2 Living Art: Artists between Making Art and Making a Living [*]

This chapter builds on the work-preference model of artists' labour supply. The model is summarised, theories of multiple job-holding are investigated and an alternative graphical representation is introduced. After some simple alterations, the model is applied to data on Australian artists. Artists are found to respond to wage rates in both the arts and non-arts labour markets. Further refinements to the model and research methodologies are discussed.

> *"Even that most rational of all birds - the economist - is occasionally spotted making job changes that cannot be explained by simple money income maximisation."*
> *(Lester C. Thurow, 1981)*

2.1 Introduction

Artists are often considered 'different', partly because they proclaim themselves to be different. They have a point. The employment and career choices of artists can appear, to an economist at least, unusual. But what makes little sense to an economist probably makes perfect sense to an artist, and it is the interminable challenge of the arts economist to make economic sense of artistic behaviour - although, as Thurow points out, not even knowledge of economic theory guarantees economically rational labour market behaviour.[1]

There is now a large body of research confirming that the working habits of artists and cultural workers are interesting in economic terms (see Menger 1999, for a survey of research on various aspects of artists' labour). Artistic and cultural labour markets are, for example, characterised by high levels of voluntary work and high rates of multiple job-holding. Probably most intriguing, however, is the sustained growth in arts employment around the world despite persistently low and in some cases declining rates of compensation. A variety of explanations have been put forward to explain this. It has been suggested that artists are risk-takers, attracted by the superstar earnings of a small group of artists; that artists are not able to correctly estimate their odds of a successful career; and that increasing wealth allows people the luxury to seek out more 'enjoyable' work at the expense of higher earnings (for a discussion, see Rengers 1999). Menger (1999) also suggests that a persistent 'oversupply' of

artists is caused by a high degree of organisational flexibility, a lack of supply constraints in the arts and a variety of institutional arrangements common to arts and arts-related industries.

As Withers (1985) points out, however, it is difficult to empirically substantiate the existence of oversupply in occupations for which non-pecuniary considerations significantly influence the supply decision. Foregone income may be partly - or even largely - attributable to what Withers terms a 'taste for the artistic life', and the foregone income of artists may therefore be 'nothing more than the compensating differential for the net advantages of an occupation freely chosen' (Withers 1985, p. 294).

Compensating Differentials and Psychic Income

The notion of compensating differentials goes at least as far back as Adam Smith (1776), who introduced the term to explain persistent differences in wage levels across professions. Smith explained the differences by recognising that there are aspects of work apart from earnings that are valued by employees and coined the term 'compensating differentials' to account for the phenomenon.[2]

More recently, the non-monetary rewards of work that underlie compensating differentials have been expanded into the notion of 'psychic income', a term used to characterise all manner of non-monetary costs and benefits derived from work, such as fame, power, companionship, discomfort and risk to life (Thurow 1978). However, after arousing some theoretical interest in the 1980s (see, for example, Katz and Syquin 1982, and Thurow's reply), psychic income has lately received scant attention from economists. This is probably because - issues of market failure aside - the concept does little to alter the neoclassical theory of labour markets, particularly if all work involves some degree of psychic income.

Nevertheless, the concept of psychic income has proved *empirically* useful where such income is not distributed uniformly across sectors of the labour market. For example, the notion has been used to explain differences in employment patterns between ethnic groups (Kimenyi 1991). Psychic income should, therefore, also be relevant to arts employment, as there is good reason to believe that artists receive unusually high levels of 'psychic income' from their arts work. For example, the concept of 'flow' - a state of heightened creativity arising from intense concentration - is particularly prevalent in artistic work (Czikszentmihalyi 1997). But theory suggests that the psychic benefits of arts work go beyond mere enjoyment. Art production is claimed to be therapeutic (Burleigh and Butler 1996), and even 'a means of coping with internal and external reality, of resolving conflict, or of dealing with early life trauma' (Bonetti and Madden 1996). Furthermore, there is a possibility that, for artistically creative people at least, not engaging in artistic activity may court personality dysfunction. This is a form of psychic income similar to that accruing to the addict; a phenomenon not lost on economists interested in artistic behaviour (Stigler and Becker 1977;

McCain 1995).[3] Indeed, the prospect of artistic 'addiction' was noted as far back as 1923, when Alfred Marshall acknowledged that 'the more good music a man hears, the stronger is his taste for it likely to become' (Marshall 1923, p. 94). Addictive artistic consumption is likely to be mirrored in addictive artistic production.

Whether art production is a compulsion, an addiction, a therapeutic tool, or simply more intrinsically enjoyable than other work, there is much to suggest that psychic income is greater in arts work than in other work.[4] Through arts work, artists gain the generic psychic benefits of work *and* the specific psychic benefits of art.

The Contribution of Economics

As a positive science, economics need not be preoccupied with the reasons behind artists' work-preferences, merely identify any biases and model their implications. That said, psychic income does offer a simple interpretation of enduring arts employment patterns that is also consistent with romanticised characterisations of artist behaviour. If artists gain higher levels of utility from time spent at their arts work than workers in other occupations, they may be prepared to forego more profitable employment choices, apparent 'oversupply' will persist, arts wages will remain persistently low and artists will find it necessary to supplement artistic income with non-arts work. The existence of unusually high levels of psychic income, then, at least provides a rationale behind the artist labour models that might otherwise appear to be based on an overly romantic view of the 'driven' or compulsive artist.

This rationale is particularly relevant to the 'work-preference' model, which is the subject of this chapter. Economists have typically modelled the unusual behaviour of artists by making marginal alterations to the standard labour market theories. The initial point of departure has been to assume that artists maximise their time working at their *artistic* profession. This systematic bias in artists' work-preferences lends the model its name: the 'work-preference' model. The model is based on an assumed violation of the usual trade-offs between the disutility of work and the utility derived from leisure and income. (Throsby 1994a). The notion of psychic income provides a rationale for such a violation.

The two most significant implications of the work-preference model are that artists will on average be seen to work longer than expected hours in relatively low-paid artistic work, and, if necessary, cross-subsidise from work outside the arts to fund their minimum budgetary requirements. A corollary of this is that their preference for artistic work causes a persistent 'oversupply' - of hours worked and of the number of artists - which both keeps wages low and impedes adjustment to more 'realistic' wages. This coincides neatly with both popular perceptions of the impoverished 'driven' artist, and with empirical evidence on the working lives of artists. Artists' earnings from their Principal Artistic Occupation (PAO) are not just low relative to non-arts wages, but are often insufficient to provide income above an

acceptable subsistence level. As a result, many artists spend time working outside the arts in order to meet a minimum set of financial demands (such as housing and food) and to cover professional artistic costs (such as training and studio-rental). They may also allocate funds from other sources, such as family endowments or spouse's earnings, to meet their costs (see for instance Towse 1996a).

