applied to the MLA sector. The most commonly applied methodology being multiplier analysis which demonstrates the employment impact in the local, regional and national economy of the existence and activities of museums, libraries or archives. Multipliers are effective at illustrating the trickle down effective of spending in an economy, however it is subjective in that users can define their own multiplier and in some cases visitor expenditure per head. In addition, multipliers fail to capture the broad range of additional benefits which the sector can deliver.

Stated preference techniques place the user centre stage and assess value through asking the users and non-users to place a value on the services delivered via the concepts of willingness to pay (WTP) for a free service, or willingness to accept (WTA) the loss of a service in the form of compensation. The contingent valuation technique can be used to assess the value of services delivered, however there are serious concerns with respect to including non-users in the value calculation and values obtained through existence and in some cases option values. Contingent valuation does not demonstrate impact in terms of expenditure and employment, but it illustrates value and it can be used to present a value for money argument.

Return on Investment was also reviewed as part of the literature review process. This technique has been applied to many State library services in the US. The technique includes a combination of multiplier and stated preference techniques to create a range of indicators of impact and value.
3.0 ECONOMIC IMPACT AND THE SECTOR

3.1 Introduction

In response to the findings of the literature review, a programme of consultation was carried out with representatives of the MLA sector, and relevant stakeholders.

Consultation with the sector was carried out in the form of focus groups in three regional areas: South East, North West and London. Focus group participants were made up of representatives from museums, libraries and archives. The purpose of the focus groups was to assess the extent to which the sector currently measures its economic impact, including the data they collect and the methodologies they use. We also explored the importance which the sector places on measuring its impact, and the purpose of doing so. Finally, the focus groups provided an opportunity to test the most appropriate methodologies for measuring impact, and the capacity of the sector to apply these methodologies.

In addition to consultation with the sector, interviews were carried out with relevant strategic stakeholders. The purpose of these consultations was to assess the commonly accepted methodologies for demonstrating impact in the regional economy, and where cultural projects, with specific reference to the MLA sector, fit within the strategies for economic development in the region. A list of stakeholders consulted is included as an appendix to this report.

3.2 The View from the Sector

Feedback from focus groups carried out with the sector is summarised below:

Current Data Collection
The sector is currently required to collect a vast amount of data, but the reasons for doing so are not always clear. Feedback from the sector indicated that there is potential to refine the existing data collection procedures to address the issues of participation, economic impact and value, for example using Public Services Quality Group (PSQG) research to ask questions about archive users’ expenditure per head. However, the point was made that the sector counts too many things, and the most important information for evaluation purposes should be identified.

Economic Impact Methodologies
The focus groups provided a discussion on the methodologies used for measuring impact. While there was experience within the sector of evaluation studies using multiplier analysis, there is a general acceptance that this methodology was not appropriate or effective. With reference to previous studies which have been commissioned or published, there was awareness of the British Library study which used the contingent valuation methodology, but it was felt that the study had very little impact or importance within the sector.

The PSQG data in the archive sector was viewed as useful in providing some indicators of economic impact, but that this information does not necessarily lead to strong support from the government. The lack of importance which
local authorities place on culture was seen as a factor which limits the effectiveness of economic impact studies.

**The Value of the Sector**
When asked about the extent to which the sector values its impact, the main message from the focus groups is that it is important to demonstrate the social and cultural benefits of the sector. While the importance of economic impact was acknowledged by some participants, this was less important than the wider social and cultural benefits.

The point was made by participants at all focus groups that the MLA sector ‘changes lives’ and it was felt that a method of measuring this impact should be considered. It was acknowledged that the scope of this consideration could be potentially wide, including impact on quality of life indicators, social cohesion, health and well-being. Methods of measuring these types of impact which were suggested included using case studies to provide a narrative on the impacts, particularly on communities, groups and individuals.

There was no consistency across the groups about the method through which the value of the sector should be measured. Some felt that unique special cases should be demonstrated, while others felt that generic messages about the impact of the sector need to be communicated. Others made the point that the value of the sector could be assessed by asking users for their view on the amount of council tax spent on the MLA sector, and making a judgement on whether this is too little or too much.

In terms of demonstrating the value of the sector, representatives felt it was important to be able to rank their service against the services provided by another neighbouring or comparable local authority. It was also stated that there should be a greater understanding of the indirect impact which funding the sector has on other local authority priorities, for example the impact of museums on education and social care.

**Application and Communication Strategies**
In addition to feeling that too much information is collected, sector representatives also indicated that there is a lack of clarity about what the information is used for. However, in terms of the end use of the data collected, the following uses of data were mentioned in the focus groups:

- To assist service development
- To assess and compare service quality
- To provide advocacy data to protect or enhance budgets
- To demonstrate added value
- To support funding applications
- To assess value for money
- To assess cultural capital

There was a perception within the sector that the key messages which are valued by local authorities are in terms of net financial benefits.

