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EFFECTS OF DIRECT SUPPORT ON ARTISTS' INCOMES

*Arts Council of Finland
Research and Information Unit
1994*

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ISBN 951-53-0228-5

ISSN 0788-5318

Arts Council of Finland
Helsinki 1994

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This paper was presented at the 8th International Congress on Cultural Economics, August 24-27, 1994, Witten, Germany

Direct support as a policy measure

In many countries, direct financial support to artists is a rather marginal, and much disputed, cultural policy measure. For example, most of the countries applying an arts council type of arts administration assign only a minor role for directly supporting their artists. If they do have support schemes for individual artists, in many cases the support is restricted to only certain art forms, most typically the so called free creative artists such as painters, sculptors, composers, and authors. (See, e.g., Sullivan 1988.)

The Nordic countries, again, have traditionally chosen to give a considerable portion of the public money reserved for promoting arts directly to artists. Extensive systems of artist grants are an essential part of the arts policies adopted in these countries. This can be traced back to the role of the state in these countries, pertaining to the concept of the welfare state.

In Finland, the role assigned to direct support for artists within the arts policy follows the pattern offered by the other Nordic countries, especially Sweden and Norway.¹ This means that, at least at the level of policy formulation, the Finnish system of promoting the arts has relied quite heavily on direct public support to artists, especially at the national level.²

The data and results described below refer to a research project on the economic and social situation of Finnish artists, which has been carried out by the Research Unit of the Arts Council of Finland. One of the central objectives of the project was to study the effects of direct support on the economic situation of artists. In this respect, the project comes under the heading of cultural policy evaluation. The theoretical background of the Finnish project has been strongly inspired by sociological concepts such as "art world", "art field", and "profession". When it came down to analyzing the incomes of artists, the economics of art proved to be the most important source of insight in the matter.

As stated above, grants to individual artists have not been a major policy measure in countries adopting the arts council -model of arts administration. It is just in these countries, where many of the most thorough and interesting studies on artists' economic situation have been carried out. The role and rationale of directly supporting artists is discussed by most of them, but at the empirical level the question of direct support as a component of artists incomes has

seldom emerged as essential. The obvious reason for this is that grants simply have not been a significant source of income for the artist populations discussed.

The rationale and objectives of direct support for artists in Finland

The present Finnish system of artist grants was formulated in the late 60's, based on a preceding tradition and practice of supporting individual artists. The argumentation of the government committee of the 60's, laying down the principles of artist support, centered on the role of the artist as the most crucial factor affecting the standard and influence of art. The value of art, again, was based on the merit goods -assumption in the sense of art having inherent worth or intrinsic merit (see, e.g., Heilbrun & Gray 1993: 219-220). The policy documents formulating the principles of government support for artists also stressed the importance of promoting art of high professional standards. This is reinforced by the respective legislation which lays down the criteria for distributing the grants, in such general terms as "artists who have proven their creative capability", "full-time artists accomplished in their field", "especially outstanding artists".

The terms "art" and "artists" are used here to refer to all art forms and all artists. The Finnish system of artist support was from the beginning formulated to cover all art forms, creative as well as performing. In most cases, the legislation on artist support also lays down exact quotas for different art forms. The areas to be included as "arts" are defined through the national arts councils and through statutory quotas. The arts councils, each representing a specific art form, are the administrative units mainly responsible for the peer group evaluation and allocation of grants for individual artists. Due to specific features of Finnish history and cultural life, the system of artist grants covers also design and crafts, and even architecture.

The system of support consists of different types of grants and support schemes (for a detailed description, see Heikkinen & Karhunen 1993). During the 70's and 80's, the period of expansion for government support for the arts, different types of artist support gradually extended to cover different art forms. The process was based on the arguments of equal treatment of art forms. From the late 80's onwards, there has also been a growing pressure from the artistic field to extend the system to areas not previously covered by the arts administration. The economic stringency of the 90's has brought forth heated debates over the priorities of the support system.

