



Arts Data Profile: Rural Arts, Design, and Innovation

Research Brief #1: Rural versus Urban Arts-and-Cultural Organizations: Some Defining Characteristics

This NEA Research Brief identifies distinctive characteristics of rural arts and cultural organizations by comparing those businesses with their urban counterparts. For this brief, the data source is the 2014 Rural Establishment Innovation Survey, administered by the U.S. Department of Agriculture’s Economic Research Service (ERS).

Summary

What types of arts and cultural organizations are located in rural areas?

- Museums compose roughly 40 percent of all arts/cultural organizations in rural and urban areas alike; theater companies account for 15 to 20 percent of arts/cultural organizations in both settings.
- Nature parks (e.g., national and provincial parks, wildlife sanctuaries, and nature centers, etc.) are treated as arts/cultural organizations by the North American Industry Classification System. Together, these entities account for more than 20 percent of arts/cultural organizations in rural areas. In urban areas, by contrast, nature parks represent only 6 percent of the arts/cultural sector.

- Conversely, the composite of independent artists, promoters and agents, and performing arts companies other than theaters (e.g., dance companies, symphony orchestras, and circuses) are more prevalent in urban areas. More than 20 percent of urban/cultural organizations fall into this category—versus fewer than 7 percent of rural ones.

To what extent do rural arts/cultural organizations draw non-local audiences?

- Rural arts/cultural organizations report that 31 percent of their audiences travel “beyond a reasonable distance” to attend events; the corresponding share reported by urban organizations is 19.3 percent.
- Rural arts/cultural organizations attract a greater proportion of international audiences and visitors than do their urban counterparts: 6 percent and 2 percent, respectively.

Are rural arts/cultural organizations as innovative as their urban counterparts?

- Roughly 30 percent of both rural and urban arts/cultural organizations are “substantive innovators,” a term applied to businesses that engage in innovative activities such as producing new products and services and making data-driven decisions.
- Rural/urban innovation parity is a distinguishing characteristic of arts and cultural organizations. This parity is not evident in other service industries.

Are rural arts and cultural organizations civic-minded?

- While 36 percent of rural arts/cultural organizations say they provide “a lot” of civic leadership to their communities, only 24 percent of urban arts/cultural organizations provide that self-reported level of community support.

How do staff levels and wages compare for rural versus urban arts/cultural organizations?

- While non-salaried workers employed by urban arts and cultural organizations earn a mean hourly wage of \$16, their rural counterparts typically earn \$12.
- This urban/rural wage discrepancy largely reflects higher wages paid to workers in urban-concentrated industries such as independent artists, and lower wages paid to workers employed by nature parks, so prevalent in rural areas.
- Indeed, whether based in rural or urban communities, non-salaried workers employed by museums, theater companies, or historic

sites (the arts/cultural industries common in both rural and urban areas) earn nearly the same hourly wage, on average: \$11-\$12.

- On average, rural arts/cultural organizations employ 24 workers; urban companies typically employ 62.

What are some challenges and opportunities faced by rural arts/cultural organizations in attracting skilled workers?

- Approximately 60 percent of rural arts/cultural organizations report difficulty in finding qualified workers. The corresponding share of urban organizations is 40 percent.
- To attract qualified workers, rural arts/cultural organizations place more value on an area’s recreational opportunities and scenic beauty than do urban organizations.
- Whether located in rural or urban areas, arts/cultural organizations place a high value on the quality of local schools and access to healthcare as a means of attracting workers.

Where do rural arts/cultural organizations get information about new opportunities and new ways of doing things?

- Compared with their urban counterparts, rural arts/cultural organizations place more value on obtaining information directly from their customers about new opportunities, (e.g., from their audiences and supporters)—38 percent of rural entities do this versus 26 percent of urban ones.

What are top barriers to competition for rural arts/cultural organizations?

- Nearly 40 percent of rural arts/cultural organizations consider the lack of availability of broadband internet as either a minor or a major barrier to their ability to compete with other establishments. The corresponding rate for urban arts/cultural organizations is 14 percent.
- Thirty-two percent of rural arts/cultural organizations consider local roads and bridges a problem for their ability to compete; 10 percent of urban organizations take this view.
- More than one-quarter of rural arts/cultural organizations view environmental regulations as a problem, compared with just 12 percent of urban ones.

(Note: Unless otherwise stated, the estimates presented below were tested at 95-90 percent confidence.)

Distribution of Arts and Cultural Organizations

Museums account for the single largest share of arts and cultural organizations in both rural and urban areas. In 2014, approximately 40 percent of establishments in each division were museums.

“Historical sites and similar institutions” (an industry that includes not only historical sites but also zoos and botanical gardens) compose a similar share of all arts organizations in both rural and urban areas.¹ In 2014, these sites made up 13 percent of arts/cultural establishments and 10 percent of urban ones.

