

The Economic Impact of Children's Museums: The Ripple Effect of Spending

October 9, 2018

\$5.5 bn

contributed to regional economy



\$2.0 bn
paid salaries

57,000

jobs supported



in

536 industries



Children's museums contributed **\$5.5 billion** to US economic activity in 2016. At the same time, children's museums spent only \$1.5 billion. The difference between economic impacts and spending lies in the ripple effect of children's museums' economic activity.

This Trends Report explores how children's museums' economic activity, or financial transactions, has large-scale impacts. We discuss different ways to talk about economic impact, particularly the money children's museums spend on personnel, goods, and services. This research provides a tool for easily calculating any children's museum's contributions to jobs. Most importantly, this report shows that children's museums of **any** size make a substantial impact on national economic activity, a fact that can be used to leverage fundraising and partnership efforts, whether with national or local organizations.

ACM TRENDS:

#2.1

ACM Trends #2.1

What Is Economic Impact?

Children’s museums impact their communities in many ways. They prepare children for a lifetime of learning. They build neighborhood cohesion, providing a safe space to gather, learn, discover, and play. In addition, through their spending and other parts of regular operations, children’s museums have a positive economic impact.

Economic impact comes in many forms. By employing educators, exhibit designers, and development staff—and the many other people needed to run a museum—children’s museums help develop the community’s labor force. By attracting community members and visitors, children’s museums help recruit other business and nonprofits to their neighborhoods. Finally, children’s museums have a *direct* economic impact on their communities, regions, and the country as a whole by spending money on their staff and operations.

The economic impact of a U.S. children’s museum can be estimated and tracked as it ripples out across the museum’s community, region, and the entire country. Because museums are labor-intensive operations, the most important area of their impact is the number of jobs they support. Employment figures are simple and easily understandable when making an economic argument for supporting a children’s museum in a community.

Like all **easily estimated** indicators of impact, museum spending tells an incomplete story about the economic impact of children’s museums. This story overlooks the

long-term economic impacts children’s museums can have by contributing to collective educational outcomes, changing neighborhoods by bringing different families together, and building partnerships. The story that spending tells also omits the real value provided by volunteers who amplify children’s museums’ work, a contribution of time, skill, and incidental purchases. All of those activities add up to more cost-effective programs that can maximize the spending power of philanthropic and taxpayer dollars. (You can find more about the value of the children’s museum workforce, including volunteers, in Trends Report #1.10.)

However, the simple economic story is still useful, even if focusing on children’s museums’ spending omits the nuances of these institutions’ overall impact. Museum leaders can tell this story to advocate for community investments in children’s museums, alongside other types of funding and support.

Types of Economic Impact

When talking about impact, economists tend to refer to three economic effects of spending money.

Direct Economic Impact

The *direct* economic effects are the typical expenditures of an institution: the money children’s museums pay their employees and the money children’s museums pay contractors and other businesses as part of normal museum operations.

Indirect Economic Impact

Children’s museums pay contractors and other businesses, which in turn spend this money on their own employees and the contractors and businesses on which they rely. This business-to-business spending activity is the *indirect* economic impact of children’s museums’ spending.

Induced Economic Impact

The employees of the children’s museums, as well as those of successive contractors and businesses in the supply chain, also spend money on food, rent, fuel, entertainment, and more. This spending contributes to

ACM Trends Reports

The Association of Children’s Museums (ACM) is the world’s foremost professional member service organization for the children’s museum field. We leverage the collective knowledge of children’s museums through convening, sharing, and dissemination. ACM has partnered with Knology to create the ACM Trends Reports. Knology is a nonprofit that produces practical social science for a better world.

ACM Trends Reports are commissioned on behalf of our membership to help advance the work of this community. They seek to draw attention to emerging issues and opportunities for elevating the field, and help our members use data to become more accountable to their mission and fiscal responsibilities. A product of collaborative efforts to collect data, the Trends Reports are an effort to support ongoing, accessible dialogue. Our objective is for this approach to be an equitable and inclusive way for museum professionals to contextualize our work and use data to produce effective outcomes.

the *induced* economic impact of spending by children’s museums.

Together, these three effects are combined to describe the total economic impact of an industry sector on the national economy. Museum leaders and economists can use these values to report on current impact or to estimate how planned capital or operating increases or budget cuts will have a ripple effect in a regional economy.

In total, the value of economic activity generated by the US children’s museum sector is about \$5.5 billion.

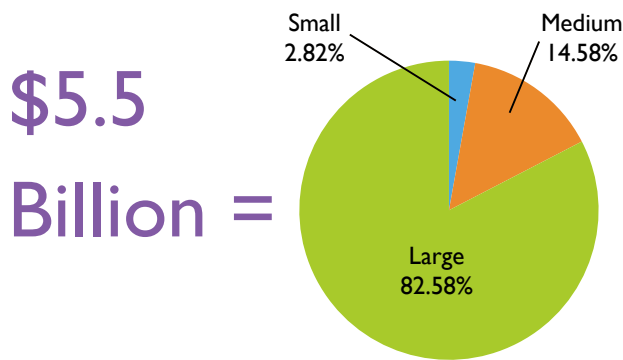


Figure 1. Total economic impact of children’s museums in the US economy, and proportion across institution sizes in 2016.