The functions of different support schemes vary. Some of the support categories are art form specific, like support to dramatists or library grants to authors. Some are clear-cut prizes,

some are granted to cover specific expenses, projects or travel. The most important support scheme at the national level is the system of yearly artist grants, granted for periods of one, three, five or fifteen years. These are granted "to ensure prerequisites for artistic work" for the most meritorious artists.

From the point of view of artists' incomes, the crucial point is that all direct support to active artists is granted strictly according to quality criteria. This means that the economic situation of the applicant is not decisive in decision-making. As a matter of fact, the decision-makers are not even supposed to know the income of the applicant. The only financial information required in the application forms concerns previous grants and, in the case of project grants, estimated expenditures. Of course, Finland is a small country, and the experts making the decisions, most of them artists themselves, are in many cases well informed of the economic situation of the applicants. However, the decisions are to be made purely on the grounds of artistic merit.³

The economic situation of grant recipients comes under consideration afterwards, through the fact that artists having yearly grants are, as a rule, not allowed to hold permanent full-time jobs during the grant period. Economic considerations have obviously been relevant also when the quotas between different art forms have been stipulated. For example, the largest share of three-, five- and fifteen-year grants are reserved for creative artists like authors, painters, sculptors and composers, i.e. artist groups having no employee status as artists. Within the system of different support schemes, different art forms carry different weights, as illustrated in Table 1. It goes without saying, that the actual outcome and relevance of direct support to artists is bound to differ strongly from one art form to another, further modified by the variation in the volume and modes of artistic production and the occupational situation of artists.

Table 1. Direct support to artists at the national level by art form in 1993. (Total 55.1 million FIM)

Art form	% of support to artists
Literature	43 %
Visual arts	18 %
Music	11 %
Drama	7 %
Crafts and design	5 %
Cinema	4 %
Photography	4 %
Dance	3 %
Others*	3 %
Architecture	2 %

* "O

thers" refers to art forms without their own national arts council

How to obtain information about artists' incomes and grants - merits and shortcomings of the data chosen

When starting to collect the data on the economic situation of Finnish artists, the first and foremost question to be answered was how to define "an artist". The problems connected to different artist definitions in empirical studies have been discussed in several studies. From the point of view of the Finnish project, the question is discussed in Mitchell & Karttunen (1992), who also give some examples of the outcomes of different definitions. From the onset it was clear, that different definitions will lead to very different results concerning the economic situation of artists. We also came to the conclusion that there was no way of finding a universal set of criteria, which could be applied to different art fields. Art fields were structured differently, e.g. according to the level of organization, public support, the relevance of credentials like training etc. One criterion, such as professional training or membership in artists' organizations, would produce different results for different art fields. The nearest we could get towards comparable results between art fields seemed to be through applying different set of definitional criteria for each art field, not through applying the same criteria all over the art fields. The use of several criteria also provided information on the structure and operation of different art fields.

It was decided to divide the work for several researchers, each trying to find the best definition criteria for the art fields she was working with. Comparability was to be achieved through taking into account the different characteristics of the art fields. This was, of course, made easier because of the small scale of the Finnish art world. We could in most cases take in the whole of the artists population in the field, not having to use samples (music was the only exception). It was also possible to do much of the classification work "by hand", such as collecting and classifying information about the artistic production of the study population in some cases. Concerning the economic situation of the artists, the objective was to gain as comparable results as possible on the incomes and grants of professional artists. The word professional is relevant here, because the public support for artists is at the national level explicitly directed towards supporting professional artists.

The data on incomes were obtained from tax authorities. Because the official statistics on incomes are based on the same data, this made it possible to compare artists' incomes to the income of other occupational groups. The tax-register also offered problems of classification, but the main deficiency was obviously that grant income was not included at all. In Finland grants to artistic activity are, as a rule, tax-free, and the tax-register does not provide any information on them. The only way of finding out about them was to collect the lists of grants distributed from the organizations giving grants, and then add the information to the taxable

income data. The process was time-consuming, but it produced exact and reliable information on the incomes and grants of the artists in the study population.