That artists use income from outside their arts work to fund investment in their own artistic development or to cover professional costs is interesting in itself. It implies that non-arts earnings are, in themselves, an arts subsidy (Withers 1985). Indeed, non-arts earnings - and, at the margin, the earnings foregone by artists working in their PAO - may well be the largest single subsidy to the arts, outweighing transfers from central governments, arts councils and private foundations (Rengers 1999).

More generally, artist employment patterns represent an interesting challenge for labour economists and a valuable testing ground for modelling pathologies that may be evident, but less common, in other labour markets. Furthermore, work patterns long evident in the arts are becoming more prevalent in other occupations.[5] The arts represent an opportunity for economists to enrich their understanding of the role of work in society and to broaden the application of labour economics.

With this in mind, this chapter investigates the labour supply of Australian artists. The main objective is to test the validity of the work-preference model. The methodology adopted is an extension of Throsby's (1994a) empirical work, and uses a comparable database.

The next section of this chapter outlines and extends the work-preference model. The chapter then introduces a new empirical formulation, outlines the data and variables used to test the model and analyses the results of the empirical test. The chapter finishes with a discussion of the theoretical and research implications of the analysis.

2.2   The Theoretical Model

To non-economists it may seem 'unnatural' to study art production within an economics framework. Artists so often seem motivated by more weighty considerations than money. Indeed, the majority of research into artists' behaviour and the production of art are conducted by non-economists. Yet economic theories of the labour market are useful for several reasons. The theories are useful for economic reasons: first, because the arts are labour intensive, the labour market for artists represents the bulk of the supply-side of the arts; and second, using economic models allows the comparison of artists' production with production in other sectors. The theories also add an important dimension to any multi-disciplinary analyses of the arts: first, because labour market theory (as most economic theory) focuses on the rational elements of human behaviour, and, despite a celebrated unpredictability in artistic behaviour,

rationality has proved to be a useful paradigm for intellectual inquiry and policy formulation; and second, labour supply models and Mincerian equations are sophisticated and well-established analytical tools - *not* applying them in the case of artists would be akin to negligence.

The standard economic models do, however, require some adjustment to account for the peculiarities of artists' labour markets. In particular, multiple job-holding and the motivations that govern the 'switching' between multiple jobs (i.e. 'work-preference') should be a minimum feature of any model.

Multiple Job-holding

The standard economic treatment of multiple job-holding assumes that work in a second job is the result of restrictions on working hours in primary employment (for example Allen 1998; McConnell and Brue 1995; Schwarze 1991; Shishko and Rostker 1976), even when multiple job-holding is seen to be undertaken as a result of liquidity constraints (Abdukadir 1992). The situation of many professional artists is not fully consistent with these treatments. Artists have low average earnings in their chosen vocation compared to equally educated workers: this finding is robust over several countries and holds for almost all art disciplines.[6]

Indeed, artists' earnings from their primary vocation are often so low that their secondary job is actually their primary source of income, a situation that causes interminable data problems by 'hiding' artists in labour force surveys and population censuses (recording them instead as retail service workers, teachers and so on). The standard treatments, then, fail to capture the market conditions faced by artists. Sharir (1976) presents a general formulation of multiple job-holding that, although not specifically aimed at modelling artist behaviour, is easily adapted to the situation faced by artists. Sharir's generalisation is preferable to that proposed by Throsby (1994a) in that it uses the standard indifference maps of labour theory. The model is easily adaptable to the specific instances of the 'driven' or 'obsessed' artist, as well as the artist who also has some preference for non-arts work.[7] In order to build on earlier research - particularly in the field of cultural economics - this chapter adheres to the notion of the obsessed artist.

Multiple job-holding is clearly a complex issue, for both the artist and the analyst. The idea of the starving, monetarily disinterested artist still is an *idée fixe*: a popular exaggeration, or even an underestimation of the ingenuity of artists. Artists are eminently resourceful, and their tendency toward 'multiple job-holding' can be more courteously recognised as a clever exercise in spreading income risk than a repulsive material necessity or lifestyle choice (Menger 1999).

Multiple job-holding adds layers of complexity to labour market modelling. To a certain degree, modelling artist multiple job-holding is made simpler by making the 'work-preference' assumption that the 'driven' artist completely prefers arts work. This is a special case of the general models outlined above that allows greater predictability regarding responses to structural changes, such as movements in relative wages. Yet complexity is also compounded in the arts by the tendency for artists to hold not two, but three jobs. Arts economists and arts analysts have found it useful to analyse artists' employment across three categories: 'arts work', 'arts-related work', and 'non-arts work' (Throsby 1994a, 1996a,b). Disaggregating multiple job-holding into these categories improves the efficiency of the model and allows for the identification of three interesting phenomena. First, the income distribution of both arts-related and non-arts earnings tend to be less skewed toward lower incomes than the distribution of arts work. Second, on average, investments in artistic human capital yield lower returns than investments in non-artistic human capital (indeed, Towse (1996b) reports zero or negative individual returns).[8] Third, it shows that arts-related and non-arts earnings can be predicted more accurately than arts earnings.

It is clearly difficult to model labour supply across three employment categories. Further problems arise from the empirically vague distinction between categories, particularly between arts and arts-related work (Van Der Linden and Rengers 1999). There are also theoretical caveats. For example, it makes sense to impose on the 'obsessed' artists a preference for arts work over non-arts work, which tends to be low-paid, low-status work. However, it makes less sense to impose the same preference in the case of arts-related work, such as teaching or advising; artists may perceive this arts-related work as an inseparable part of their artistic work. As a matter of fact even wealthy and highly respected artists often hold arts-related jobs.[9] Confronted with issues of complexity such as these, Throsby combines the categories 'arts' and 'arts-related' work into one in his work-preference model.