No Matter the Size, All Museums Count

Children’s museums have a substantial economic impact as an industry sector: \$1.5 billion in spending ripples out to create \$5.5 billion in economic activity. The level of economic impact of children’s museums varies by the size of expenditures.

Figure 2 illustrates how children’s museums have economic impact in their communities based on different ways of spending. This graph plots the dollars spent by children’s museums (the x axis) against the number of jobs supported outside of the museum (the y axis). The blue line shows the downstream effects of business-to-business operating expenditures on the number of jobs supported. The orange line plots the downstream impacts of employee compensation and other labor expenditures on the number of jobs supported. The curved line

between the orange and blue lines indicates the ratio of jobs supported by children’s museum staff spending their compensation compared to jobs supported by operating expenditures. On the national scale, for every job supported by children’s museums’ operating expenditures, the same dollar amount these institutions spend on salaries supports 1.29 jobs outside museum walls.

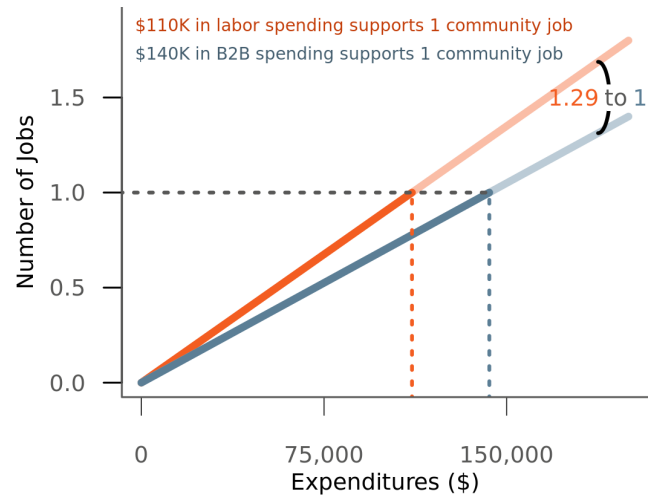


Figure 2. The number of jobs supported by every dollar spent by children’s museums in 2016.

How to Use this Information

Readers can calculate their impact on employment on a national level by looking at a recent US Form 990 and making calculations based on employee compensation and business-to-business spending. For the impact of employee compensation, divide the total amount paid for employee compensation by \$110,000. The resulting number is the number of jobs the museum contributes to, in addition to the people the museum employs. For instance, a museum with about \$1,100,000 in compensation expenses for its own employees supports about ten jobs outside the museum. For the impact of a museum’s business-to-business spending, subtract labor expenses from total expenses on the US Form 990 and then divide by \$140,000. For example, if that same museum also spent \$1,100,000 on operating expenses in 2016, it supported just under eight jobs outside its walls. Even though this hypothetical museum spent the exact same amount on salaries and operating expenses, salaries supported approximately two additional jobs. This

example illustrates how the ratio works in Figure 2, where eight jobs (supported by labor spending) multiplied by 1.29 equals about ten jobs (supported by business-to-business spending). In sum, this museum, with its \$1,100,000 in labor expenses and \$1,100,000 in other operating expenses, supported eighteen jobs in addition to its own staff.

The Takeaway

When people talk about economic impact, they generally highlight big players with big budgets. However, any spending by any children's museum has a noticeable effect on the economy of its community, region, and the US as a whole. These data are useful when describing economic impact to investors who seek to understand contributions made by an institution to a robust working population.

About This Research

To assess the economic impact of children's museums, we aggregated data from four sources:

Data on the *direct* economic effects of children's museum spending come from the 2016 Membership Survey ($n = 113$), ACM's Museum Member database of U.S. museums currently in operation ($n = 284$), and from the forms 990 and 990EZ submitted to the Internal Revenue Service and reported by the Guidestar nonprofit organization database ($n = 489$, of which $n = 312$ were not ACM members). Based on these sources, the *direct* economic impact of children's museums was \$1.5 Billion in spending, approximately half of which was paid to approximately 35,000 employees, and the other half was paid to contractors and other businesses. For more information on how children's museums spend money, particularly on personnel, see Trends Report #1.12.

Data on the *indirect* and *induced* economic effects come from IMPLAN: Economic Impact Analysis software. IMPLAN tracks the spending patterns of 536 industry sectors and those employed in those sectors. The software uses those spending patterns to predict the *indirect* and *induced* economic effects of spending in a particular sector. Our analysis uses the predictions for the industry sector that includes museums, historical sites, zoos, and parks. We used children's museums' data to understand these institutions' economic impact.

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IMPLAN

This Trends report was prepared with the proprietary database developed by IMPLAN Group LLC.



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The authors are solely responsible for the content in this report.

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