The greatest drawback in the income data obtained, observed often enough in studies on artists' incomes, was that it was not possible to discern between income on artistic, arts-related, and non-artistic work. For example, Wassall & Alper have strong reservations against using income data of this type (1992:197).

There were, however, some ways if not to overcome, at least to modify the problem. Because the research population was not gathered on the basis of the occupation reported in tax-register, but from several other sources, this gave some information on multiple job-holding. The persons in the research population were already classified as artists on the bases of different criteria. If they then reported another occupation than artistic for the purposes of taxation, it in most cases meant that they had earned income from other sources than artistic work. It was also possible to gain some information about multiple job-holding on the basis of other background data collected.

The procedure of defining the research population of the Finnish project did not force "a market test of who should be counted as an artists" like Filer's census data (1986:60). It was considered important to include also artists who did not earn the bulk of their taxable income from artistic work, especially because grant income was supposed to be particularly important for many artist groups characterized by multiple job-holding, like young artists, artists in new art areas, or authors.

For some artist groups the average amount of grant income was as high as the average taxable income. Because of the high level of grant income, it was important to find a reasonable way of comparing taxable income with tax-free grant income. The same amount of taxable income obviously produces much smaller net income than a tax-free grant. This problem was further complicated by three factors: the high rate of taxation for personal earnings, the progressive nature of taxation, and noticeable income disparities between and within artist groups. Two kinds of procedures were applied to estimate the total income of artists⁴. The concept of total income is an approximation of the sum an artists should have earned in order to receive his real net income, if the tax-free grant income had been normal taxable income.

Net income of artists was calculated by counting together the different tax categories of the register and deducting the sum from taxable income, and then adding the total sum of grants. Net income was used to make comparison within and between some artist groups, and to calculate the total income, but it could not be used for comparisons with other occupational groups.

One drawback in using the tax-register was, that although it provided an almost endless amount of different categories of income and taxes, most of them were not very useful for our purposes. The main reason was that they did not measure any real income categories, but categories calculated by the tax authorities for taxation purposes. Thus expenses were in most cases not registered as real expenses, but as expenses approved for taxation, often according to a technical upper limit. Or the classification of income sources was such that important categories from artists' point of view, such as copyright income, were partly or entirely lost.

Effects on income level - are grants compensation for an "earnings penalty"

The existence of an "earnings penalty" for being an artist has been one of the most disputed questions concerning artists labor markets (see, e.g., McNertney & Waits, 1989). In several studies, the average income of artists has been found to be below the average income in occupations with the same level of education (e.g. Wassall & Alper 1992:191; Throsby & Mills 1989:15) Filer, however, found this "earnings penalty" from choosing a career as an artist to be practically insignificant, when lifetime income was calculated and the input of working hours was taken into account. (Filer 1987, 1989).

The Finnish data did not support the assumption of an earnings penalty for being an artist. The average taxable income (i.e. grants not included) of artists was not lower than that of other persons with a similar level of education⁵, although artists could not compete with such particularly well paid occupations as lawyers or physicians. Yet there were some art fields where artists' earnings were significantly lower, namely dancers and photographic artists. Among artists, dancers have emerged as the group with the lowest income level also in other studies. The low level of income for photographic artist needs some clarification: this group differs from the category "photographers" used in several other studies, because it was defined to include only photographers with art orientation. Photographers working mainly in the fields of, e.g., advertisement or press were not included (see Karttunen 1993). However, the income level of these two artist groups (dancers and photographic artists) was probably also affected by their age, both being on the average younger than other artists groups. It is further explained also by the fact that most of the dancers are women. Photographic artists, again, can be expected to be inclined to accept a lower income level because of the nature of their field as a new and emerging art field (see Karttunen 1993).

Table 2 compares the average taxable income of some artist groups to the average income of other groups. Taxable income includes all personal taxable income, i.e. in the case of artists income from artistic work as well as income from other work, but not tax-free grants.

Table 2. The average (mean) taxable annual income of different occupational groups (FIM in 1989 value). Grant income excluded.