Work-preference Model

Throsby's 'work-preference' model breaks artists' labour supply into two categories, arts work and non-arts work, and assumes that artists have a strong preference for arts work. Non-arts work is used to meet an income constraint and to spread the risk associated with working in the arts. In the model, artists are assumed to have a utility function U that only depends on hours worked in the arts (L^a) and a vector of commodities (x):

$$U = U (L^a, x) \tag{2.1}$$

Artists' total earnings are PAO-earnings plus earnings on the non-arts labour market. By definition, artists spend all available time working either inside the arts or outside the arts, so that non-arts labour supply can be defined as ($1 - L^a$). Artists spend their entire income on the purchase of commodities. The budget-constraint is therefore:

$$w^a L^a + w^n (1 - L^a) - p^x x = 0 \qquad (2.2)$$

with:

L^a	=	labour supply in the arts
x	=	bundle of consumption goods
p^x	=	price of bundle of consumption goods
w^a	=	arts wage rate
w^n	=	non-arts wage rate

The optimal labour supply of those artists who work in two labour markets (i.e. who have $L^a < 1$) is:

$$L^a = (w^n - p^x x^*)/(w^n - w^a) \qquad (2.3)$$

This equation has the following partials, which show the responsiveness of PAO labour supply to changes in commodity prices, arts wages and non-arts wages respectively:

$$\frac{\delta L^a}{\delta p^x} = \frac{-x^*}{w^n - w^a} < 0$$

$$\frac{\delta L^a}{\delta w^a} = \frac{w^n - p^x x^*}{(w^n - w^a)^2} > 0$$

$$\frac{\delta L^a}{\delta w^n} = \frac{p^x x^* - w^a}{(w^n - w^a)^2} > 0 \qquad (2.4)$$

The model depicts artists as workaholics. They are willing to supply extra hours against very low wage rates. Furthermore, the responses to changes in prices at equilibrium are consistent with artists' 'exotic behaviour' more generally. First, the more severe the budget-constraint, the fewer hours artists work in their PAO (1). Second, the higher the arts wage, the more hours artists work in their PAO (2). The true elegance in the model is, however, in the third derivative: the higher the non-arts wage, the more hours artists work in their PAO (3). The pattern in the derivatives reflects a tendency to subsidise arts work with non-arts labour.

The model is less spectacular for those artists working in their PAO only. If artists have sufficient earnings from the arts (and therefore work as full-time artists), all the inequalities in (2.4) turn to zero, which implies that artists are irresponsive to changes in prices (Throsby, 1994a). As long as their PAO-earnings exceed $p^x x^*$, artists will keep their labour supply in the arts at $L^a = 1$.

Throsby represents the theory using utility and earnings functions for individual artists (see Figure 6.2 in Throsby, 1994). The theory can also be represented graphically for the artist profession as a whole, with supply and demand curves, which are set out in Figure 2.1.[10]

The supply curves show the willingness of the artist to supply hours of work at that market given the wage rate in that and the alternative market. Demand is assumed to be perfectly elastic in the non-arts market and downward sloping in arts market. As a consequence of the work-preference of artists, aggregate supply is downward sloping in the non-art labour market. The higher the non-arts wage, the fewer hours artists supply (derivative 3). The supply curve for art-work is upward sloping, and becomes complete inelastic as soon as the wage rate in the arts exceeds the minimum wage rate required to meet the budget constraint $p^x x^*$.

The shape of the curves is due to differences in the ability to substitute between supply in either market given the need to achieve the minimum earnings target $p^x x^*$. All axes are to scale, and the hours worked remain proportional (as in Throsby's original formulation). The lower quadrants are transformational. The markets in Figure 2.1 are shown to be in equilibrium, with $w^{a*} L^{a*} + W^{n*} L^{n*} = p^x x^*$. The curves are consistent with Throsby's initial formulation, with the arts wage lower than the non-arts wage and too low to allow the artist to meet the minimum budget constraint. A change in the wage rate in one market causes the supply curve in the other market to shift. This means that using the curves to demonstrate structural shifts may require iterations, which are not represented here.

Creators and Performers

The distinction between arts, arts-related and non-arts work represents a major advance in the theoretical and empirical understanding of artists' labour markets. Further breakdowns of the type of arts work can improve the model. Two typologies might be considered. First, a distinction could be made between government-related and 'private' PAO work. This is especially relevant in mainland Europe, where governments and arts councils have a large impact on art production.[11] Second, a distinction could be made based on the nature of arts work itself. The type of work undertaken by painters and writers is often different to the type of work undertaken by actors and performers: the former more often create an original work of art, the latter more often reinterpret (or 'deliver') a work of art that is already created.[12] In practice the distinction is often blurred, although apparently this does not detract from its benefits as an organising taxonomy for arts and cultural research.[13]