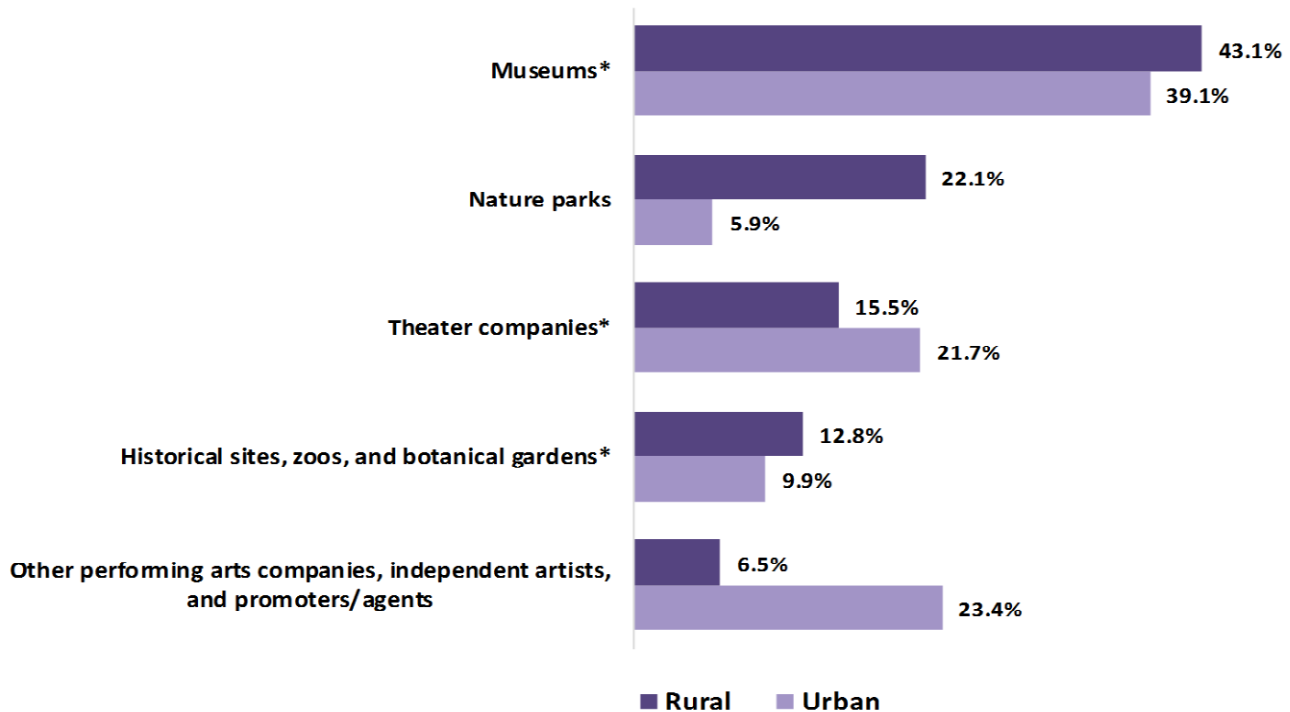
Additionally, nearly 16 percent of arts/cultural organizations in rural areas are theater companies. This share is not significantly different from the share of urban arts/cultural organizations represented by theater companies—22 percent.²

However, significant differences in the make-up of rural and urban arts and cultural organizations are evident in the clustering patterns of two industries: 1) nature parks, and 2) a composite of independent artists, promoters and agents for artists and entertainers, and other performing arts companies.³ In 2014, more than 20 percent of rural arts organizations were “nature parks”— part of an industry that also includes natural wonders such as caverns and waterfalls and bird and wildlife sanctuaries. In contrast, nature parks made up only 6 percent of urban arts and cultural organizations.

Rural over urban predominance is reversed when other performing arts companies, independent artists, and promoters/agents for artists are examined. In rural areas, just under 7 percent of arts organizations fall into this composite category; in urban areas, the share is more than 20 percent.

Differences in the respective distributions of rural and urban arts organizations—in terms of the relative share represented by museums, by historical sites, zoos, and botanical gardens, and by theater companies—are not statistically significant at 90 percent confidence.

Industry distribution of the arts and cultural sector, by rural/urban status: 2014



Note: Industries shown comprise sector "71," arts and entertainment, of the North American Industrial Classification System (NAICS).
* Rural/urban difference is not statistically significant at 90 percent confidence.

Distance Travelled by Attendees

Rural arts and cultural organizations draw comparatively large numbers of “customers” (i.e., audiences and visitors) from what is described in the REIS as “beyond a reasonable drive.”

In 2014, rural arts and cultural organizations reported that 31 percent of their audiences/visitors drive beyond a reasonable distance, but within the United States, to attend events and sites. The corresponding share for urban establishments is 19 percent.

Rural arts’ ability to attract attendees from long distances is even more evident in the share of organizations that report having international audiences. For rural arts and cultural

organizations, the share is nearly 6 percent; for urban establishments it is just 2 percent.