**Future Methodologies**
In terms applying a methodology to future evaluation of the sector, it was felt that the methodology needs to differentiate between different types of use
(such as visits; remote use; learning and education, and business) and between audiences (including active and passive users, active and passive non users, and those who will never use the service). It will also be important to identify where users come from, particularly if value is to be assessed with reference to council tax payments. The methodology should ensure that the analysis can identify the value of the specific service, i.e. museum service, rather than of the museums in general.

While demonstration of financial value of services was viewed as important, it was felt that this information should be complemented by narrative descriptions to increase understanding of the generic and unique benefits that services provide. Capturing the social value of the sector should be capable within the methodology.

In relation to contingent valuation, a number of queries were raised about its application within the sector. At a local level, there was concern raised about how difficult it may be to assess willingness to pay. At a regional level, there was less difficulty understanding the concept, but it was felt that there may be difficulties in the application of the methodology. Some of the issues with application related to the identification of the non users’ values, and ensuring that the values given are an accurate reflection of how people view the service.

3.3 The View of Stakeholders

Responses to the issues raised during interviews with stakeholders are summarised as follows:

Experience of Economic Impact Studies

There was a varying degree of awareness and experience of economic impact studies among the stakeholders consulted. Some stakeholders, while being involved in planning and strategic development in relation to the regional economy, had not had direct experience commissioning or responding to economic impact studies.

Of those who had experience of economic impact studies, the type of study they were most familiar with involved multiplier analysis. Experience of these studies ranged from reports looking at the regional tourism sector, to reports with more specific application with in the MLA sector, including economic impact studies of museum and library services within particular regions. The purpose of these studies included the defence of budgets for particular services, as well as demonstrations of potential impact of service developments.

Culture and the Museums, Libraries and Archives

For some of the stakeholders consulted, the role of the MLA sector within the regional economy was not entirely clear. In some cases, there was a greater recognition of the ‘creative industries’ and the ‘cultural sector’, rather than focussing on MLA.

Some made an association between the existence of museums, libraries and archives within a region and the tourism market, while others identified the potential impacts as being viewed in terms of income, employment and greater demand for housing. However, while the stakeholders acknowledge that the sector can play a role in contributing to tourism and economic
development in the region, there was a lack of clarity as to what exactly this role is.

**Economic Impact and Culture**

Stakeholders' experience of economic impact studies, both within the sector and more generally, has primarily involved multiplier analysis. In relation to multiplier analysis, some stakeholders felt that this was somewhat of a 'bogus science' and have investigated use of alternative measures of impact within the regional economy, particularly in relation to tourism impacts.

**Future Methodologies**

From the point of view of local authority museum services, satisfaction surveys were viewed as an appropriate way of measuring value, and were thought to be useful in advocating for budgets. It was also seen as relevant to investigate the cost of provision per person in the area, and get feedback from users and non users on this.

In relation to contingent valuation, the discussion with stakeholders raised a number of questions about the methodology, indicating that there was not a complete understanding of how the approach could be applied. Some of the questions raised in relation to contingent valuation include:

- To what extent would users and non-users be valuing a museum (i.e. specific museum or service) as opposed to museums as a concept. This may be an issue in particular if the users and non users included facilities outside of the relevant catchment area within their value judgement
- How does contingent valuation measure educational value provided by a service?
- To what extent is the value for tourists taken into account and relevant to future decision making? If the purpose of the evaluation is to demonstrate the benefits driven by rate payer’s tax, what importance does the value place on the service by tourists have?
- If the process results in a valuation which is lower than the cost of provision, would this result in a reduction in investment? This may be a risk, particularly if the service is currently under invested in
- The methodology would need to be very robust and subject to scrutiny, particularly in relation to non user values. If the service is competing for local authority budgets, it needs to have a strong argument to support its claims

These points indicate that while stakeholders are not opposed to using contingent valuation, there are aspects of the methodology which require clarification before it would be able to provide a strong argument for stakeholders.

It should be noted that some of the stakeholders consulted, particularly those involved in economic research and economic development, made the point that the sector should be able to demonstrate more than financial value. While financial values and impacts are important in terms of justifying investment, the nature of the sector is such that it requires more qualitative information to fully demonstrate its benefits.
4.0 MOVING TOWARDS DEMONSTRATING IMPACT / VALUE

4.1 Introduction

The literature review has identified methodologies which can provide estimates of the economic impact and value of the MLA sector. Methodologies based on the principles of stated preference (i.e. contingent valuation and return on investment) are preferable as they allow a wider consideration of the impacts delivered by the service, however it has been established that these studies and the outcome of these analyses do not provide information or estimates of value which are relevant to strategic stakeholders and regional development agencies. Stated preference provides a way forward for the sector to demonstrate its impact, however this would not be acceptable to stakeholders and some funding agencies. Communication strategies are required to determine the parameters against which economic impact and economic value discussions should be held in future.