Figure 2.1 An Alternative Graphical Representation of the Work-preference Model
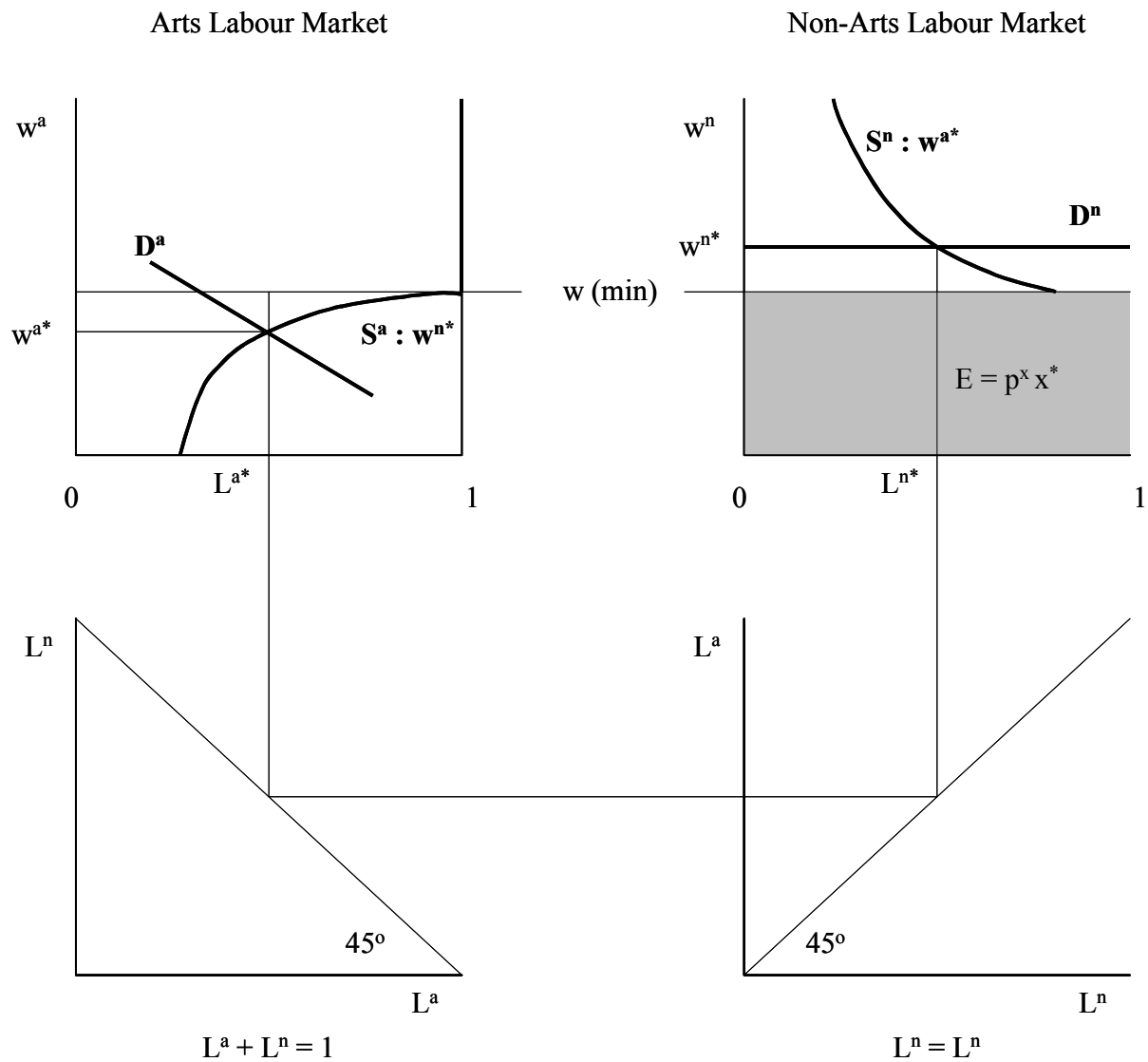
The distinction between 'creative' artists and 'performing' artists is chosen here. Throsby also adopts the distinction, albeit with more accurate terms. In the context of multiple job-holding, performers are anecdotally more likely to conform to the situation of other moonlighters, with restrictions on work in the primary vocation the major impetus to holding more than one job. Romantically conceived, performers are more likely to be contract workers, auditioning for stage seasons. Their hourly arts wage is likely to be respectable when in work, although work opportunities are lumpy and/or unpredictable. Creative artists, who might be assumed to be predominantly self-employed, are less restricted by outside considerations and more by purely monetary and utility considerations.

Most of these somewhat stereotypical ideas about labour market differences between creative artists and performers are in fact observed in the data, which is another - empirical - argument for the separate treatment of the two groups.[14] Figure 2.2 summarises a variety of differences that might exist between the two artist populations. There are, of course, large differences within each of the 'performing' and 'creative' arts, but the similarities are assumed here to outweigh the differences.

Figure 2.2   Stylised Facts on Production in Creative and Performing Arts

Creative arts	Performing arts
Self-employed	Contract (short/long term)
Works individually	Works with others
Creativity, innovation, topicality	Craftsmanship, technical skills
Restricted by income-constraint	Restricted by availability of work & physical boundaries
'Piecemeal' reimbursement	Per hour reimbursement
High production costs	Low production costs
Non-unionised	Unionised

2.3   The Empirical Model

The theoretical model has straightforward empirical implications. This section sets out the empirical specification used to test the predictions of the theoretical model. The model is translated into common earnings and labour supply functions and then extended to artists working solely in their PAO.[15] Throsby's theoretical model is defined in terms of the shares of total labour supply made up by PAO and non-PAO work. Empirically, however, it is more attractive to deal with the actual number of hours worked, and this is the measure adopted here.[16]

From the derivatives in (2.4), artists working in two labour markets will respond to an increase in either the PAO wage or the non-PAO wage by increasing the number of hours worked at their PAO. The reverse holds for wage decreases.

The original formulation of the model says little about artists who work only in their PAO, beyond assuming that these artists will not alter their labour supply in response to wage and price changes. Under the new formulation adopted here, this is a testable assumption.

The first stage of the estimation is to regress earnings against hours worked, human capital and a variety of demographic variables. This gives preliminary insight into the relationship between earnings and hours worked, and it allows a correction for labour supply/earnings simultaneity.

Earnings functions for PAO-work and non-PAO work are estimated separately. PAO-earnings are estimated for six different art disciplines: four creative arts disciplines (writers, crafts and community artists, visual artists and composers); and two performing arts disciplines (actors/dancers and musicians). Non-PAO earnings are estimated across all disciplines. This is done for two reasons. First, it is reasonable to assume that the outside labour market is similar for all artists; there is no theoretical reason to assume that a writer waiting tables would earn more than a visual artist waiting tables. Second, the number of artists with non-PAO jobs is too small to allow a breakdown into disciplines.

The earnings functions are straightforward Mincerian, and are specified as follows:

PAO-Income = f (hours worked in PAO, arts education, experience, experience^2, demographics, professional costs) (2.5)

Other Income = f (hours worked outside PAO, general education, experience, experience^2, demographics) (2.6)

Arts education is included as a predictor for earnings in the arts, and general education as a predictor for income outside the arts. The experience variables are the same in the two equations, but there are some differences in the demographic variables.[17]

The second stage of the estimation is to use the earnings functions to predict earnings inside and outside the arts. Wage rates, which enter as logarithms in the respective labour supply functions, are derived from predicted earnings. This technique is similar to a two-stage least squares estimation.

Labour supply can now be modelled. Labour supply (measured as the number of hours worked per year in each labour market) depends on the associated (log) wage rates, demographic and labour market characteristics as follows:[18]

$$\text{Hours in PAO} = \quad f \text{ (PAO-wage, outside wage, demographics)} \qquad (2.7)$$

$$\text{Hours outside PAO} = f \text{ (outside wage, PAO-wage, demographics)} \qquad (2.8)$$

The labour supply models are estimated separately for performers and creators. A further distinction is made between artists who work in the arts only and artists who work in both arts and non-arts labour markets. Estimates are therefore made for four groups of artists:

1. Creators working in PAO only.
2. Performers working in PAO only.
3. Creators in both PAO and non-PAO work.
4. Performers in both PAO and non-PAO work.