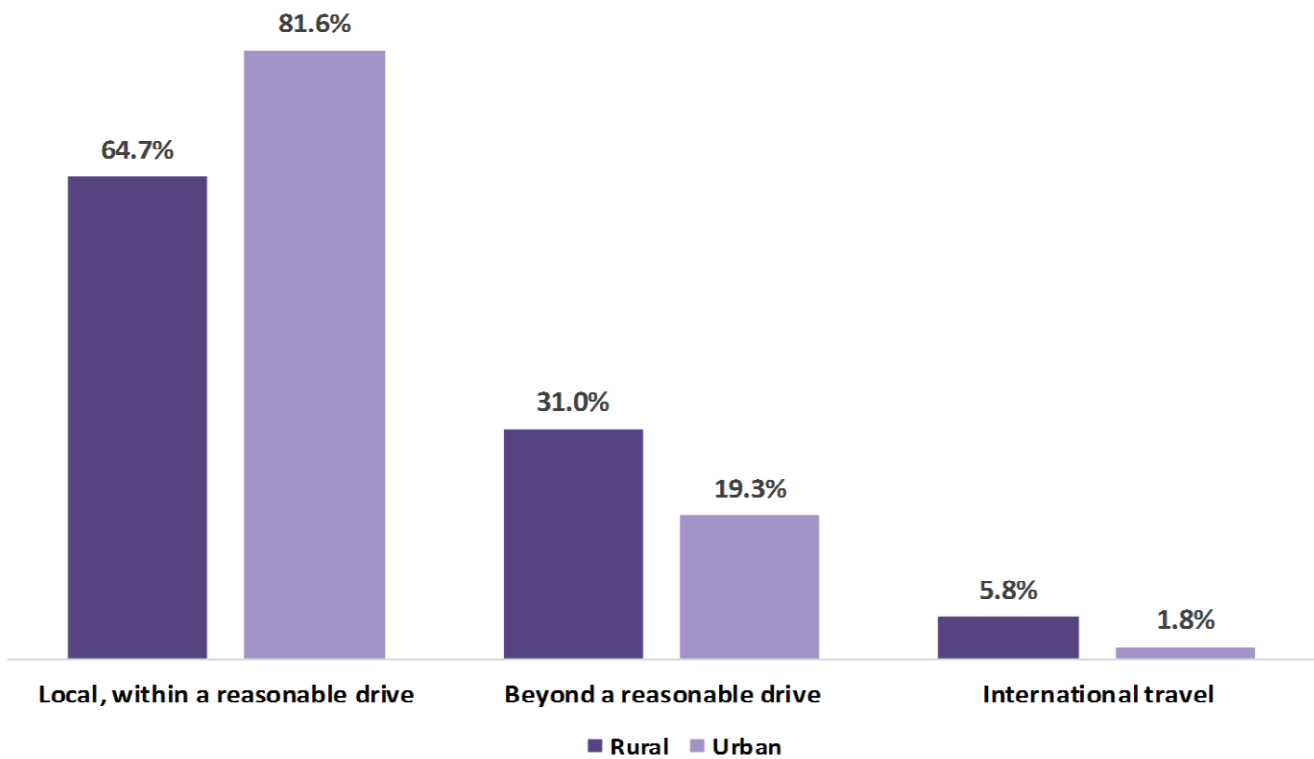
In particular, international visitors’ attraction to rural arts and culture is observed by museums and theater companies. Rural museums, for example, report that 4.4 percent of their visitors are international, while urban museums report 1.6 percent.⁴ Rural theater companies report that 3.5 percent of their attendees are international, while the share reported by urban troupes is virtually zero.

On the other hand, urban establishments classified as historical sites say that 13.6 percent of their visitors are international, while only 3.5 percent of visitors to rural sites are.

Still, the international attendance witnessed by rural arts/cultural organizations overall suggests that the arts may play a special role in rural economies. After all, spending by foreign tourists is

considered an export of U.S. services. (Holding factors such as labor productivity constant, exports attract income and jobs to the U.S.)

Percent of arts and cultural establishments, by distances that attendees/visitors have travelled and by rural/urban status of the organization: 2014



Data source: Rural Establishment Innovation Survey (REIS), Economic Research Service, U.S. Department of Agriculture

Innovation

Even though rural arts and cultural organizations are located in non-metro counties, and may, therefore, be considered somewhat geographically isolated, the REIS suggests that rural arts establishments are on par with their urban counterparts when it comes to innovation. This parity does not seem to obtain for other service industries in urban and rural settings.

For example, 25-30 percent of performing arts companies in both rural and urban areas reported producing materials eligible for copyright within the past three years;⁵ 6-7 percent of all arts and cultural organizations in both settings registered a trademark.⁶

To further underscore the innovation parity between rural and urban arts and cultural organizations, consider results from a statistical model called a latent class analysis (LCA). This LCA

used an array of REIS questions pertaining to the production of new products and services, improved business methods, and data-driven decision making. The LCA yielded three categories of an establishment's level of innovation: (1) nominal innovator; (2) substantive innovator; and (3) non-innovator.⁷

Results from the LCA indicated that 27.3 percent of rural arts/cultural organizations are substantive innovators. That share is not significantly different from the 32.3 percent of urban arts/cultural companies that scored as substantive innovators.⁸

Can Opportunities for Attracting International Audiences Encourage Innovation?

That rural arts/cultural organizations are as innovative as their urban counterparts is a notable finding. The REIS indicates that such parity is not evident in other service-providing industries.

For example, in the information sector (which includes motion picture and video production, publishing, broadcasting, etc.), the share of rural establishments that score as substantive innovators is 25.7 percent—14 percentage points below the share of urban information establishments that are highly innovative.

The rural/urban gap in innovation is similarly large for the “management of companies” sector such as bank-holding companies and centralized administrative offices (a 14.8 percentage-point difference).

And the share of rural establishments that are highly innovative is roughly 10 percentage points lower than urban firms in: transportation; finance and insurance; wholesale trade; and professional, scientific, and technical services (a sector that includes design and architectural services, accounting, and legal services).