Occupational group	Average taxable income
Musicians and composers	150 000
Theater artists	138 000
Authors	114 000
Dance artists	80 000
Photographic artists	97 000
Whole population*	72 000
Whole work force	90 000
All wage earners	101 000
Work force with post-comprehensive education	103 000
Work force with humanistic education	123 000
Teachers	118 000
Lawyers	208 000
Physicians	256 000

* All persons having taxable income

Effect of grants on income disparities

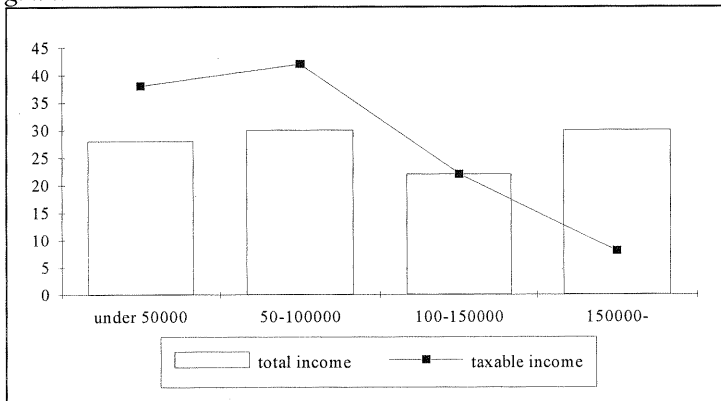
In several studies, income discrepancies among artists have been found to be wider than among the whole work-force. Heilbrun & Gray have compared the incomes of artists in USA, Canada and Norway and suggest, that "both Norway and Canada, with a stronger tradition of government support, can ensure smaller income disparities among artists" (1993:287). This certainly seems a reasonable assumption. At least in Finland, there are also other factors working toward this direction. Some artist groups, especially some performing artists like actors and musicians, have strong unions taking effectively care of the collective bargaining functions and ensuring a satisfactory income level to their members. In addition, the markets of a nation of five million inhabitants, with a language spoken nowhere else, is not prone to produce many superstars with exceptionally high incomes.

When the effects of grants on income disparities within different art fields was studied, the situation turned out to be rather complicated. Within some artist groups the balancing effect of grant income was clearly discernible, while in others it worked in the opposite direction. In some areas the artists most profiting from grants were situated among the highest income group, in others among the lowest. This is demonstrated by the Figures 1-3 which give three examples of the effects of grants on income distribution. The examples are selected to present three different situations in this respect. In order to get the picture more clear, the figures deal

only with grant recipients in each artist group. Figures represent the number of artists in different income classes according to their taxable income, i.e. without their grant income, and according to their total income which includes tax-free grants.

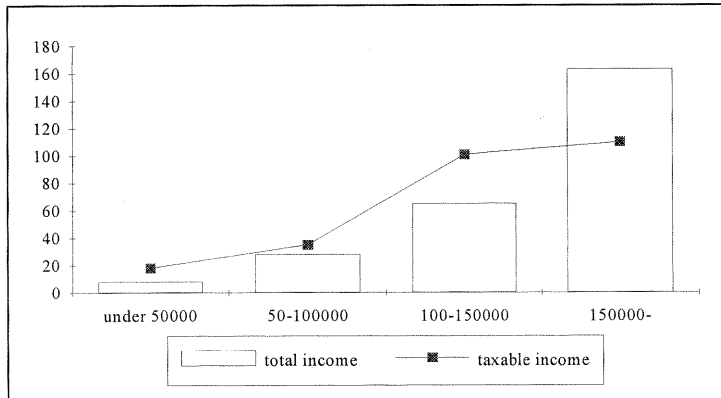
Figure 1 (dancers) demonstrates a case where grants have a balancing effect on the income distribution. Figure 2 (theater artists) represents an area where grant income has in fact increased the income disparities within the grant recipients. In the case of theater artists, the effect of grants has been to increase the number of artists in the highest income class. Figure 3 (photographic artists) illustrates a totally different case, where adding the grant income to taxable income turns the income distribution upside down: the distribution of taxable income is skewed toward low income, and the distribution of total income is skewed toward high income.

