

# Executive Summary

## Findings on artists' employment, professional practice, and tax and social security issues

October 2009

This paper provides an overview and summary of the outcomes of a collaborative research project between the Australia Council and the Department of the Environment, Water, Heritage and the Arts (DEWHA). The research focuses on the nature of professional artists' working lives and trends in the Australian artist labour market, with particular emphasis on the state of artists' income and the challenges artists face in the course of undertaking professional work and generating income.

The project aims to establish a base of impartial information on artists' working lives to serve as a platform for discussion, interdepartmental representation, and policy development.

The project has three main components:

1. Literature review: A review of the academic and policy literature on key issues in the working lives of artists and on problems artists face (if any) under tax and social security systems.
2. Data analysis: An analysis of data from key collections to provide an empirical picture of the working lives of Australia's artists and trends in key aspects of the artist labour market. The core data sources are the series of surveys on Australia's practising professional artists produced by Professor David Throsby for the Australia Council, referred to here as the 'artist survey', and the Australian Census.
3. Information gathering exercise: An informal consultation with peak national artist membership bodies on problems artists encounter (if any) under Australia's tax and social security systems and, more generally, in generating income and developing their careers.

Each of the three components has a stand alone report containing its own summary. These reports are supplied separately.

This executive summary provides an overview of the project and integration of the findings of the project's components. The issues summarised here represent a selection of key findings. The full component reports should be consulted for methodologies and for details on all the issues arising from the project.

This is the first time that such a detailed, consolidated analysis of this range of data sources has been undertaken specifically for artists. Much of the exercise has been exploratory, using data not previously accessed and developing new statistical indicators. Although some of the findings are therefore tentative, the data analysis suggests that the artist labour market is currently under considerable pressure, due in part to strong growth in the number of artists and the supply of artist labour over the last six years. The evidence for this comes from two findings from the data analysis:

### 1) Strong growth in supply of artists and artist labour

The artist survey indicates that, between 1987 and 2001, growth in the number of artists was higher than growth in the total labour force. Although a more recent estimate of the number of practising professional artists in Australia will not be available until the next artist survey is completed this year, data from other sources suggest that the strong growth witnessed from 1987 to 2001 has continued to the present:

- There has been a surge in involvement in creative arts activity in the wider, ‘non professional’ population, with a doubling of people involved in creative arts work between 2001 and 2007.
- There has been a steady, and possibly increasing, flow of newly trained people entering the artist labour market from tertiary training institutions between 2001 and 2008.

Based on these trends, forecasts developed for this project estimate that the artist population has continued to grow at a higher rate than the labour force between 2001 and 2007, continuing the strong growth of previous years.

### 2) Artist labour market under pressure

Census data provide an indication that the strong growth in supply outlined above is currently placing the artist labour market under pressure, measured both by the number of people employed in artist occupations and by artists’ relative incomes:

- Declining employment in artist occupations: Despite the likely growth in the number of professional artists, the number of artists who have creative arts work as their main source of employment (‘main job artists’) declined by 15 percent between 2001 and 2006. By comparison, total employment grew by 10 percent over the period. This is the first time in over 20 years that the Census has recorded growth in main job artists’ employment below the rate of growth in total employment. There is also evidence that between the 2001 and 2006 Censuses, artists may have switched their main job away from core arts practice toward arts-related occupations.
- Declining relative incomes: Between 2001 and 2006, the income gap between artists and other professionals widened. In 2001, the median income of full time artists was \$26,000 below that of other professionals; in 2006 it was \$30,100 below.

These and other findings are elaborated on in this executive summary and in greater detail in the separate data analysis report.

This executive summary is grouped into two topic areas:

1. Artists’ working lives and the artist labour market
2. Artists, tax and social security

# 1. Artists' working lives and the artist labour market

## **The nature of artists' employment and working lives**

The literature review undertaken for this project suggests that there is a substantial body of academic and policy research showing that:

- when compared to similar occupational groups, artist occupations tend to have higher rates of unemployment and underemployment, lower incomes, greater variability in incomes, and higher rates of self-employment;
- formal education plays a lesser role in artists' earnings than it does for other occupations, and that experience and reputation are critical in artists' career development and earnings;
- artists' work is commonly 'contingent' – it is contract-based, intermittent and unpredictable; and
- artists' work involves high hidden costs, including research and development costs which are hard to recover in full through sales of work or service.