Although there is no definitive explanation for the apparent parity in innovation between rural and urban arts and cultural organizations, one might look to their different customer bases for a clue. For example, while rural arts/cultural organizations attract greater shares of their customers/audiences internationally (6 percent) than do urban arts/cultural organizations (2 percent), this is not true of other service-providing industries.

For example, rural information-sector establishments report that an average of 1.6 percent of their customers are international; urban establishments report an average of 10 percent.

Among establishments providing professional, scientific, and technical services, the average share of customers that is international is almost 4 times greater for urban establishments than for rural ones.

The REIS thus suggests that rural arts and cultural organizations may have more opportunities to attract international customers/audiences than do other rural service-providing establishments. These opportunities, in turn, may serve as a catalyst for innovation by rural arts and cultural organizations.

Percent of business establishments that are "substantive innovators," by service sector and by urban/rural status: 2014

Type of service sector	Percent of business establishments that are substantive innovators:		Percentage point (pp) difference	Statistically significant*
	Rural	Urban		
Arts and culture	27.3%	32.3%	-5.0	No
Information	24.7%	38.7%	-14.0	Yes
Management of companies and enterprises	22.1%	36.9%	-14.8	Yes
Professional, scientific, and technical services	19.8%	31.2%	-11.4	Yes
Wholesale trade	20.9%	30.2%	-9.3	Yes
Finance and insurance	18.1%	29.8%	-11.7	Yes
Transportation	12.3%	22.6%	-10.3	Yes

*Urban/rural differences were tested at 90 percent confidence.

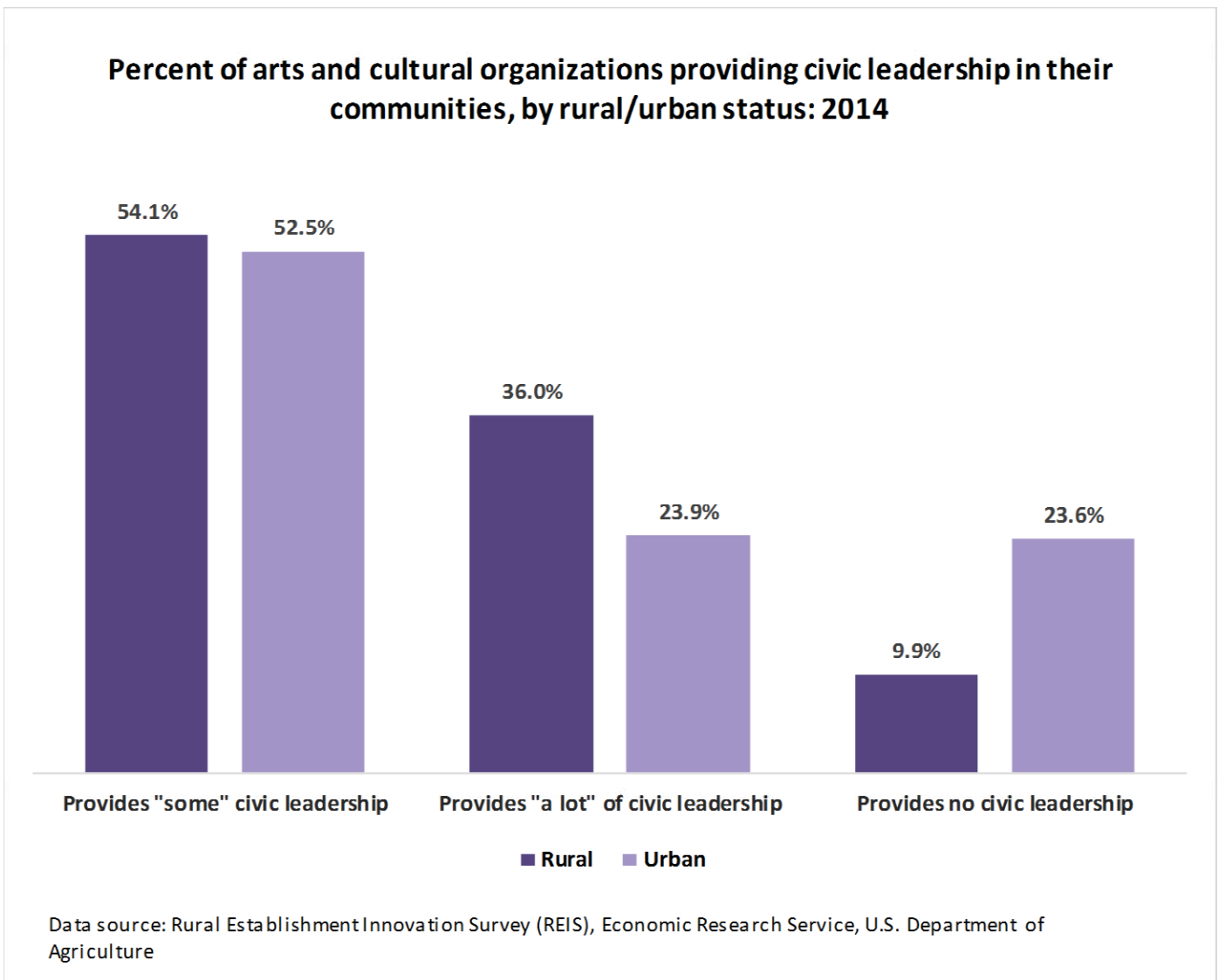
Data source: Rural Establishment Innovation Survey (REIS), Economic Research Service, U.S. Department of Agriculture

Civic Leadership

One of the most striking differences between rural and urban arts and cultural organizations is that greater shares of rural establishments report playing a large civic role in their communities. While 36 percent of rural arts/cultural organizations say they provide “a lot” of civic leadership to their communities, only 24 percent of urban companies provide this self-reported level of support.

