

The 2020 Economic Impact of Music in Texas

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Texas Music Office
OFFICE OF THE GOVERNOR, GREG ABBOTT

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Overview

As this is being written in January 2021, the pandemic is surging across the United States, with record numbers of cases and hospitalizations being reported. As a result, much of the hospitality and entertainment segment of the economy is shut down, as the demands of public health require social distancing that renders bars, festivals, and live music essentially unviable. The results presented here are pre-pandemic, reflecting activity as of the end of 2019, and should be seen as a benchmark against which the effort to resuscitate and revitalize the music sector post-pandemic can be measured.

The return on investment associated with economic development is normally a longer-term payback, as external events tend to drive the fortunes of a regional economy in the near term, which the COVID-19 pandemic clearly illustrates. However, the outlook for Texas remains bright, not the least due to the strong influx of both firms and migrants in recent months. Much of Texas' future will depend on what has brought so many here recently; a highly capable workforce, innovation and entrepreneurship, clusters in knowledge industries, the presence of world-class research universities and other institutions of higher learning, and public policy that supports growth and development. Embedded in the above is the interrelationship between creativity, innovation, and quality of life that forms a substantial piece of the foundation of a modern economy. Music is an integral part of this equation; this brief analysis updates the impact of music done three times previously, using the same methodology and sources of data, as well as discussing broad areas of additional influence on the Texas economy.

Inputs and Methodology Used in the Modeling Process

Inputs

Any effort to measure the role of music in a local economy involves classification decisions by the analyst, since music does not map directly to standard industrial classification patterns. For this study, there are two broad categories of activity that comprise the music sector:

- 1) Music business (which includes commercial music, music-related media, music production, distribution and sales, music industry, tour, and recording services, performers, and music-related manufacturing, transportation, and retail activity (including venues)); and
- 2) Music education (both primary and secondary)

This analysis uses the most current edition of the Texas Music Directory produced by the Governor's Music Office as the data source for job estimates. This information is then combined with wage data from the Quarterly Survey of Employment and Wages (QCEW) maintained by the Texas Workforce Commission to estimate annual wages for each segment

within the broad categories. These annual earnings estimates are then crossed against data from the 2017 Economic Census to derive estimates of annual revenue by sector, allowing an overall assessment of the direct “footprint” of music business and music education in Texas. See Table 1 below for the results.

Table 1: Texas Music Industry 2020 Direct “Footprint” (\$Billions)

	Jobs	Earnings	Revenue/Sales
Music-Related Business	83,572	\$3.596	\$10.808
Music-Related Education	15,562	\$0.847	N.A
Total Annual	99,134	\$4.443	\$10.808

Source: TXP, Inc.

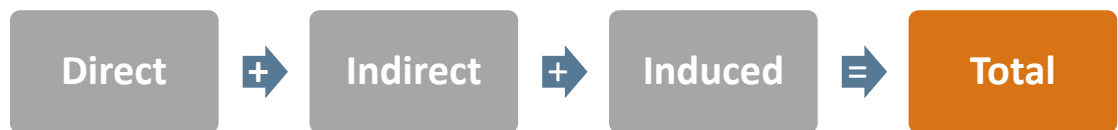
Economic Impact Methodology

In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced. Direct effects are production changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator visiting for a concert is an example of a direct effect, as would be the taxi fare that visitor paid to be transported into town from the airport.

Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services, for example, and the taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic status of other local merchants and workers.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor’s stay, for example, as do the cleaning supplies outlet and the gas station proprietor. Induced effects capture the way in which this increased income is in turn spent in the local economy.

Figure 1: The Flow of Economic Impacts



Once the ripple effects have been calculated, the results can be expressed in a number of ways. Three of the most common are “Output,” equivalent to sales; “Earnings,” which

represents the compensation to employees/proprietors; and “Employment,” which refers to permanent, full-time jobs that have been created locally. The interdependence between different sectors of the economy is reflected in the concept of a “multiplier.” An output multiplier, for example, divides the total (direct, indirect and induced) effects of an initial spending injection by the value of that injection – i.e., the direct effect. The higher the multiplier, the greater the interdependence among different sectors of the economy.

Results

Combined, music business and music education directly account for just under 100,000 permanent jobs, \$4.4 billion in annual earnings, and just over \$10.8 billion in annual economic activity, up from almost 95,000 jobs and about \$8.5 billion in annual activity during 2017. The ripple effects associated with the direct injection related to music business and music education bring the total impact (including the direct effects) to over 210,000 permanent jobs, \$8.8 billion in earnings, and \$27.3 billion in annual economic activity. The State of Texas also realizes approximately \$440 million in tax revenue from these impacts.

Table 2: Summary of Texas Music Industry 2020 Total Economic Impact (\$Billions)

	Jobs	Earnings	Revenue/Sales	TX Tax Rev.
Music-Related Business	184,482	\$7.375	\$23.395	\$0.369
Music-Related Education	26,113	\$1.424	\$3.939	\$0.071
Total Annual	210,595	\$8.799	\$27.334	\$0.440

Source: TXP, Inc.

Conclusion

The figures outlined above at least partially document the substantial role that music plays in Texas’ economy, and the fact that it has grown steadily from the initial findings done in 2015. However, there is more to the story. Much energy and effort have gone into analyzing the reasons that drive economic growth in Texas, with an exceptional range of activity and opportunity in music and the creative space clearly a major factor. Texas is a place that appreciates creativity and culture in a variety of evolving forms, and the incredible diversity of the local scene undoubtedly serves to both attract and retain talented people. This in turn has a significant impact on business recruitment, retention, and expansion, as well as local entrepreneurship. Moreover, music is a crucial element of “Brand Texas” that draws visitors from across the globe, a key element of recovery post-pandemic for the hospitality sector. As Texas looks to its economic development future, the creativity expressed through music is a fundamental comparative advantage – the goal remains to identify the key investments, policies, and regulatory changes that can support the monetization necessary for sustainability and growth.



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