These characteristics, researchers suggest, mean that artists' work is associated with high levels of uncertainty and difficulties in professional development. In response, artists tend to adopt 'portfolio' careers – they undertake a variety of remunerated activities in both arts and non-arts related areas – in order to spread the income risk represented by contingent employment.

The data analysis provides evidence to support a number of these claims for Australia's practising professional artists:<sup>1</sup>

- **Low relative incomes:** This is discussed in detail below.
- **Higher rates of self-employment:** The Census indicates that the self-employment rate of artist occupations is more than eight times higher than in other professional occupations. The Census shows that the number of artists who were employed on wages and salaries (ie as 'employees') declined from around 17,100 to 12,500 between 1996 and 2006. Over the ten years to 2006, the rate of self-employment in artist occupations increased (from 35 to 49 percent of artists) while self-employment rates in other professional occupations remained relatively stable.
- **Underemployment:** In 2001, the artist survey indicates that artists dedicated on average 26 hours per week to their creative work, or 60 percent of their total average working week. Given the opportunity, the majority (78 percent) of artists not working full time at their arts work in 2001 would have liked to have spent more time at their creative arts work. The Census shows that less than half (45 percent) of artists were employed full time in 2006, which is lower than in total employment, where over two thirds (68 percent) of people were employed full time in 2006.

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<sup>1</sup> Practising professional artists are defined as serious practitioners operating at a level and standard of work and with a degree of commitment appropriate to the norms of professional practice within their art form and who have demonstrable public or professional engagements.

- Portfolio careers: Data from a supplementary survey to the ABS Labour Force survey shows that multiple job holding rates are higher among employee artists than other occupations. In 2006, 12 percent of employee artists were multiple job holders, compared to 4 percent of professional employees and 3 percent of all employees.

In addition, data from the Labour Force Supplementary Survey show that for employees (i.e. people not self-employed):

- the rate of superannuation coverage is lower in artist occupations than other occupations; and
- access to paid leave entitlements is lower in artist occupations than other occupations.

### **Artists' incomes**

The artist survey records that, in 2001, artists' median earnings from their creative work was \$7,300. This was equivalent to just under a quarter of artists' median earnings from all types of work (around \$30,000).

The Census provides the most reliable evidence that artists' incomes are relatively low. In 2006, artists' full time median income from all sources (ie both arts and non-arts work earnings and other forms of income such as interest) was \$35,700. This was \$30,100 lower than the median income of other full time professionals. It was also nearly \$11,000 lower than the median incomes of all full time employed people, despite artists having higher than average educational qualifications.

Between 1996 and 2001, artists' full time median incomes rose strongly in real terms, increasing by 12 percent, or twice the increase in median income for full time professionals combined (6 percent). However, between 2001 and 2006, the median incomes of full time artists increased at just over half the rate of professionals as a whole (5 percent for artists compared to 9 percent for professionals). This meant that between 2001 and 2006, the income gap between artists and other professionals widened: in 2001, the median income of full time artists was \$26,000 below that of other professionals; in 2006 it was \$30,100 below.

### **Artist numbers and the supply of artist labour**

There was strong growth in artist numbers over the ten years to 2001. Between 1987 and 2001 the number of artists grew faster than both the total labour force and the adult population (artists increased by 41 percent, the labour force by 27 percent, and the adult population by 24 percent).

A more recent estimate of the number of practising professional artists will not be available until the next in the artist survey series is completed later in 2009.

There is, however, evidence that the strong growth may have continued from 2001 to the present:

- 1) The ABS's *Work in selected Culture/Leisure activities* series suggests that there has been very strong growth in people's involvement in creative arts activities since 2001: between 2001 and 2007, the number of people involved in paid work in creative arts rose by 151,300 people (or by 44 percent). This increase in activity does not necessarily represent an increase in practising professional artists, as defined in the artist survey, but, given that some payment is received for the work, it does represent a rise in the pool of people who may be able to cross over from non-professional to professional practice.
- 2) Data from the Department of Education, Employment and Workplace Relations (DEEWR) indicates that there has been a steady – and possibly increasing – stream of newly trained people entering the artist labour market from tertiary training institutions between 2001 and 2007. The number of people graduating from university visual and performing arts bachelor degree courses remained steady at around 1,000 to 1,500 people per annum between 1999 and 2008, and the number of people completing tertiary creative arts courses rose between 2001 and 2007 (although this includes people completing media and communications, film, and design courses). More detailed analysis and testing of this education data is required to obtain a fully accurate picture of the impact this stream of graduates has on the artist labour market.