At the other end of the spectrum, the share of rural arts organizations providing no civic leadership is more than 13 percentage points lower than the share of urban companies providing no such direction—9 percent (rural) versus 24 percent (urban).⁹

Little more than half of both rural and urban arts and cultural organizations report providing some civic leadership to their communities.



Employees of Arts/Cultural Organizations

On average, arts and cultural organizations in urban areas employ greater numbers of workers. Employees of urban arts and cultural organizations, in turn, are more likely to belong to a labor union than are rural arts/cultural employees.

For example, among all types of arts and cultural organizations (i.e., NAICS sector 71), urban establishments employ, on average, 62 employees.¹⁰ Rural organizations typically employ 24 workers. Restricting the analysis to the three industries that make up similar shares of urban and rural arts and cultural organizations (museums, theater companies, and historical sites/zoos/botanical gardens), the results are comparable—68 employees (urban) and 20 employees (rural), on average.

In urban areas, nearly 19 percent of the art/cultural workforce is unionized (or covered by a collective bargaining agreement); in rural areas, the share is 5.5 percent.

Additionally, urban arts organizations pay higher wages to non-salaried workers than rural establishments pay—\$16 versus \$12, on average.

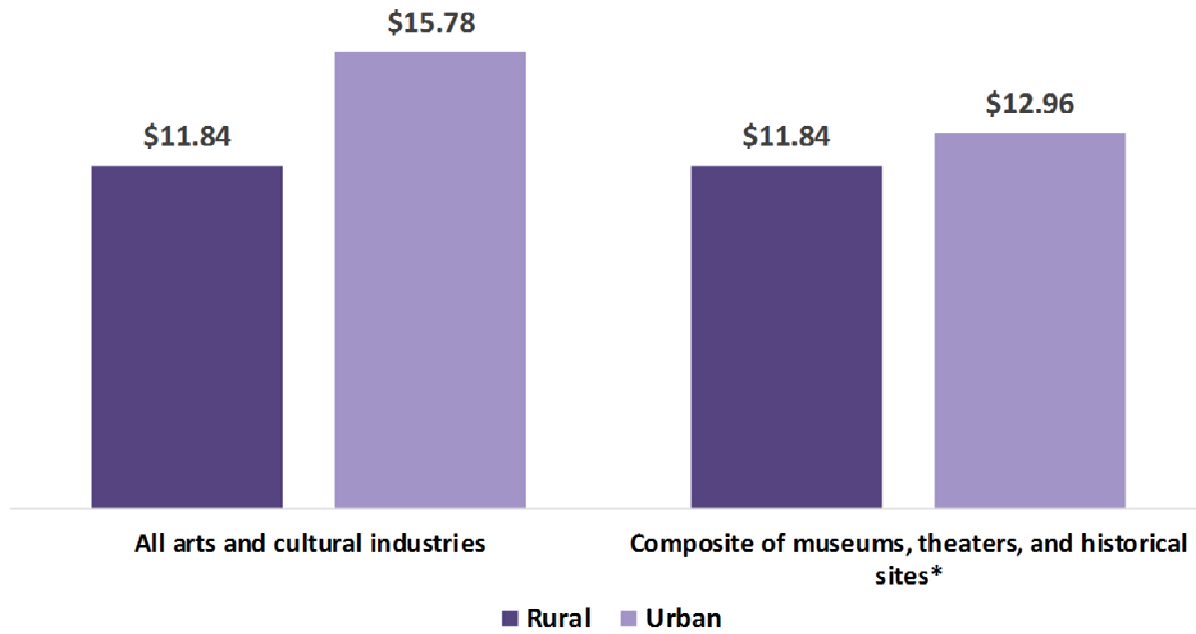
This finding, however, masks higher wages (\$28, on average) paid to workers employed by the “independent artists” industry that represents a relatively large share of urban arts organizations, and the routinely lower wages (\$12, on average) paid to workers employed by nature parks, so prevalent in rural areas.

Indeed, there is little urban premium paid to workers employed by the composite of museums, theater companies, and historical sites. In both urban and rural areas, employers in these industries pay an average hourly wage of roughly \$11-\$12.

Rural and urban arts and cultural organizations also offer worker benefits at generally the same rates. For example, 60-70 percent of both rural and urban organizations offer health insurance options for workers, while 40-50 percent of organizations in both settings offer retirement plans.¹¹

Thirty-five percent of rural and urban arts and cultural organizations provide paid maternity, paternity, or family leave; 60 percent of organizations in both types of location pay for worker education or professional development.

**Mean hourly wage paid to non-salaried workers,
by rural/urban status: 2014**



*Difference not statistically significant at 90 percent.