Figure 1. Grant receiving dancers and choreographers (N = 108) The number of artists receiving grants in 1989 by income classes. Annual taxable income and annual total income including tax-free grants



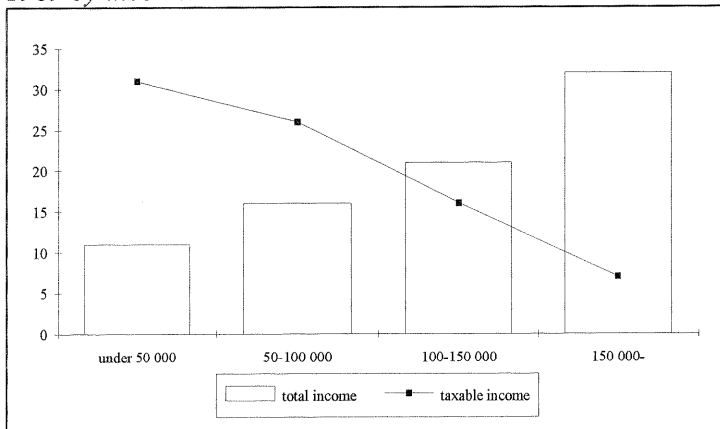
Source: Arts Council of Finland, Research and Information Unit, Artist Project, data files.

Figure 2. Grant receiving theatre artists (N = 264) The number of artists receiving grants in 1989 by income classes. Annual taxable income and annual total income including tax-free grants



Source: Karhunen 1993.

Figure 3. Grant receiving photographic artists (N = 80) The number of artists receiving grants in 1989 by income classes. Annual taxable income and annual total income including tax-free grants



Source: Karttunen 1993

The situation is actually not so surprising, if the criteria for distributing grants are taken into account. After all, the economic situation of the applicants is not taken into consideration, but rather their artistic merit. It seems reasonable to presume, that the most meritorious artists at least in some cases also have higher incomes than artists with less merit (for example because they are young). In addition, most of the grants are allocated on the bases of plans for future artistic work. The varying effects of grant income on income distribution were at least partly explained by variation in the dynamics between artistic production and income in different art fields.

In art fields where double or multiple job-holding is common, like in the case of photographic artists, grants offered artists an opportunity to reduce other, non-artistic work, and to concentrate on artistic work. The low level of taxable income among grant recipients indicates that the opportunity was obviously seized to the full, dedicating as much time as possible to artistic work and reducing other earnings to a minimum. In these instances the grants served according to the objective of providing prerequisites for artistic work. This might further mean that compensation from artistic work is lower than from other, arts-related or non-arts work. It might also indicate that artists use the opportunity to engage especially in such artistic work which offers very slight changes of (immediate) economic compensation.

The situation is entirely different in such art fields where artists earn most of their income from their art work, like theater artists, of whom about 75 % worked as permanent employees in theaters. In this respect, the situation of dancers was reversed, about 70 % of them working as freelancers. In art fields such as theater, grants had a totally different function, offering opportunities to travel, to further education, or to realize short-term projects.

Artists receiving grants continue to earn from their artistic activity, and a grant in principle increases the possibilities for art income. In art fields where permanent employment is

common, grant recipients tend to keep on working, but as freelancers and for shorter periods. The case of photographic artists is totally different. There is no reason to suppose, that grant income decreases the amount of working hours in artistic work, but in this case there are practically no markets for the work produced, and consequently no income effects (Karttunen 1993). A similar situation seems to prevail for, e.g., poets working full time in their art work. The demand for a new collection of lyric is typically about a few hundred copies. And for all full-time authors the average grant income was almost twice as large as income from royalties and other compensations for the literary work published. (Heikkinen 1989.) In these cases, the grants offer about the only way of working full-time as artists.