Based on these data, this project forecasts that there is likely to be around 52,000 professional artists in Australia in 2007. This represents around 10 percent of all people involved in creative artistic work, 0.5 percent of labour force, and 0.3 percent of the adult population (or one in every 320 people).

If the forecast is accurate, the rate of growth in the number of professional artists would have been higher than labour force growth over the period 2001 to 2007.

Such strong growth in numbers is not, however, evident from data on artists' employment. The Census shows a strong (15 percent) decline between 2001 and 2006 in the number of people employed in an artist occupation as their main job. By comparison, total employment grew by 10 percent over the period. This is the first time in at least 20 years that the Census has recorded growth in artists' employment below the rate of total employment.

It appears, therefore, that although the number of professional artists is likely to have grown between 2001 and 2006, the proportion of artists who have creative arts work as their main source of employment has declined.

By measuring the degree of underemployment among professional artists, the artist survey also provides an indication of the relative ease with which the supply of arts labour can increase in the short term. Given the opportunity, the majority (78 percent) of artists not working full time at their arts work in 2001 would have liked to have spent more time at their creative arts work. This represents a pool of around 14,000 professional artists ready to increase the hours they work at creative arts activity, and who have relatively low barriers to do so (such as existing reputations, networks and occupation-specific capital). This pool of artists is equivalent to just under a third of the total number of professional artists.

## **Career development**

The artist survey indicates that, in 2001, artists considered three factors as most important in inhibiting their careers: a lack of work opportunities; a lack of financial return from creative work; and a lack of time for creative work due to other pressures and responsibilities. Talent and training were considered by artists as the most important factors for advancing their careers.

Between 1999 and 2008, there was an improvement in the employment prospects of people graduating from visual and performing arts bachelor degrees, although their prospects were still not as good as all graduates. The proportion of visual and performing arts bachelor graduates who were in full time employment within four months after finishing their degree rose from 57 percent of graduates in 1999 to 67 percent of graduates in 2008 (although it cannot be determined from the data how many of these graduates were working as artists). That said, in 2008 the proportion of creative arts graduates unemployed but seeking work full time employment was more than twice that of all graduates (11 percent as opposed to 5 percent). Over the period, visual and performing arts courses were consistently ranked among the lowest among bachelor courses in terms of graduates' median incomes.

When asked about key factors that inhibit the sustainability of viability of artists' careers, respondents in the information gathering exercise identified a number of issues, including:

- Artists' low and unreliable incomes
- A perceived lack of value, respect or understanding of the arts in wider Australian society
- Small market size and lack of opportunities for Australian artists
- Lack of business training provided by education institutions
- Lack of support to younger artists
- Lack of expertise in small arts companies to provide advice to artists on tax and social security issues.

## **Unemployment experience**

Artist surveys were undertaken in 1987, 1993 and 2001. The 1993 survey stands out as different to the other two across a number of employment-related variables, probably reflecting the impact of the recession in Australia in the early '90s.

The unemployment rate of artists is one variable for which the 1993 survey differs from the other two surveys. In the 1993 survey, the rate of unemployment among artists is lower than in the 1987 and 2001 surveys: in 1993 around a quarter of artists experienced some period of unemployment in the five years prior to the survey, compared to around a third of artists in 1987 and 2001. This drop in the rate of artists' unemployment occurred at a time when unemployment in the general workforce was high due to the recession in the early '90s. The unemployment rate in the artist survey therefore appears, from the data, to run counter to the rate in the wider total labour force. The data provide some suggestion that artists' unemployment may be 'counter-cyclical', or that it decreases in times of recession. This cannot be confirmed from data that currently exist, but could potentially be confirmed if the impacts of the current financial crisis are measured in the 2009 artist survey.

The artist survey documents a decline in the proportion of artists applying for benefits between 1987 and 2001 (from 66 percent to 56 percent of artists). Over the same period the survey records a decline in the proportion of artists who had their application for benefits refused (from around 10 percent to 3 percent). The data could be understood to imply that either there was an improvement in artists' unemployment experience or that fewer artists were applying for benefits – or perhaps both. The literature review highlights a successful income support program run in Victoria in the late '90s that may have contributed to the measured improvement in artists' unemployment experiences. However, it is not possible to isolate or identify these influences from data available.