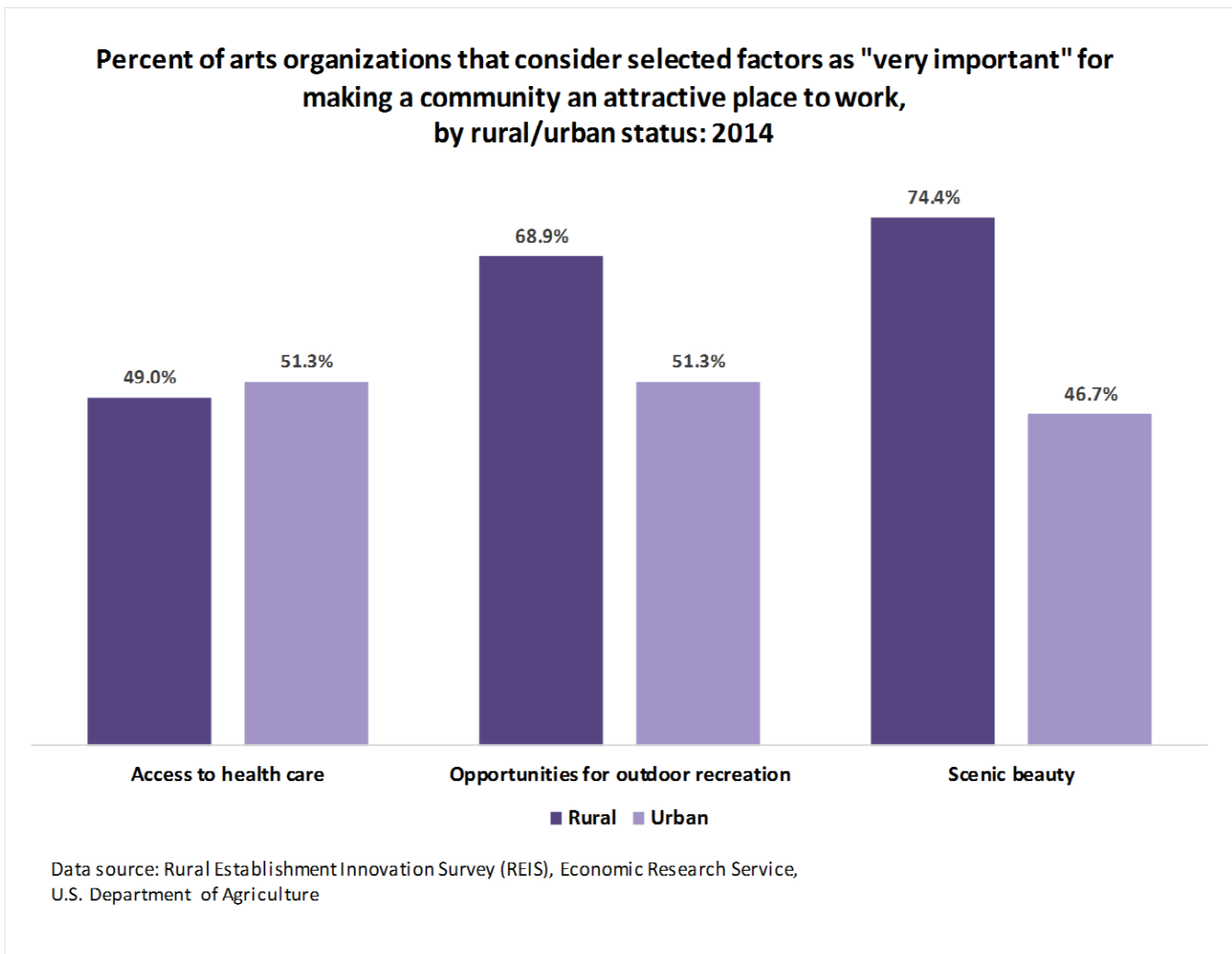
Data source: Rural Establishment Innovation Survey (REIS), Economic Research Service,
U.S. Department of Agriculture

Factors that Make Communities Attractive Places to Work

When asked about factors that make communities attractive places to work, rural and urban arts/cultural organizations alike say that the quality of local schools and access to health care are important draws. Rural organizations, however, place more importance on opportunities for outdoor recreation and scenic beauty (natural or architectural) as community amenities.

Roughly 60 percent of both rural and urban arts and cultural establishments consider the quality of local schools a “very important” factor in making a community an attractive place to work. Similarly, nearly 50 percent of organizations in both settings cite access to healthcare as a very important draw.

Where rural and urban arts and cultural organizations differ is in how they rank opportunities for outdoor recreation and scenic beauty. Among rural establishments, nearly 70 percent consider access to outdoor recreation a very important factor, and 74 percent rate scenic beauty highly. Urban establishments rank these factors somewhat lower: 51 percent and 47 percent of the organizations, respectively, deemed them very important.