The case in point is further clarified by comparing the amount of taxable income (i.e. grants excluded) of grant recipients and those artists who did not have grants. Table 3 gives two examples representing opposite cases. Photographic artists have smaller taxable earnings when they get a grant, whereas grant recipients among theater artists earn even more taxable income than their colleagues without grants. To some extent this is explained by the fact that, while both artists groups dedicate their grant period to artistic work, photographic artists have very small income from their art, while theater artists are always paid when they perform. Because the majority of theater artists have permanent employment in their art work, they usually do not have significant non-art earnings to trade away. The grants distributed to theater artists also are, as a rule, for relatively short periods. This does not explain, however, why those theater artists who have received a grant earn more than those without grant. One explanation is, that in this case grants simply have been distributed to artists with a high level of income from their art work.

Table 3. Taxable income (FIM in 1989 value) of grant recipients and others among theater artists and photographers

Artist group	Taxable income (grants excluded)	
	Grant recipients	Artists without grants
Theater artists	153 000	134 000
Photographic artists	78 000	113 000

Sources: Karhunen 1993; Karttunen 1993.

Throsby, examining the labor supply decisions of artists between arts work and non-arts work, came to the conclusions that time devoted by artists to both arts work and non-arts work was responsive to changes in the pecuniary rewards gained, but arts work was less sensitive to these changes. Artists will devote time to non-arts work only up to the point where an adequate return is being received to support their artistic work, while no such limitation existed for the artistic work. Throsby concluded that his findings lend support to propositions that levels of arts output generally in Australia would be increased at the margin by any measures to reduce the financial hardship suffered by artists, for example via public support

programs. Throsby also found out, that arts income of the Australian artists rose approximately in step with the proportion of time devoted to the arts. (1992: 206) This supports the assumption that when direct support leads to increased time spent on artistic work, it increases artistic freedom, but also creates possibilities for increased earnings from artistic work.

One must also bear in mind, that the supposed increase in artistic income is not necessarily present in the gross-sectional data referring to one year. Especially in the case of creative artists, the pecuniary effects of artistic work are usually not immediate. Very often the art work is first produced, and the possible earnings from it present themselves later. It is not unusual for the time-lag to be even several years (sometimes even a lifetime). This, of course, creates also some complications for the efforts to evaluate the pecuniary effects of an increase in time spent in arts work.

Discussion

The rationality of direct government support to individual artists has been widely disputed. Filer came to the conclusion that "the results suggest that if public policy wishes to address the economic status of artists, there may be more to be gained from focusing on employment opportunities than from allocating scarce resources to increasing the incomes of those who are already being well rewarded" (1989:74). Throsby and Mills, on the other hand, see assistance to individual artists "to have a direct impact on both the quantity and the standard of work created or performed (1989:27).

From the point of view of evaluating public arts policy, the crucial question is whether this policy even wishes to address the economic status of artists as such. Usually its objectives relate to the promotion of art, even if, as in Finland, supporting individual artists has been considered a rational measure for attaining this objective. When the criteria for supporting individual artists is not his or her economic situation but artistic merit, it means that direct support to artists cannot be the optimal method of solving the economic problems of artists. In this respect the results of direct support can have also unpredictable results, such as e.g. increasing income disparities among artists.

Filer is certainly right when he points to the importance of providing employment instead of directly supporting individual artists. For example, public support to theaters is more important to the earnings of actors than grants to individuals. However, this holds true only for some art forms, and only under some circumstances. Although the objectives of public

support to art relate to promoting art, not to solving the economic problems of individual artists, it is reasonable to consider financial assistance to individual artists as a more or less effective means to that end. As the examples of photographic artists and poets showed, it can be a method of for example securing artistic production in areas where, if left without this support, there would be almost impossible conditions for professional full-time artists to work. If the society decides to want these art forms to survive or even flourish, direct support to individual artists might in some cases be the most effective way of realizing this objective.

Direct support, and especially the system of longer grants for several years, also creates periods of increased economic stability for artists to work, increases their artistic freedom by reducing their dependability on the markets, and offers possibilities to increase their human capital through education and increased artistic experience. Basically, grant income works in many cases like increased income from artistic work. Moreover, grants tend to have a considerable amount of prestige value to individual artists.