Irrespective of whether the MLA is required to demonstrate its economic impact, contribution or value, or its social benefit in terms of human capital development, the MLA must become more effective at capturing the correct data from which strong arguments can be made.

This report considers the issues of impact and value and the following diagram has been developed to demonstrate the relationship between value and impact. The initial column identifies the process by which impacts, economic and other forms of impact are created. In the absence of ‘activity’ there can be no attributable outputs, and without outputs there is nothing to influence outcomes, and without outcomes there is no impact attributable to that activity. This process applies to all sectors including the Museums, Libraries and Archives sector.

The introduction of the concept of value allows the process by which impacts are created to be mirrored by the creation of a value-chain. For the MLA sector there is an important distinction between the value chain for providers and recipients. This allows the existence of alternative perspectives on the value of activities, outputs, outcomes and impacts from the provider and recipient point of view. Ultimately, much of the provider value is derived from the recipient value or impact, but it can be considered to have an inherent value, distinct from that of the recipient.

The recipient-based value chain can be divided between users and non-users as an acknowledgement of the fact that there are values to non-users as identified and accepted in relation to option value and existence value. User values can be measured at various stages with the measures moving from anticipated to actual as the process moves from activity and output to outcome and impact.

The non-user values of activities and outputs is difficult to conceptualise and even more difficult to measure. However, option value and existence value as impacts are measurable.
The final columns consider the evaluation methodologies available to establish impacts including value. There are various intermediate measures available but the most comprehensive evaluations are the impact based ones of multiplier analysis and contingent valuation. Multiplier analysis considers income, expenditure and employment and ties together the provider and the recipient. This method can include externalities so can include societal impacts but more often concentrates on the economic impacts derived from the sector’s activities.

Contingent valuation provides a recipient-centered evaluation methodology where the economic, social, and environmental impacts are each factored into the contingent valuation.
<table>
<thead>
<tr>
<th>MLA SECTOR IMPACT GENERATION PROCESS</th>
<th>VALUE CHAIN - PROVIDER BASED MEASURES (examples of)</th>
<th>VALUE CHAIN - RECIPIENT BASED MEASURES</th>
<th>EVALUATION METHODOLOGIES - PROVIDER BASED</th>
<th>EVALUATION METHODOLOGIES - RECIPIENT BASED</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLA Activities</td>
<td>e.g. Cost of Provision Intellectual Property Rights Achievement of Objectives</td>
<td>User Based Anticipated benefits: Intended Benefits Unanticipated Benefits</td>
<td>Value of Activities Costs to Providers</td>
<td>Value of Activities Cost to recipients</td>
</tr>
<tr>
<td>MLA Outputs</td>
<td>e.g. % change in participation by key groups % change in repeat visits % change in volunteering</td>
<td>User Based Anticipated benefits: Intended Benefits Unanticipated Benefits</td>
<td>Value of Outputs Providers – Derived value from recipients</td>
<td>Value of Outputs Recipient Intentions (Not actuals) Recipient Actuals</td>
</tr>
<tr>
<td>MLA Outcomes</td>
<td>e.g. change in recruitment and retention in the sector</td>
<td>User Based Actual benefits: Intended Benefits plus Unanticipated Benefits</td>
<td>Value of Outcomes (See below)</td>
<td>Value of Outcomes (See below)</td>
</tr>
<tr>
<td>MLA Impacts</td>
<td>e.g. % change in regional tourism related income % change in quality of life</td>
<td>User Based Actual benefits: Intended Benefits plus Unanticipated Benefits</td>
<td>Multiplier Analysis – Economic - providers &amp; recipients - Externalities including societal benefits</td>
<td>Contingent Valuation Recipient based: Social, economic, environmental</td>
</tr>
</tbody>
</table>
4.2 Approaches to Demonstrating Value and Impact

The literature review and consultation with the sector has demonstrated that there are multiple challenges in calculating impact and value. One significant challenge is that stakeholders’ understanding and interest in the MLA and their view of the strategic arguments coming from the MLA and M, L and A with respect to value and impact. The requirements of these stakeholders will vary depending on the questions asked of the sector, and the proposal to which they are being asked to respond. For instance, an economic impact appraisal may be commissioned for any one of the following reasons:

1. To support a capital development bid
2. To defend current budget levels
3. To argue for additional resources

In addition, we must factor into the process, the audience for communication strategies, to include decision makers and budget holders. The audience and the reason for undertaking the research should inform the process to be applied. Audiences for the research may include:

- Regional Development Agencies
- Treasury
- Department for Culture Media and Sport
- Local Authority Councillors etc
- Local Authority Managers

As indicated previously, different audiences / recipients of communication strategies / arguments will have different expectations and requirements and different perceptions of what value is, within the MLA sector. For instance, Regional Development Agencies are interested in gross value added, jobs created / safeguarded etc, whilst DCMS are interested in engagements, outputs and outcomes. A one size fits all approach will not be appropriate within the MLA sector as services delivered and resources expended vary considerably across organisations within domains and across domains. Furthermore, the reason for undertaking an economic impact appraisal or valuation will vary depending on organisation, operating environment and issues / constraints.

In order to be able to implement the different approaches, we need robust and accurate data, from which assessments of value and impact can be made.

4.3 Current Data Capture

Mechanisms are currently in place to capture consistent and standardised user information for the archives and libraries domains (PSQG and CIPFA respectively). These surveys and resultant analyses provide an indication of current performance in terms of user profile, characteristics and motivations and with respect to PSQG, an indication of economic impact (PSQG provides data on distance travelled, whether users are staying overnight and where they are spending their money). PSQG and CIPFA should be extended to ensure that
data capture provides a robust dataset from which outputs, outcomes and impact analyses can be produced.

The museum sector however does not have a standardised approach to data capture and as such there is no common language within the sector with respect to performance. Visitor numbers is a good example of inconsistency in terms of reporting. We are aware of some museums which report every person who enters the museum building irrespective of motivation or actual engagement with the museum collections or activities. Visits to the café, or to use comfort facilities are therefore counted as museum visitors. We are also aware of museums who report all engagements with the organisation. Virtual visits are therefore counted by organisations, when the motivation for engagement may be to enquire about opening hours or ticket prices. These examples are concerned with motivation and the link between motivation, behaviour and impact / value. If we are to provide robust analyses of the value or impact of MLA services, we must establish a true and accurate picture of users and non-users. Visitors to a museum to use the café (but not to visit the museum exhibits) have a very clear motivation (refreshment), which has very little to do with the core purposes of the museum. Analysis of economic impact or value must be based on users of programmes or visitors to exhibitions which are within the core purposes of the organisation. This will require that museums more effectively capture accurate data with respect to motivations and engagements rather than all visits to the buildings.

Hub funded museums and members of the National Museums Directors Conference are currently advancing data capture procedures to standardise terminology and methods of capturing performance. This will increase the ability of museums to compare their performance and give an enhanced indication of performance.

The Hub Exit Survey was designed to capture user demographics, experiences and opinions with respect to visitors engagements with the museum. Hub museums are concerned with developing world class museums, which increase engagement within a sustainable sector. To identify progress and evaluate aims around ‘increasing engagement’ the MLA has indicated that the sector should be collecting data on:

- More diverse people
- Better quality experience
- Improved collection care
- Improved interpretation
- Market oriented culture
- Improved physical environment
- Higher profile / reputation
- Effective structured learning activities
- More volunteers
- Museum as a centre of community activity
- Community engaged in one-off projects
- More People
Community Consulted

Underpinning discussions on value and impact, is a robust understanding of the user market and their motivations. The data collection strategy as identified above places emphasis on quantitative measures of success, with increasing participation and volunteers indicating success or progress. Papers such as Freshminds Culture on Demand, and Morris Hargreaves McIntyre’s Never Mind the Width, Feel the Quality etc, there is discussion on motivation and how this can be categorised to demonstrate why people engage with MLA. Motivations have been defined as:

- **Social** – social interaction with family and friends, members of the community, people with similar goals
- **Intellectual** – academic interest, to be inspired for work or studies, hobby, self improvement, stimulate children, learn about the past or the community
- **Emotional** – aesthetic pleasure, relevant to my identity, nostalgia, sense of cultural identity,
- **Escapism** – using Museums, Libraries and Archives for leisure purposes and to provide relief from the stresses of modern living

These motivations pre-suppose that a “filter” has been applied to the dataset which identifies those users who have visited the museum (exhibition and galleries) as opposed to visitors to the museum building. Museums must therefore capture their total number of visitors, and through research identify the number of visitors who actually engage with the collections or museum related activities to identify its actual number of visitors. The key differentiating principle is whether the visitor is a museum visitor, or a visitor to the museum building.