2.4   The Data

The data come from Throsby and Thompson's (1994) study on artists living and working in Australia. The sample covers 950 artists from 'traditional' art disciplines. Artists working in wider arts activities or cultural industries, such as filmmaking and design, are not included. For further details see the original report and subsequent papers by Throsby (1996a,b).

Descriptive statistics for creative and performing artists appear in Tables 2.1(a) and 2.1(b). The tables highlight a number of differences between performing and creative artists. Table 2.1 (a) shows that: there are more women in the creative arts than in the performing arts (55 per cent compared to 41 per cent); creative artists have on average higher levels of formal education, both inside and outside the arts; more than 50 per cent of performing artists receive early training in the arts, compared to less than 25 per cent of creative artists; performing artists are more likely to be unemployed at some stage in their career; and creative artists are more than three times as likely to have received a grant or some other form of arts assistance.

Table 2.1(b) shows that: creative and performing artists have approximately the same total income; creative artists tend to spend longer hours in their PAO than performing artists; creative artists receive lower and more variable wage rates; creative artists have higher earnings through art-related jobs and are more often employed within the cultural sector than performing artists; and the total of arts-related expenses for performing artists is about half that of creative artists (as a consequence, the net hourly rate of pay for creative artists is much lower than for performers and in some cases is even negative).

Table 2.1 (a) Demographics for Artists Living and Working in Australia in 1993: Variables, Descriptions and Means

Description	Creators	Performers
Demographics		
Female	0.55	0.41
Single/divorced/widow	0.39	0.45
Dependent kids	0.40	0.36
Born in Australia	0.71	0.72
Has been unemployed during the past 5 years	0.23	0.35
Education		
Training as an artist before 18	0.23	0.51
Highest education primary education	0.05	0.14
Highest education secondary education	0.19	0.32
Highest education diploma	0.32	0.24
Highest education degree	0.25	0.22
Highest education postgraduate degree	0.19	0.08
Basic art-qualifications obtained	0.34	0.36
High art-qualifications obtained	0.37	0.27
Granting		
Received grant/assistance from Arts Council	0.23	0.07
Principal Artists Occupation		
Writer	0.24	
Crafts	0.19	
Visual artist	0.40	
Composer/arranger	0.10	
Community artist	0.06	
Actor		0.35
Dancer		0.06
Musician/singer		0.58
Number of cases	555	298

2.5   Analysis

The empirical model of the third section can now be applied to the data. First, earnings functions for PAO and non-PAO work are calculated. These results are then used to model labour supply across the different groups of artists (i.e. across categories i-iv).

Earnings Functions

Table 2.2 shows the results for PAO-earnings across six artistic professions (creators in Table 2.2(a), performers in Table 2.2(b)). Table 2.2(c) presents estimates for earnings in the non-arts labour market. The earnings functions show the likely returns to an extra hour's work for artists in each discipline. For example, writers get an extra $13 at the margin, whereas composers only receive an extra $5.

Table 2.1 (b)   Earnings, Wages and Costs for Artists Living and Working in Australia in 1992-1993: Variables, Descriptions and Means

Description	Creators		Performers	
Hours worked in arts profession (per week)	31.93	*17.93*	25.81	*18.41*
Hours worked in non-arts profession (per week)	7.85	*14.00*	11.43	*16.59*
Hours worked in arts-related profession (per week)	9.59	*14.21*	7.83	*13.27*
Hours worked total (per week)	48.65	*16.50*	44.37	*17.40*
Income through art (yearly)	11881.97	*21796.91*	12137.76	*17038.9*
Income through art-related work (yearly)	8150.99	*15695.44*	5867.19	*12378.47*
Income through non-art (yearly)	6497.52	*14386.13*	6307.57	*11870.44*
Total income	26767.07	*26867.23*	24584.59	*20710.52*
Wage rate in the arts per hour	8.08	*18.14*	11.22	*15.58*
Wage rate outside the arts per hour	15.82	*27.40*	12.51	*19.99*
Wage rate art-related work per hour	16.82	*35.19*	14.83	*30.79*
Income through art & art-related work (yearly)	20018.28	*25796.67*	17985.26	*21146.64*
Hours worked in art & art-related work (per year)	2159.22	*996.57*	1749.53	*1084.6*
Hours worked in art & art-related work (per week)	41.52	*19.16*	33.64	*20.86*
Wage rate art and art & art-related work per hour	8.64	*10.78*	12.20	*15.95*
Total art & art-related expenses	11285.08	*41512.84*	5576.66	*12999.79*
Cost per hour PAO only	9.46	*31.07*	7.73	*22.06*
Cost per hour art & art-related work	5.13	*14.88*	4.67	*10.47*
Net hourly wage PAO only	-1.35	*23.74*	3.65	*23.91*
Net hourly wage art & art-related work	3.49	*15.42*	7.69	*13.74*
% Artists working PAO only	24.7		20.8	
% Artists working PAO & art-related jobs	39.1		34.6	
% Artists working PAO, art-related & non-art jobs	13.3		12.8	
% Artists working PAO & non-art jobs	22.9		31.9	
Number of cases	555		298	

Standard deviations in italics

Table 2.2 (a)   Earnings Functions Explaining PAO Earnings for Creative Artists

Variables entered in the equation	Writers		Crafts- and community artists	
Number of hours worked in PAO	13.69	*2.42 ***	6.50	*1.54 ***
Experience	2190.83	*1493.13*	180.68	*1261.01*
Experience squared	-19.42	*13.09*	-0.02	*10.31*
Received early training in PAO	-18.59	*9182.35*	-3336.31	*3760.24*
Completed basic and/or higher arts education	-1641.61	*4584.94*	-943.06	*3310.58*
Female dummy	-14974.95	*4806.32 ***	-11177.78	*3094.55 ***
Born in Australia	4837.57	*5212.36*	587.55	*3187.36*
Received at least one grant during the past 5 years	-1932.00	*5428.47*	9117.55	*4035.24 **
Professional costs	0.02	*0.01 ~*	0.00	*0.01*
Lives in Sydney or Melbourne	7588.64	*4532.83 ~*	4010.74	*3022.54*
Constant	-65427.83	*41508.80*	-2273.98	*37991.18*
Number of cases	132		144	
R squared	0.31		0.34	

Standard errors in italics; ~ significant at 10% level; * significant at 5% level; ** significant at 1% level