### **Surge in creative arts activities since 2001**

The data analysis suggests that there has recently been a surge in participation in creative arts activities throughout the Australian population.

Between 2001 and 2007, the ABS's *Work in selected culture/leisure activities* series shows that the number of adults undertaking creative arts work rose from 8 percent to 15 percent of the adult population, or from 1.2 million to 2.4 million people per annum, an increase of 1.2 million people. The notion of work adopted in the collection is more broadly defined than Census employment measures, and the collection includes people who are not practising professional artists as defined in the artist survey. It is therefore a much broader group of people and activities than in other data sources, as it includes non-professional practice and less formal types of work such as voluntary work and work undertaken for payment in kind.

The greatest increase in creative arts involvements over the period occurred in unpaid work. Nevertheless, the number of people who received some payment for their work increased by 44 percent, or around 151,000 people.

## **2. Artists, tax and social security**

The literature review undertaken for this project reveals that artists face similar tax and social security problems in Australia and around the world. This summary documents a number of opinions expressed in the literature and by respondents to the information gathering exercise. **These opinions and ideas do not necessarily represent the views of DEWHA or the Australia Council.**

The literature review and information gathering exercise suggest that artists have two fundamental perceptions of both the tax and social security systems:

1. **Low legitimacy:** Artists believe that their careers and arts qualifications are not viewed as valuable or legitimate under tax and social security systems. Respondents in the information gathering exercise claimed that this low legitimacy exists not just in government systems, but across Australian society as a whole.
2. **Poor recognition:** Artists also believe the tax and social security systems do not effectively recognise or account for the complex and atypical characteristics of artists' work. Respondents to the information gathering exercise thought the timing of artists' remuneration is not well recognised under tax and social security systems.

Irrespective of the validity of these perceptions they are real to artists.

These two key problems underpin a number of the more specific problems expressed in the literature review and through the information gathering exercise, particularly that:

- there is a lack of clarity and consistency in the way tax and social security systems deal with artists; and
- artists are not well aware of the opportunities available to them under both tax and social security systems.

Common solutions to these problems proposed in the literature and by peak agencies consulted in the information gathering exercise include:

- making changes to tax and social security systems to improve the system's recognition of the nature of artistic employment; and
- developing and providing information resources on artists' obligations and opportunities under tax and social security systems, and on running an arts business generally.

More detailed findings of the literature review and information gathering exercise are summarised below, grouped by whether they relate to the tax system or the social security system.

## **Taxation of Australian artists**

The perceived problems and suggested solutions identified in Australia are similar to those identified in overseas research:

- that tax systems need to recognise and be responsive to the unusual and often complex nature of artists' work in order to avoid confusion and to avoid inconsistent tax treatment of artists; and
- that tailored information resources and forms of assistance should be developed to improve clarity, consistency, and fairness in the taxation of artists.

The key issues and proposed solutions identified in the Australian literature are set out below. While in some instances the solutions propose changes to tax rules, the situation could also be improved if artists were provided with better/clearer information to aid understanding of the tax system and were better equipped with business management skills. This could be addressed through improved educational and information resources.

1. There is a need to communicate to artists their tax obligations in a format that is accessible to them and improve their skills in dealing with the system. Solutions identified:
  - a) tax office information resources tailored to artists needs;
  - b) arts organisations work more closely with tax professional organisations to promote training for accountants/tax agents in arts sector issues;



- c) arts funding organisations enhance business development programs for artists;
  - d) arts educational institutions ensure business skills training is an essential part of the curriculum.
2. Low income artists cannot afford appropriate professional advice on conducting a business, assessable income, allowable deductions and appropriate GST treatment. Solutions identified are:
    - a) ATO establishing a ‘tax assist’ service for artists;
    - b) tax offset for small businesses seeking professional advice in first five years of service;
    - c) subsidies/grants to seek professional advice.
  3. Artists are unable to recoup the full costs of research and development. Solution identified: broaden the concessional tax treatment of research and development by companies to research in the social sciences, arts and the humanities.
  4. Artists often need to supplement their arts income from non arts sources, therefore the income from non-arts activities can exceed the \$40,000 threshold above which losses from the arts business cannot be offset against other income. Solution identified: consider indexing the \$40,000 threshold to reflect CPI movements since 2001.
  5. There is uncertainty about, and differential tax treatment of, government artistic awards and/or fellowships in recognition of career achievement. Solutions identified are:
    - a) investigate the possibility of declaring arts awards and fellowships non-assessable for income tax purposes;
    - b) make available information for artists that clarifies tax treatment of awards and fellowships.