**Museum visitor** – visitor to the exhibitions presented to the public in galleries or participant in museum activities

**Museum building visitor** – visitor to the building who does not engage with the collections, i.e. a user of ancillary services such as cafés, shops, corporate hospitality, conferences etc

The reason for this differentiation is the identification of the value and impact of the use and existence of collections and museum activities which must be the key concern in identifying impact.

For instance, a museum visitor could report one of the four motivations described above as the main driver for their visit. A museum building visitor could report a social or escapism motivation as their main reason for visiting the museum building, e.g. visiting the museum café with friends to socialise. The value of the museum service is in the social museum visit, i.e. group of friends visiting the exhibits, rather than the group of friends visiting the museum café. The principle
underpinning this argument is one of additionality. The group of friends could meet to socialise in another location, however the social experience of the gallery visit is unique and will provide unique benefits to users.

Museum visits based on intellectual and emotional drivers are more defined and directly relevant to visits to the exhibits and as such the issue of motivation and use of the collections / exhibits creates less confusion.

The implication of this discussion on recording and capturing data is that the museum sector must become much more analytical in the way in which it captures and reports data. In order to calculate economic impact or value, museums must start from a position of understanding the current and potential audience. The current audience includes actual visits and engagements with the museum collections not all visits to the museum building. The data capture strategy for all museums should appreciate this distinction and put measures in place to capture and report visitor numbers to galleries, exhibitions and activities. It is understood that this may adversely impact the perception of museum performance, with user numbers falling, in some cases drastically. If an effective economic impact methodology is to be developed and implemented, however the user numbers, which is used to aggregate the impact or value of a service must be robust. At present this is not the case and any application of either gross value added or stated preference methodologies would result in ineffective analyses and results which had little credibility.

The impact of free admission to national and some local authority museums has further contributed to difficulties in identifying actual user numbers as there is no direct mechanism, such as admission charge, to count visitors in. Museums have developed responses to this such as electronic counters and issuing stickers as tickets to keep track of admissions. Even with these mechanisms there is considerable scope for visitor and user numbers to be inaccurate.

4.3 Improving Terminology and Definitions

For the sector and individual organisations within it to be able to quantify its economic impact and value, there are a number of improvements in data capture which must be addressed at a local, regional and national level. The data capture strategy must address both terminology issues and the process through which data is captured and presented.

Users / Visitors

Visitors should be defined as consumers of the museum exhibits which will require a shift to recording exhibit visitors as opposed to “museum building” visitors which may include café visitors, conference visitors etc. That is, the MLA sector should be interested in the motivation for the visit to the M, L or A premises. That is not to say that museums should not report all visitors to the building in a global sense. However, in measuring performance, exhibit consumers should be the key determinant of progress.

Non-Users
The audience development and the increased engagement agenda encourage museums, libraries and archives to address barriers and development programmes which increase participation. Segmentation of current non-users is a key issue which relates to the data capture agenda and definitions outlined above. Within a catchment population, there will be potential users, i.e. those individuals who could be encouraged to use a facility if a particular programme or activity was provided and those individuals who are ‘never users’, i.e. those people for which museum and archives are not on the radar. In allocating resources and setting priorities, museums and archives must become more successful at defining non-users and never users.

The non-user is particularly important when considering the potential application of contingent valuation / stated preference techniques, but also in terms of how MLA can increase participation, increase impact and value. A guidance document is required to assist museums, libraries and archives in defining non-users and never users.

**Services Delivered**

Services and activities offered / consumed (outreach, ICT etc) need to be clearly defined and explained. A standardised structure to identify how activities and services are presented should be developed to allow comparison across service and area. Definitions of outreach, ICT provision etc is required to allow activities delivered to be effectively categorised. This will focus the debate on what MLA provides and the agenda against which activities, services and benefits are defined. For instance, object handling in hospitals should be defined as outreach activities, not healthcare.

**4.4 Communication Strategies**

The study brief calls for consideration of the sector’s capacity to develop and implement effective communication strategies around the topic of measuring economic impact or value, i.e. how would the sector use the results of an economic impact or value appraisal? To address this issue, we consulted a number of organisations who have undertaken economic impact or value assessments to identify how the outputs were used and the impact the study had on operations or activities.