Table 2.2 (a)   Continued

Variables entered in the equation	Visual Artists		Composers	
Number of hours worked in PAO	8.77	*1.45 ***	5.38	*3.17 ~*
Experience	1328.78	*1348.92*	14264.93	*7317.34 ~*
Experience squared	-10.13	*10.79*	-108.19	*54.99 ~*
Received early training in PAO	1293.50	*2920.20*	6981.21	*6658.79*
Completed basic and/or higher arts education	2993.92	*3208.56*	-6254.40	*6582.80*
Female dummy	-3187.02	*2769.06*	-16194.22	*8672.70 ~*
Born in Australia	-1135.81	*2942.69*	3051.82	*6790.76*
Received at least one grant during the past 5 years	2972.27	*3430.04*	18731.48	*6079.03 ***
Professional costs	0.01	*0.01*	1.32	*0.14 ***
Lives in Sydney or Melbourne	1658.45	*2723.69*	-8214.68	*5845.88*
Constant	-45316.33	*41355.18*	-459182.90	*239444.20 ~*
Number of cases	220		55	
R squared	0.21		0.78	

Standard errors in italics; ~ significant at 10% level; * significant at 5% level; ** significant at 1% level

Table 2.2 (b)   Earnings Functions Explaining PAO Earnings for Performing Artists

Variables entered in the equation	Actors & Dancers		Musicians	
Number of hours worked in PAO	7.50	*1.64 ***	10.56	*1.40 ***
Experience	822.66	*1247.51*	-3034.62	*3989.77*
Experience squared	-3.58	*10.06*	21.49	*28.31*
Received early training in PAO	-6584.29	*4490.20*	-1764.28	*3397.10*
Completed basic and/or higher arts education	-2442.04	*3651.60*	4034.62	*3167.66*
Female dummy	-6253.91	*3670.04 ~*	-1811.12	*3217.53*
Born in Australia	2764.16	*3913.30*	4402.44	*3268.18*
Received at least one grant during the past five years	1797.54	*6766.43*	-9488.24	*5883.13*
Professional costs	-0.01	*0.01*	-0.02	*0.01 ~*
Lives in Sydney or Melbourne	6192.06	*3430.21 ~*	-1907.94	*2953.60*
Constant	-35967.54	*38288.29*	105617.40	*139674.10*
Number of cases	122		174	
R squared	0.25		0.29	

Standard errors in italics; ~ significant at 10% level; * significant at 5% level; ** significant at 1% level

From the results in Tables 2.2 (a) and 2.2 (b), it can be calculated that there is little difference in the returns from working extra hours between PAO and non-arts work. This could be seen to violate the requirements of the work-preference model, because the model rests on the assumption that $w^a < w^n$.[19]

The finding that arts wages and non-arts wages are broadly similar does not, however, preclude the use of the work-preference model. Artists may be forced to supply labour on the

outside labour market - even when wages are comparable - because there is not enough work available within the PAO. Supplying labour on the non-PAO market may also be rational for artists receiving sufficient earnings through their PAO. For example because it may be difficult to get bank loans, affordable health insurance or pension plans working in the arts only.

Table 2.2 (c)   Earnings Function Explaining Earnings of All Artists on the Outside Labour Market

Variables entered in the equation		
Number of hours worked	8.72	*0 .88* **
Experience	-551.20	*595.94*
Experience squared	2.94	*4.88*
Female dummy	-5501.79	*1618.31* **
Born in Australia	-1007.84	*1706.67*
Has been unemployed	-8417.21	*1721.24* **
Lives in Sydney or Melbourne	-2267.49	*1583.26* ~
Completed secondary school	3750.97	*3049.90*
Completed a diploma	6703.77	*3049.65* *
Completed a degree	10348.45	*3024.25* **
Completed a post-graduate degree	7320.27	*3205.55* *
Constant	31679.72	*17654.06* ~
Number of cases	340	
R squared	0.34	

Standard errors in italics; ~ significant at 10% level; * significant at 5% level; ** significant at 1% level

In accordance with human capital theory, general education influences non-arts earnings. Arts education, however, does not affect PAO-earnings. There are a number of explanations. There may be differences in the markets for artistic and non-artistic human capital: artistic capital may be less marketable or arts degrees may have a lower signalling value. There may also be differences in supply conditions: art schools may be less effective at adding value to students' human capital. Finally, there may be *inherent* differences between artistic and non-artistic human capital: artistic human capital may be correlated with unmarketable traits (such as insanity and antisocial behaviour), and talent may play a more important role in reimbursement for artistic human capital. This last point seems particularly plausible. It is also easily testable by comparing 'educated' artists with artists who do not hold an arts degree.[20]

Finally, it should be noted that the data show a persistent earnings gap between male and female artists consistent with findings for the broader Australian labour market, in which women's full-time incomes are around ten per cent less than men's (Hughes 1997). A more detailed analysis, particularly accounting for career differences between male and female artists, is beyond the scope of this chapter. Throsby and Thomson (1994), which draws on the

same data as the current chapter, devotes a chapter to the issue. Extensive European data should be forthcoming from the European Union's 'Women in Arts and Media Professions'.[21]

Labour Supply

Table 2.3 presents the estimated labour supply models for the four groups of artists.

For the first two groups, the wage outside the arts affects arts labour supply positively and non-arts labour supply negatively, as predicted by the work-preference model. This provides support for the hypothesis that artists subsidise their own profession by working outside the arts. Moreover, the *higher* the wage they receive on the outside labour market, the *more* they subsidise. The effects are of similar magnitude for both creators and performers. A doubling of the non-arts wage increases the number of hours worked inside the arts by 2.6 hours per week for creators and 3.1 hours per week for performers.[22] In accordance with this finding, a wages increase reduces non-arts labour supply. A doubling of the non-PAO wage leads to a decrease in hours worked (9.4 per week for creators and 7.8 per week for performers).

A more surprising result is the effect of the PAO-wage on labour supply. PAO-wages have a *negative* impact on labour supply within the arts. The effect is similar for creators and performers. In other words, a doubling of the PAO-wage rate leads to decrease in hours worked (6.0 per week for creators and 6.4 per week for performers). PAO-wages do not, however, influence labour supply decisions on the *outside* labour market. This asymmetry is surprising, since the work-preference model predicts the opposite.