Markets and Information Sources

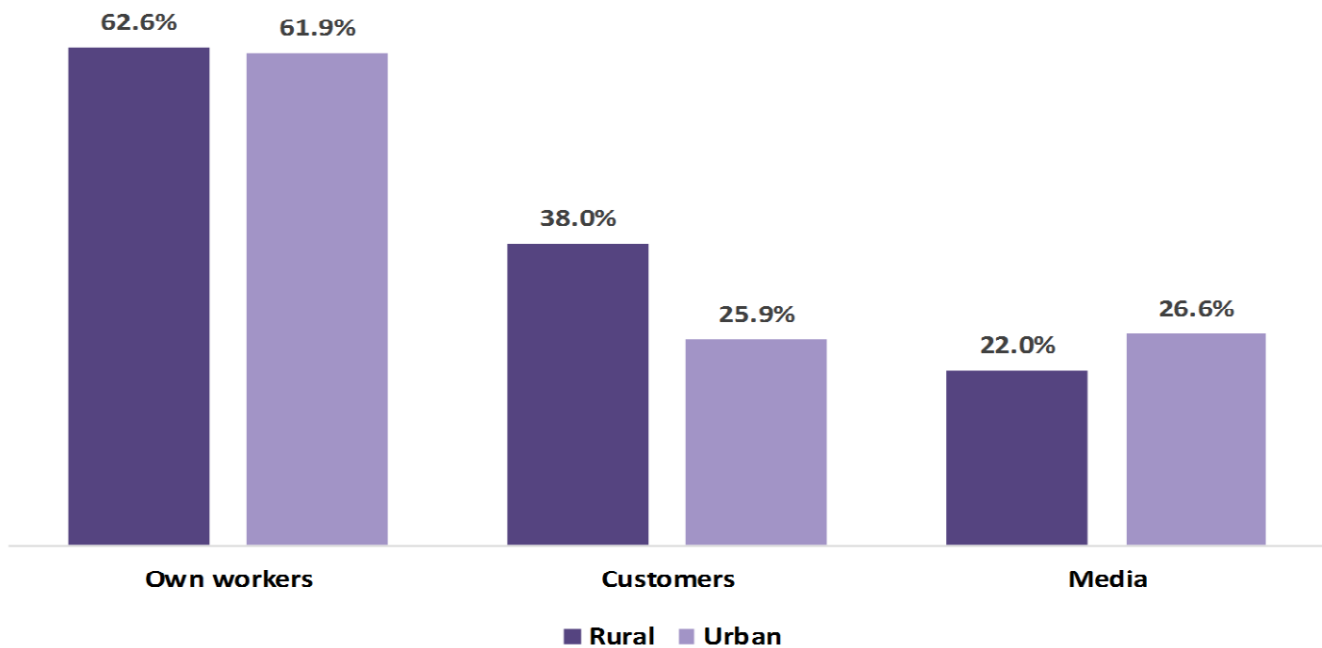
There is also no significant difference in how rural and urban arts and cultural organizations perceive current markets for their services—30-35 percent of arts/cultural organizations in both areas report that current markets are growing, while 30 percent of rural and urban organizations, alike, say the current market is stable. Roughly 10-14 percent of organizations in both areas say their markets are declining.

Additionally, rural and urban arts and cultural organizations obtain information about new opportunities (or new ways of doing things) from similar sources. For example, roughly 60 percent of both rural and urban arts organizations rank information supplied by their own workers as very valuable, while nearly one-quarter of both types of

arts/cultural establishments rank the media (e.g., newspapers, television, and the Internet) as a valuable source.

There is, however, one significant difference in how rural and urban arts and cultural organizations obtain information about new opportunities—rural organizations place more value on information obtained from their customers, i.e., their audiences and supporters.¹² Nearly 38 percent of rural organizations say that information about new opportunities supplied by their customers is “very valuable;” the share of urban organizations placing this much value on information supplied by customers is 12 percentage points lower—26 percent.

Percent of arts organizations that consider selected sources of information about new opportunities as "very valuable," by rural/urban status: 2014



Data source: Rural Establishment Innovation Survey (REIS), Economic Research Service, U.S. Department of Agriculture

Local Factors that May Present Problems for an Organization's Ability to Compete

The REIS presented respondents with a list of local factors that may present problems for businesses to compete effectively in the marketplace. In all, the REIS listed 14 factors spanning zoning and development regulations to state and local taxes. Respondents were asked to score the potential problems as: (1) not a problem; (2) a minor problem; or (3) a major problem.

A number of factors equally impede the competitiveness of both rural and urban arts and cultural organizations.

For example, roughly 20 percent of both rural and urban organizations report zoning and development regulations as either a minor or major problem. And approximately 40 percent of arts/cultural organizations in both areas consider the cost of facilities and land as either a minor or major problem.

Additionally, a comparatively large share (roughly 35 percent) of rural and urban organizations consider the vitality of their local economies as a major problem for their ability to compete.

Still, there are differences in how rural and urban arts organizations view factors that obstruct their competitiveness.