**National Museums Liverpool – Economic Impact Appraisal**

The NML Economic Impact Appraisal was undertaken by Tony Travers and was completed in December 2005. The appraisal included an economic impact assessment and consideration of other benefits the NML provides the city in terms of branding, contributing to the visitor offer, media coverage and strategic leadership. It was indicated that the study was commissioned to scope the benefits which the organisation provided and in part to keep pace with other organisations which had undertaken similar research. The outcome of the research has been used to support applications for funding and to demonstrate the impact of the organisation.
Economic Valuation of Bolton’s Museum, Libraries and Archives

The study used the contingent valuation methodology to express the value of the MLA services in Bolton in economic terms. The study included the value of the services to both users and non-users. The benefits of the study to Bolton Metropolitan Borough Council (BMBC) are:

- Study provided the information to clearly demonstrate to elected members and others what the MLA does / is and demonstrated value for money in economic terms
- The study demonstrated the real value of services – not somewhere to go on a wet day, real delivery of valuable services and facilities
- Demonstrated that people who have least in terms of resources often are prepared to pay the most, or place most value on these services
- Assisted the Cultural Department in demonstrating the capability and competence to deliver a wider range of services. MLA has a major role to play in preventative work and this has assisted in widening the agenda to which MLA at Bolton works
- Non-user value was accepted by all – some people don’t and never will use the service and as such would fight to keep the service.

The study has had a real impact on staff motivation levels, the non-user values contribute to staff morale and appreciation.

Since Economic Valuation, the service has taken on the running of the Primary Care Trust patient and practitioner library and assists in the delivery of the health agenda. The PCT library is used by people recently diagnosed and people studying.

The study has had a significant impact on the development and operation of cultural services at Bolton. This is due in part to the drive of the senior management team at BMBC and elected members.
5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Fundamentally, this study was commissioned to answer the following questions:

1) What methodologies are most effective at capturing the economic impact the MLA sector makes at the national, regional and local level?

2) What is the sector’s capacity to assess and effectively demonstrate the economic contribution it makes at the local, regional and national level?

The outcome of the commission is intended to inform the sustainability agenda being developed by MLA. A key element of the sustainability agenda is providing the sector with the right tools and approaches to demonstrate and communicate its impact.

It became apparent that the definition of the study brief should be extended from economic contribution, i.e. impact, to include value expressed in economic terms. This widening of the brief allowed the study team to view economic impact and value expressed in economic terms as to methods of quantifying and demonstrating impact or value. Economic impact and economic value arguments will have different audiences and serve different purposes, therefore it is appropriate that these are considered independently.

5.2 Economic Impact Methodologies

The literature review indicates that the most frequently applied economic impact assessment methodology is multiplier analysis which converts spending in an economy into direct, indirect and induced income, expenditure and employment impacts. Other methodologies which are of interest are contingent valuation, which applies the concept of stated preference and places the user centre stage in identifying the value and the service, and return on investment which combines the multiplier approach with stated preference to produce a range of measures of impact and value.

Consultation with the sector indicated that economic impact and value methodologies must consider more than the income, expenditure and employment impacts of the services and must take into account wider social and economic impacts. Therefore it was reported that multiplier analysis was ineffective at capturing the real value of the services. In response, contingent valuation was discussed and a model developed. This was considered to be more effective at capturing the value and impact, however there was some concern with respect to the application of the contingent valuation methodology, particularly related to issues associated with user and non-user values, option and existence value.
Stakeholders such as Regional Development Agencies, Tourism Development Organisations etc were consulted as potential recipients of the outcomes of economic impact assessments undertaken for organisations operating within the MLA sector. Gross value added impacts, which are identified via multiplier analysis were considered to be of greatest interest and value. There was little interest in the outcomes of stated preference studies, which includes contingent evaluation etc as this does not provide an economic impact. Stated preference provides an indication of value generated in monetary terms.

Therefore we have a sector which is interested in measuring the value of the services it provides, which could either be presented in monetary or social values, and stakeholders who are interested in the gross value added / generated by the sector. In addition, stakeholders have expressed little interest in stated preference techniques which would provide an indicator of value as opposed to impact. Stakeholders who would be interested in value rather than or in addition to impact would be elected members overseeing the delivery of MLA services.

The Return on Investment model, as implemented to assess the impact and value of State Library provision in the U.S provides a methodology through which practitioners can identify both the economic impact and the value expressed in economic terms. Therefore, this methodology could be applied to the MLA sector to undertake analysis and generate results which would meet the needs of both the sector in demonstrating value for money and economic impact.

With respect to preferred economic impact methodologies, we conclude the following:

- Although widely applied, multiplier analysis is ineffective at demonstrating the economic impact or the value of the MLA sector. Multiplier analysis is however of most interest to stakeholders
- The sector does not support the use of multipliers as it does not represent the full value of the sector. Techniques such as contingent valuation have some support although there is concern about how it can be applied and how results may be interpreted.
- Return on Investment offers the flexibility to capture data and undertake analysis to meet the needs of both stakeholders and the sector.

### 5.3 Capacity of the Sector

Taking into account the literature review and consultation with the sector and stakeholders there is a clear steer regarding the preferred methodology of measuring and quantifying economic impact. The study was also tasked with assessing the extent to which the sector had the capacity to demonstrate the economic contribution it makes at a local, regional and national level. In essence, can the sector demonstrate its value at present and looking to the future, can it apply the identified preferred methodology?