Table 2.3 (a)   Labour Supply of Creators Working Inside and Outside the Arts

Variables entered in the equation	Labour Supply in the Arts		Labour Supply outside the Arts	
Ln Wage in PAO	-451.18	*97.40 ***	103.44	*75.31*
Ln Wage outside PAO	194.31	*79.58 **	-705.28	*61.54 ***
Female dummy	142.96	*118.98*	-358.88	*91.99 ***
Born in Australia	-4.06	*130.82*	-124.76	*101.15*
Grant-receiver	94.72	*200.78*	151.65	*155.24*
Single	212.32	*130.00*	-105.73	*100.52*
Kids	-75.19	*128.81*	98.98	*99.60*
City	-11.02	*117.57*	-35.41	*90.91*
Arts education	118.60	*123.68*	-2.77	*95.63*
Writer	-309.66	*158.40 ~*	366.42	*122.48 ***
Visual artist	-29.26	*143.58*	-24.72	*111.02*
Composer	334.41	*270.32*	67.25	*209.02*
Constant	2012.56	*417.77 ***	3163.02	*323.03 ***
Number of cases	188		188	
R-squared	0.27		0.50	

Standard errors in italics; ~ significant at 10% level; * significant at 5% level; ** significant at 1% level

The negative effect of the PAO-wage is also apparent in the labour supply of artists working in the arts only. These full-timers reduce their labour supply in response to a doubling of the PAO-wage rate: 8.7 per week for creators and 12.8 per week for performers.

Table 2.3 (b)   Labour Supply of Performers Working Inside and Outside the Arts

Variables entered in the equation	Labour Supply in the Arts		Labour Supply outside the Arts	
Ln Wage in PAO	-478.11	*82.94 ***	69.12	*85.52*
Ln Wage outside PAO	230.11	*96.78 **	-582.20	*99.79 ***
Female dummy	-1.43	*149.59*	-151.74	*154.24*
Born in Australia	47.28	*152.96*	6.24	*157.72*
Grant-receiver	454.83	*343.88*	260.11	*354.57*
Single	84.09	*141.35*	-385.16	*145.74 ***
Kids	-281.80	*157.81 ~*	-151.12	*162.72*
City	157.67	*132.15*	-203.39	*136.26*
Arts education	113.79	*139.82*	3.90	*144.17*
Musician	-117.25	*140.01*	225.21	*144.36*
Constant	1693.02	*411.60 ***	2924.61	*424.40 ***
Number of cases	125		125	
R-squared	0.31		0.27	

Standard errors in italics; ~ significant at 10% level; * significant at 5% level; ** significant at 1% level

Without over stressing magnitudes, the estimates clearly suggest that artists reduce the hours they work in their PAO when faced with a higher arts wage.[23] Established artists apparently work fewer hours for better money than their struggling colleagues. This finding is inconsistent with the work-preference model. If artists indeed love their work, they should increase the number of arts hours worked when they face a pay-increase, *especially* those artists who have more than one job. However, the data show that there is a large group of artists who work long hours against very low wages, which is consistent with the work-preference model. The model is 'wrong' in the sense that it does not accurately account for those artists whose PAO-work can be regarded as a 'regular' job. These 'regular' workers have a normal working week and receive a competitive level of pay. To include the two groups in one analysis may suggest wage relationships in the total population that do not hold within sub-groups.

Cultural economists, policy makers and other analysts often neglect those regularly employed in the arts sector. To many, the quintessential artist is the struggling *visual* artist. Consequently, many models are based on the image of the poor artist, or more specifically, the bohemian painter.[24] This is not to say that bohemian artists are a myth, but to focus solely on them unnecessarily narrows the analysis. The work-preference model is sensitive to this type of definitional specification. Indeed, bringing a broader range of artists (such as graphic

designers and film-makers) into the database used here would likely strengthen the observed wage effect.

Table 2.3 (c)   Labour Supply of Creators Working in PAO Only

Variables entered in equation	Labour Supply in the Arts	
Ln Wage in PAO	-654.76	*122.16 ***
Female dummy	-270.77	*93.131 ***
Born in Australia	118.14	*99.20*
Received at least one grant during past 5 years	-3.78	*117.03*
Single	218.35	*100.12 **
Kids	58.08	*97.80*
City	-13.36	*92.30*
Arts education	186.95	*104.68 ~*
Writer	-66.50	*131.736*
Visual artist	-61.10	*110.75*
Composer	3.18	*159.43*
Constant	3966.10	*347.93 ***
Number of cases	350	
R-squared	0.15	

Standard errors in italics; ~ significant at 10% level; * significant at 5% level; ** significant at 1% level

Table 2.3 (d)   Labour Supply of Performers Working in PAO Only

Variables entered in equation	Labour Supply in the Arts	
Ln Wage in PAO	-959.56	*286.35 ***
Female dummy	-133.80	*147.99*
Born in Australia	-60.08	*170.81*
Received at least one grant during past 5 years	-134.27	*289.66*
Single	-297.15	*153.66 ~*
Kids	107.42	*152.67*
City	101.02	*147.56*
Arts education	97.26	*148.69*
Musician	-132.11	*150.37*
Constant	4790.20	*714.11 ***
Number of cases	164	
R-squared	0.16	

Standard errors in italics; ~ significant at 10% level; * significant at 5% level; ** significant at 1% level

2.6   Theoretical and Research Implications

The previous section highlights a number of limitations in the work-preference model. To reject the model entirely, however, would be throwing out the baby with the bath water. The

model still has many attractive features. It allows us to identify that artists reallocate funds from the non-arts to the arts, and that artists with higher non-arts wages work more hours in their PAO. The work-preference model also offers an elegant and plausible explanation for the existence of a large group of artists who are working long hours for little money.

The findings do, however, present important implications for future empirical and theoretical research. On the theoretical level at least four directions are immediately evident. First, as highlighted earlier, the differences in labour market behaviour between established artists with regular job-patterns and long-hour-low-wage artists should be further explored, both empirically and theoretically.[25] Second, labour demand could be introduced, given that the analysis suggests that the availability of work is an important determinant of the labour market behaviour of artists. Third, differences across art disciplines could be explored further. Fourth, the relationship between arts and non-arts labour supply and non-labour income must be examined. The influence of non-labour income is well established in general labour market theory, but has been conspicuously absent from the study of the labour market for artists. There seems little reason to ignore its influence in the case of the arts.

The analysis also has implications for the conduct of future surveys. First, surveys should attempt to measure arts wages more accurately. Besides the 'standard' method of dividing total earnings by total hours worked, questions regarding the *hourly* rewards could be included. Second, to accurately test the work-preference model, surveys could include questions on the preferred length of the working week (at different levels of pay). Third, as highlighted above, surveys would do well to account for non-labour income and spouse or household earnings.