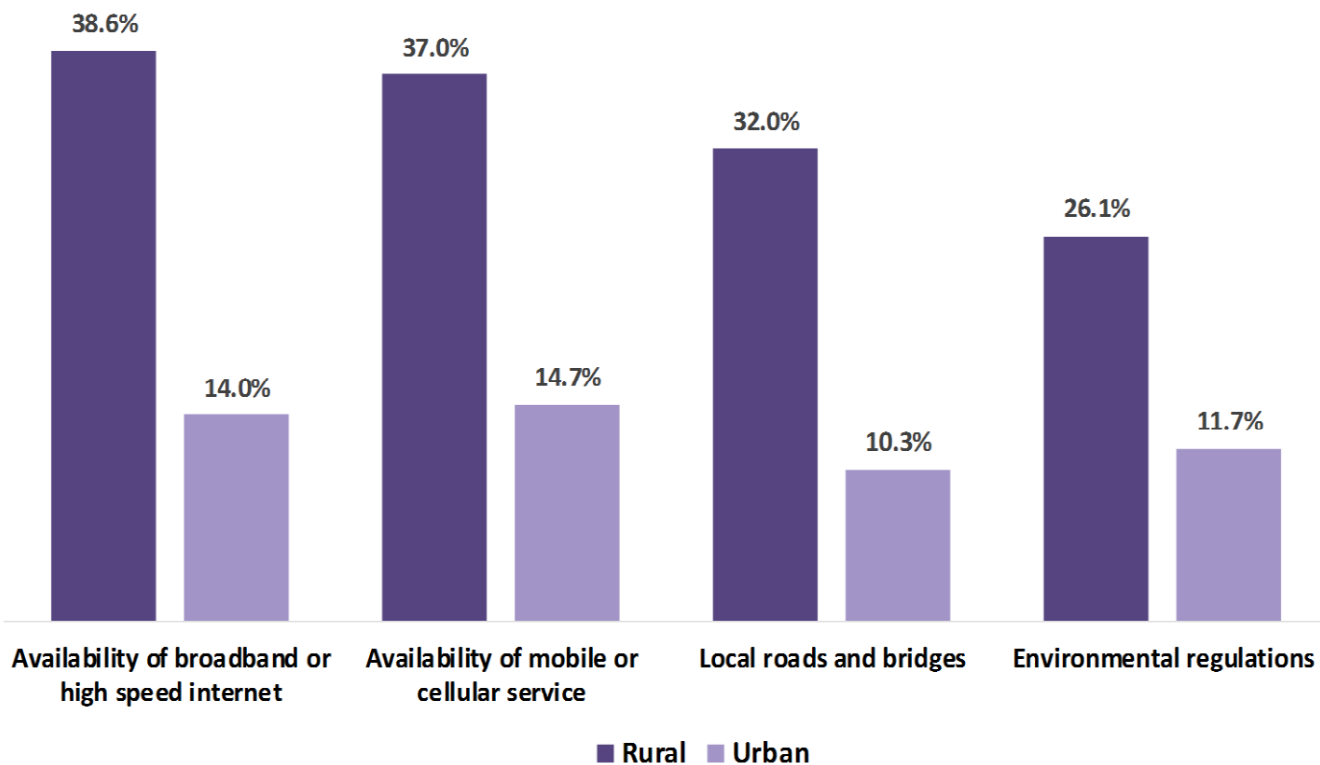
For one, 39 percent of rural arts and cultural organizations consider availability of broadband and high-speed Internet as either a minor or major problem. The corresponding rate for urban organizations is 14 percent.

Similarly, 40 percent of rural organizations see local availability of mobile or cellular service as either a minor or major problem, while just under 15 percent of urban establishments view this as a problem for their ability to compete.

More than one-quarter of rural arts and cultural establishments view environmental regulations as a problem, compared with just 12 percent of urban arts establishments.

Meanwhile, 32 percent of rural organizations consider local roads and bridges a problem for their ability to compete; 10 percent of urban organizations take this view.

Percent of arts organizations that view selected factors as problems in their ability to compete, by urban/rural status: 2014



Data source: Rural Establishment Innovation Survey (REIS), Economic Research Service, U.S. Department of Agriculture

Arts Organizations Industry Codes

Although a number of industries include arts and culture, in this document, arts and cultural organizations are defined as the following “sector 71,” arts and entertainment industries:

Arts and cultural industries	NAICS ¹
Performing arts companies	7111
Theater companies	71111
Dance companies	71112
Music groups and artists	71113
Other performing arts companies	71119
Promoters of performing arts, sports, and similar events	71131
Agents, managers for artists, athletes, entertainers, and other public figures	71141
Independent artists, writers, and performers	71151
Museums	71211
Historical sites	71212
Zoos and botanical gardens	71213
Nature parks	71219

¹ North American Industry Classification System

End Notes

¹Please see Arts Organizations Industry Codes at the end of the document.

²Differences in the respective distributions of rural and urban arts organizations—in terms of the relative share represented by museums, by historical sites, zoos, and botanical gardens, and by theater companies—are not statistically significant at 90 percent confidence.

³The REIS polled private business establishments. Therefore, government parks are excluded from this analysis.

In this context, “other performing arts companies” include dance companies, music groups and artists, and circuses and magic shows. “Independent artists” are freelance artists, writers, and performers.

⁴This difference is statistically significant at 85 percent confidence.

⁵The United States Patent and Trademark Office lists performing arts companies (NAICS 7111) as a copyright-intensive industry. See *Intellectual Property and the U.S. Economy: 2016 Update*.

⁶Differences between rural and urban performing arts companies producing materials eligible for copyright and registering trademarks are not statistically significant.

⁷For an explanation of the three innovation categories, please see Definitions.

⁸Not significant at 90 percent confidence.

⁹Differences between the share of rural and urban arts organizations providing civic leadership to their communities are statistically significant at 80 percent confidence.

¹⁰See arts organizations industry codes at the end of this Research Brief.

¹¹Percentage differences between rural and urban arts establishments offering health insurance and retirement plans are not statistically significant at 80 percent confidence.

¹²The difference between rural and urban arts organizations that consider customers as a very important source of information is statistically significant at 80 percent confidence.