There are fundamental data collection issues with respect to terminology and reporting which will constrain the application of any methodology. Impact and
value will be affected by the spending or value placed on a service and the **number** of users who have made use of the service. That is the spend per head or value per head will be grossed-up by the number of users. Inconsistency in terms of the meaning and reporting of users / visitors will mean that the application of any methodology will produce results which reflect what is counted rather than actual ‘user’ numbers. At present, many museums report all visitors to the building rather than those visitors who make use of or visit the collections. The focus must be on users of the collection. This will require museums to put in place measures to report visitors or users of the collections rather than all visits to the building. Clearly this will adversely affect the performance figures reported by museums in the short-term, however without a true and accurate picture as to the number of people benefiting from services, a robust assessment of impact or value cannot be applied.

The priority in the short and medium-term for the MLA is to provide guidance for the sector regarding what and how user and non-user data should be collected and utilised. Only when the data is robust can the sector consider implementing economic impact appraisal methodologies on a wide scale with sufficient credibility as to develop robust arguments.

Even if measures were put in place, we are concerned that any arguments resulting from economic impact work would not be met by a receptive audience at regional and some cases local level. Museums, libraries and archives will deliver varying levels of economic impact depending on a number of factors. Therefore when arguing the benefits of the organisation, it will be difficult to make a robust case based on economic impact measures. MLA is more likely to be able to make a robust case based on the value it delivers for its users and community. This would be demonstrated via stated preference techniques. Calculating this value expressed in economic terms requires the use of techniques which are the subject of considerable debate and scepticism.

Therefore the sector is at a critical impasse, if multiplier methodology is applied, the process is likely to be accepted by stakeholders however the results are likely to be in some cases unimpressive and will not fully capture the range of impacts delivered. If the sector follows stated preference methodologies, it will be able to demonstrate a broader range of impacts but to a disinterested audience at regional level and audience of varying interest at local level.

Again, there is a role for MLA in shifting the agenda with strategic stakeholders to more assist in generating a greater understanding of the sector and its unique impacts. Wider appreciation of the sector will make it easier for organisations to undertake wider evaluation studies and present the findings to local, regional and national agencies which will be advantageous in terms of communication strategies.

To facilitate the application of any economic impact methodology within or across the sector, there is a need to develop processes for ensuring consistency of data capture and language. Definitions are required to ensure that all museums, libraries and archives are recording the same performance indicators and are using the same language to discuss issues and performance. MLA Council must
take the lead on this and implement a data capture process which creates a level playing field upon which impact studies can be undertaken and the results of which compared. MLA must:

- Prepare and communicate an effective data capture strategy
- Initiate a process of data rationalisation as part of the capture strategy which ensures that the correct data are being recorded and the purpose for capturing data is acknowledged
- Ensure a common language is used within and across the sector(s)

The data captured will ensure that effective economic impact assessments can be undertaken, and the results of studies undertaken compared.

The MLA should develop a communication strategy which stresses the importance of the value of the sector and the means through which the sector can contribute to local, regional and national agenda. Shifting emphasis to value should also be communicated to regional and national stakeholders to facilitate the introduction of contingent valuation and stated preference as a means of expressing the importance of the sector.

5.4 Recommendations

The following recommendations emerge from this study:

Preparatory Work

- MLA must provide guidance and tools to facilitate consistent data capture across museums, libraries and archives as this will provide the basis for any future work on economic impact assessment. Guidance should be delivered on the following topics:
  - Definition of visitor numbers
  - Definition of user numbers
  - Definition of visitor motivation and its relationship with user numbers and visitor numbers
  - Definition of potential visitors and users to encourage museums, libraries and archives to effectively target and allocate resources

- MLA must communicate with strategic stakeholders to encourage them to see the value in contingent valuation and return on investment methodologies. Stakeholders need to be educated about the advantages of these services but also the constraints which affect the development of economic impact appraisal models in the cultural sector
- Only when museums, libraries and archives have collected robust data and strategic stakeholders have been persuaded to consider more than gross value added in investment decisions should museums, libraries and archives engage in further economic impact work

Applying Methodologies

When the bullet points raised above have been effectively addressed, the following recommendations should be applied:
• If the purpose of economic impact assessment is to demonstrate value, a return on investment or stated preference model should be applied.
• If the purpose of the economic impact assessment is to demonstrate economic impact, the application of the return on investment model will be appropriate.
• If ex ante project evaluation is the purpose of economic impact appraisal work, multipliers must be used as other techniques cannot be applied to pre-investment appraisal.
APPENDIX 1: ORGANISATIONS CONSULTED