The focus in arts economics on artists as detached from the larger labour force has been constructive, both in advancing our understanding of this peculiar labour market and in helping to establish the 'Economics of the Arts' as a valid sub-discipline. The peculiarities of the arts should not, however, be over-stressed. Now that cultural economics has developed an empirical and theoretical critical mass, and has its own *Journal of Economic Literature* classification code (albeit at the very extremity of the taxonomy), its proponents should be more conscious than ever of the need to connect with mainstream economic analysis.

In light of this, then, the imperative follow-up to this chapter is to describe artists' work-preference with the continuous or substitution models of standard labour theory, such as in Sharir (1976), and apply these models to the specialist databases gathered by arts economists. This would afford general labour economists greater insight into the rising phenomenon of multiple job-holding. And it would allow arts economists to verify whether artists are indeed different, or whether difference is merely artistic self-proclamation.

Notes

[1] For the purposes of this chapter, the definition of 'artist' is confined by the definition adopted by Throsby and Thompson (1994), whose data form the basis of the empirical analysis. The exact definition and its implications are discussed later in the chapter.

[2] Numerous other accounts for the existence of differences in wage levels between industries have been put forward. For instance, tests of theories of efficiency wages (Shapiro and Stiglitz 1984: Raff and Summers 1987) use cross-industry wage levels to 'prove' the existence of phenomena related to efficiency wages (Krueger & Summers 1988).

[3] Stigler and Becker (1977) attempt to distinguish between beneficial and harmful addictions, despite the unavoidable reduction to judgement that such a distinction invites. It is not necessary to make distinction here, as both 'good' and 'bad' addictions are manifest uniformly in terms of compensating differentials.

[4] Two points should be made. First, arts work may involve psychic costs over and above those simply brought on by the social and financial privation common to arts work (see McLaren 1999). Second, some types of psychic income that are prevalent in other work may not accrue from arts work, such as companionship or social interaction. It is not possible here to develop a full taxonomy of psychic income, identify what type of psychic income applies to what types of work, calculate the net psychic income for each type of work and the relative size of net psychic income across types of work, although these factors are likely to influence the empirical results. This will be discussed later in the chapter.

[5] Multiple job holding is, for example, on the rise in the total workforce (Kimmel and Powell 1999, Sussman 1998, McConnell and Brue 1995).

[6] Towse (1993), Jeffri (1989), Throsby and Mills (1989) and Elstad (1997).

[7] Sharir's model requires that the worker faces diminishing marginal monetary rewards, which is clearly an unrealistic assumption for both salaried and waged workers (particularly waged workers, who are regularly tempted with increasing returns in the form of higher overtime wages). This assumption may, however, be easily redefined by assuming that workers experience growing disutility as hours worked increase, which seems particularly relevant for artists working in non-arts work. Such a respecification would be strengthened by the notion of psychic income, which presumably diminishes rapidly as hours worked increases. This will not be pursued here.

[8] Artists do build up some human capital on-the-job, but this may be due to unsuccessful artists switching out of the profession. Alper and Wassall (1998) recommend a longitudinal study to distinguish this selection effect from a 'learning-on-the-job effect'.

[9] Elstad (1997) even claims that the prestige and income through these jobs exactly resembles the hierarchy of earnings and prestige from artists' principle artistic occupation. Observing prestigious artists in prestigious teaching positions, on arts council committees and in arts advisory positions gives anecdotal support for this.

[10] The curves are presented to offer an alternative graphical representation that is closer to the more familiar market curves.

[11] Rengers (1998) and Elstad (1997).

[12] Such a distinction is common among cultural theorists and sociologists. Creative artists usually produce the ideas and concepts ('encode'). The audience 'decodes' the ideas and concepts (O'Sullivan et al, 1994). Performers are part of the 'downstream' communication chain, although 'encoding' is still possible through reinterpretation and editing (Statistics New Zealand and Ministry of Cultural Affairs, 1995).

[13] For example, the distinction has been an integral part of the cultural statistical frameworks of government statistical agencies in Australia, Canada and New Zealand.

[14] As a consequence, tests of these differences are not presented here. A quick inspection of the descriptive variables in Tables 2.1a and 2.1b however reveals clear differences, particularly with respect to the labour market situation of the two groups.

[15] Some general caveats should be noted. First, the assumption that workers can actually choose the number of hours they want to work does not hold for the majority of artists. Only the very rich and very famous enjoy the luxury of choice. While famous artists can actually negotiate hours and payment, the typical artist faces a 'take-it-or-leave-it' decision. Second, a large group of artists are self-employed. The self-employed are notorious for misquoting their labour supply (Berndt, 1993), and are typically contracted to supply a particular product, rather than a specific number of hours. Measuring their labour supply in terms of hours worked is a simplification (although unavoidable).

[16] It is easy to translate the hypotheses from shares to actual: if the total number of hours worked is held constant, an increase in hours worked in one labour market automatically leads to an increase in its share in total labour supply. As a result, predictions for labour supply will correspond to predictions for hours worked.

[17] The variables used are in Tables 2.2a, 2.2b and 2.2c.

[18] Income from other sources is conspicuously absent due to a lack of data.

[19] The result also differs from Throsby, who uses *industry averages* to back this crucial assumption. The comparison adopted by Throsby is, however, incorrect. Artists typically face lower than average wages in the non-arts labour market.

[20] This type of approach would differ from a human capital approach by focussing on differences in the distribution of talent. These normally form part of the residual of the earnings function. The analysis would be particularly interesting in the case of artists.

[21] For a summary of ongoing research and a list of publications, see http://www.ericarts.org/women.

[22] This is calculated by multiplying the observed wage effect (from Table 2.2a) by *ln*2 (wages enter the hours worked equation as natural logarithms). The number of hours per week equals the annual figure divided by 52.

[23] It should be noted that this differs from the usual negative wage effect found in standard labour analysis. In the standard analysis the labour supply curve slopes backward at higher wages (i.e. the wage effect is negative) as greater wealth is traded for leisure. Leisure is not measured in the work preference model as formulated here: a negative wage effect in arts work can only be taken to reflect more time spent at non-arts work at higher arts wages.

[24] Vincent van Gogh is the archetype.

[25] Perhaps a critical wage level can be identified in data in order to distinguish between the two groups.