The examples of the income effects of grants given above also raise the question of comparability over different art fields. Opinions on this have been varied. Frey and Pommerehne (1989:4), wanting to stress the common features of art fields from the economic point of view, argue that the effect of public subsidies on artistic activity will be "*basically* the same". Throsby (1992:201), analyzing artists' labor supply decisions and their earnings, categorizes two groups of artists: initial creative artists (writers, visual artists, crafts people, composers) and performing artists (actors, dancers, musicians), because of the differences in employment conditions.

Although the overall effects of grants on the income level of artists might be relatively moderate (see Heikkinen & Karhunen 1993), their full effects cannot be evaluated without information on the varying functions of grants (basic income, prestige, extra money for projects, travel, investment in education etc.). As Throsby and Mills have pointed out (1989:27), these functions vary according to patterns emerging across different art forms.

The wide variation in the situation of different artists groups comes apparent also when comparing different occupational groups within art forms, like composers vs. performing musicians, rock or entertainment musicians vs. musicians in symphony orchestras etc. These differences may reflect boundaries crossing the art form classification, such as high -popular art, pure - commercial art, applied art, or professional - amateur artists. These may even be more relevant to artists' position in relation to arts policy than the boundaries of traditionally defined art form categories. In some cases, again, occupational status as permanent employees, freelancers, self-employed free artists, or entrepreneurs is even more decisive.

In order to gain a better understanding of the effects of public support on artists' economic situation, it is obvious that much more knowledge is needed of the functions and outcomes of public support in different art fields. The income effects of direct support are strongly modified by other forms of support, such as support for structures of production and dissemination of art, as well as e.g. for professional training, or the effects of copyright legislation. More art field -specific knowledge of the modes and structures of artistic production, impact of public support, and earnings strategies in each art field and artistic occupation can also increase our understanding of the dynamics of artists' labor markets.

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NOTES

¹Although with some variation, of course. For example the system of income guarantees to artists was never adopted in Finland.

² The regional level of the arts administration, based on the system of regional arts councils, has relatively small resources at its disposal. The local authorities, i.e. municipalities, concentrate on supporting cultural institutions and promoting the cultural activities of citizens.

³ The only important exception is the system of artists pensions, where the economic situation of the applicant is taken into consideration. In monetary terms this is the most important support scheme, amounting at the moment to over half of the total sum of direct government support to artists at the national level. The artists pension are not counted as grants in the discussion below for several reasons: they do not come under the cultural budget, they are not granted to finance artistic work (although many artists continue their artistic activity well beyond the normal retirement age), and they are not tax-free like other grants. When artists belonging to the research populations discussed below do have artists pensions, these are included as part of their taxable income.

⁴ In two earlier reports the value of grant income was calculated with a coefficient according to the average tax-rate of the whole population. This was a good approximation, but not altogether satisfactory. The main reason for doubts of its accuracy was caused by the wide variation of income level among artists, which was significantly greater than among the whole labor-force. The effect of income discrepancies was supposed to be considerable because of the high level and progressive nature of individual taxation. In the later reports a different procedure was adopted. On the basis of official statistics on the taxable income of the whole population, the gross (taxable) income classes were reduced to respective net income classes. The net income of artists (taxable income minus taxes plus tax-free grants) was then estimated to belong to a certain gross income class according to the same ratio as for the whole population. The outcome tells us an approximation of the sum an artist should have earned in order to receive his real net income, if the tax-free grant income had been normal taxable income. This of course, is still only an approximation, but more accurate than the previous procedure. The technical drawback was, that after this we could operate with the concept of total income only on the basis of the same income classes as used by the official statistics.

⁵ The education level of Finnish artists is relatively high. The majority of artists have matriculation examination, compared to about 20 % of the whole adult population. The majority of artists also have professional training either at higher or vocational level. From the younger artists, the majority in many art fields has university level education.

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