ORGANISATIONS WITHIN THE SECTOR

The following organisations / services participated in the consultation process:

- Lancashire Record Office
- Lancashire County Council Museums Service
- Cumbria County Council
- Liverpool Record Office
- Harris Museum and Art Gallery, Preston
- MLA North west
- National Museums Liverpool
- Southampton City Art Gallery
- Wokingham District Council
- West Sussex County Council
- Weald and Downland Open Air Museum
- City of London Library Service
- Camden Council
- Hampshire County Council Museums Service
- Tullie House Museum and Art Gallery

STAKEHOLDERS

Tourism South East
South East Cultural Observatory
South East Intelligence Network
SEEDA
Thames Gateway Cultural Coordinators
Thames Gateway Kent Partnership
South East Regional Assembly
Milton Keynes Council – Economic Research Department
## APPENDIX 2: SOURCES

<table>
<thead>
<tr>
<th>Report Title</th>
<th>Author</th>
<th>Institution</th>
<th>Hyperlink</th>
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<tr>
<td><strong>MUSEUMS / LIBRARIES / ARCHIVES</strong></td>
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<tr>
<td>Assessing the Economic Impact of Science Centres on their Local Communities</td>
<td>Tony Travers</td>
<td>London School of Economics</td>
<td><a href="http://www.mlasouthwest.org.uk/docs/making-a-difference.pdf">http://www.mlasouthwest.org.uk/docs/making-a-difference.pdf</a></td>
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<td>London's Culture Equation 06</td>
<td></td>
<td>Scottish Executive</td>
<td><a href="http://www.scottishexecutive.gov.uk/Publications/2004/08/19784/41520">http://www.scottishexecutive.gov.uk/Publications/2004/08/19784/41520</a></td>
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<td>Scottish Executive: Literature Review of the evidence base for culture, the arts and sport policy</td>
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<td>Measuring the Impact of Museums on their Communities: The Role of the 21st century museum</td>
<td>Lynda Kelly</td>
<td>Michigan University</td>
<td><a href="http://ccea.uconn.edu/studies/NBMAA%20Report%20PDF">http://ccea.uconn.edu/studies/NBMAA%20Report%20PDF</a></td>
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<tr>
<td>Economic Impact of Michigan Museums</td>
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<td>INTERCOM 2006 Conference</td>
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<tr>
<td>Museum Changes a City</td>
<td>Fred Carstensen</td>
<td>London School of Economics</td>
<td><a href="http://www.nationalmuseums.org.uk/images/publications/valuing_museums.pdf">http://www.nationalmuseums.org.uk/images/publications/valuing_museums.pdf</a></td>
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<tr>
<td>Economic Impact of the New Britain Museum of American Art</td>
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<td>Natural History Museum, Treasurehouse and Powerhouse</td>
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<td>Economic Contribution of Museums, Libraries and Archives in the SW</td>
<td>Dr Steven Brand and Dr Eric McVittie</td>
<td>London School of Economics</td>
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<td>Impact Evaluation of Museums, Libraries and Archives, Available Evidence Project</td>
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<tr>
<td>The Museum of Modern: An Economic Impact Study</td>
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<td>Audience Research and Analysis</td>
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<td><strong>LIBRARIES</strong></td>
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Taxpayer Return on Investment in Florida Public Libraries: Summary Report

"Public Libraries - A Wise Investment" – Colorado State Library

Taxpayer Return-on-Investment (ROI) in Pennsylvania Public Libraries

Measuring Our Value

Libraries: How they stack up

Carnegie Library of Pittsburgh

Economic and Job Creation Impacts of Ontario Library

State Library for IOWA (Links to Several Reports / Studies and Toolkits)

Measuring the Value of the Cultural Sector Using Contingent Valuation - A Preliminary Scoping Study

The Economic Impact of the UK Film Industry

Publicly-funded culture and the creative industries

Knowledge and Inspiration: the democratic face of culture

Capturing Cultural Value


http://www.lrs.org/public/roi/

http://www.statelibrary.state.pa.us/libraries/lib/libraries/PAROIreportFINAL7.pdf

http://www.bl.uk/pdf/timeasuring.pdf


http://www.cipgh.org/about/economicimpact/pressrelease.html


http://www.statelibraryofiowa.org/id/tell-library-story/plot/how


http://www.ukfilmcouncil.org.uk/media/pdf/58/FilmCouncilreport190707.pdf

http://www.demos.co.uk/files/Publicly_Funded_Culture_and_the_Creative_Industries.pdf

http://www.demos.co.uk/files/knowledgeinspiration_fullreport.pdf

http://www.demos.co.uk/files/CapturingCulturalValue.pdf