Rules relating to the donations of gifts to individuals limit individual artists’ access to philanthropy. Solution identified: greater promotion of private giving and of the Australian Cultural Fund (ACF) to potential givers.

There are a variety of definitions of artist in the system, which adds to complexity and compliance costs for artists. Solution identified: all relevant departments and agencies to harmonise their definitions of ‘artist’ as far as practicable.

6. Visual and literary artists are excluded from the deemed ‘employee’ status for Superannuation Guarantee purposes. Solution identified: consider extending the definition.

In the information gathering exercise, respondents highlighted problems 2, 3, and 5, noting in addition that:

- Artists are not well aware of the opportunities available to them under the tax system, particularly income averaging, the offsetting of losses from their arts business, and what expenses can and cannot be claimed. To solve this, respondents called for the development and provision of information resources designed specifically for artists.
- Artists are unable to deduct a range of professional expenses from their taxable income (including audition costs, portfolio photographs and agent fees). The implicit solution proposed would be to make these expenses deductible.

## Social Security and Australia's artists

The literature review and the information gathering exercise identified a number of perceived problems for artists within Australia's social security systems. However, it should be noted that this project was undertaken before implementation of the new employment services framework in July 2009. The new system aims to introduce a more targeted, tailored, and individualised approach to income support. It appears that this should address a number of the key issues identified in this report. However, it is interesting to note that the information gathering exercise revealed a low level of awareness of the imminent changes among the peak national bodies consulted.

### *Perceived problems for artists with the social security system*

As already noted, many of the problems identified in the literature and by respondents to the information gathering exercise appear to stem from two fundamental underlying problems perceived by artists that they have a) low legitimacy; and b) their status as artists is poorly recognised.

Some of the issues identified include:

- Artists believe there is a lack of clarity within the system itself over artists' obligations, rights and opportunities to access programs.
- Many artists are not well aware of the opportunities available to them under the system, nor the impact of certain types of grants on their social security benefits. There is a lack of information to help artists understand their obligations, rights and opportunities to access beneficial programs provided by the system.
- The system requires artists to accept work outside arts practice, so acts to hamper artistic professional development.
- Respondents to the information gathering exercise perceived that career development and training provided under the system is not useful or relevant to artist careers.
- There are two timing issues that impact on artists' experiences under social security system: (i) artist career development takes longer than is recognised by the system and (ii) the system does not deal well with the often long gap between an artist undertaking work and being remunerated for that work.

Respondents in the information gathering exercise provided a number of additional specific problems, a detailed list of which is provided in the full report.

### *Solutions identified to address the problems*

A selection of solutions identified in the literature review and proposed by respondents to the information gathering exercise are provided below, grouped by the fundamental problem areas already identified.

#### 1. Low legitimacy:

- A 'shift of attitude' to ensure artists receive fair and equitable treatment.
- A more sophisticated consideration for how the community could benefit from the skills of artists who are unemployed.
- Recognition that being an artist is a valid profession.

- Ensuring that the ‘community service’ criterion of Work for the Dole (WFD) project guidelines is understood to include the community benefit provided by the creative art work of individuals.
  - Ratify UNESCO status of the artist or introduce similar legislation.
2. Poor recognition:
- Better training of Centrelink staff to understand the specialised nature of work as an artist.
  - Recognition of the need for long and concentrated periods of time for artists to develop careers and employment opportunities.
  - Recognition of artists’ research activity as legitimate employment under income support.
3. Specific solutions put forward to address flow on problems include:
- Improved delivery of information about opportunities to artists under both tax and social security systems.
  - Tailoring support programs to the needs of artists, such as arts-relevant New Enterprise Incentive Scheme (NEIS) training and start up assistance, and arts-relevant Work for the Dole work experience.
  - Revision of criteria to better suit an artist’s career development — for example, including art practice as an approved activity within job search criteria, and removing the penalty for refusing to take casual work opportunities outside the arts.