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Bonus as incentive for the independent arts sector: intended and unintended effects
The Culture Administration of the City of Stockholm in 2008 introduced a bonus for the independent arts sector with the aim of increasing earned income and young audiences. This article analyses the effects, intended and unintended, of the introduction of this bonus, after its first three years. Information on the policy and the bonus was collected from official documents, and the effects were measured with the help of economic and audience data reported to the Culture Administration of Stockholm by arts organisations. In addition, a questionnaire to arts organisations eligible for bonus was developed, focusing organisational responses to the bonus. The study shows that it is very difficult to pinpoint the specific impact of the bonus on earned income and audience development. It also shows that organisations only to a minor extent have changed their audience and repertoire work due to the introduction of the bonus, and that the bonus system is perceived very negatively as it is seen as unduly political control of the arts sector. Bonuses are rare as policy instruments, and in the cultural sector it is not welcomed, but clearly signals new priorities and views of the arts of the current local government. The article ends with reflections on the bonus as indicator of marketisation of cultural policy.
Keywords: bonus, independent arts sector, policy instrument, evaluation, marketisation
The vitality of the arts is often used as in political rhetoric as a litmus test of wealth and progress. The poor economy of artists and arts organisations is widely known, and politicians have in the last decades tried to find new ways of stimulating demand for the arts, recognising the benefit of a vital arts and cultural life to a thriving society. Increasingly, the arts sector is identified as lacking in entrepreneurship, although many artists are self-employed. As governance models based on performance measurement and management by objectives have become established, support to the arts sector also tends to come with demands on performance measurement, and adherence to political priorities. Arts and creative industries are seen as important elements of the economic and social development of regions and cities. Regions need a cultural life and an arts scene of some kind in order to be perceived as attractive for both individuals and organisations. The arts are also connected to creativity of a region or city, which in turn is seen as vital for regional development. Arts organisations are often described as central to social and economic development, alongside and complementing public institutions and businesses, in political plans and prospects (see e.g., Paquette 2008, Nakagawa 2010). In recent years cultural policy in many countries has become significantly more business-oriented. This can be seen in the discourse on artists as entrepreneurs, including the description of public support as sponsorship, and increasing demands on widened audiences. The assumption underlying this view is that the cultural and arts sector works like other business sectors. Governments increasingly diagnose the problems with funding in the arts sectors as a symptom of lack of business skills and business drive. There is, so the argument goes, simply too little market orientation in the arts sector. Consequently, cultural policies have been geared towards supporting a marketisation of the arts sector.

Economic incentives are based on the assumption that economic gain is an effective motivation for individuals and organisations. Nevertheless, the arts sector is, like the nonprofit and voluntary sector and the public sector, characterised by non-pecuniary motivational drivers. How effective are incentives based on economic gain in this environment? The purpose of this article is to describe the introduction of a bonus system for the independent arts sector, and assess its effectiveness.

In the first section of the article, the nature of organization-level incentives, in the form of activity or performance based funding and bonuses, is sketched. Such economic incentives are characterized as based on the assumption that economic gain is a fundamental drive of organi-
zational performance. In the second section, incentives in the independent arts sector are discussed. In this section, it is pointed out that non-pecuniary incentives are more important than pecuniary ones. In the third section government motives for and ways of supporting the independent arts sector are discussed, and especially the trend towards a perception of the arts as an industry is highlighted. After that, the case of the bonus system for the independent arts sector in Stockholm is presented, and the effectiveness of it is discussed. The paper ends with a discussion of the results of the evaluation and bonuses as policy instruments.

**Performance-based funding and bonus as motivational tool**

Bonuses can be defined as economic benefits linked to stipulated performance, given to individuals or organizations. Bonuses in their construction bear close connections to performance-based funding. Bonuses as well as performance-based funding are incentive tools used in organisations to stimulate certain behaviour of individuals and groups. By offering monetary or other rewards if stipulated goals or actions are achieved, organisation members are stimulated to act according to priorities of management. Both instruments distribute monies in accordance to performance, but bonuses are paid as an extra benefit above ordinary funding. Furthermore, bonuses are usually used for individual motivation rather than organisational motivation (Le Grand 2003, Donahue 2008, Perry and Hondeghem 2008, Verbeeten 2008, Weibel et al. 2009, Boyne and Hood 2010, Hood and Dixon 2010).

Bonuses are used to a certain extent in the public sector to motivate foremost managers, but has its origins in business (Burgess and Ratto 2003, Makri et al. 2006, Dur et al. 2010). Performance-based funding has been introduced in the public sector with the aim to increase production in strictly regulated areas such as healthcare and education. Since the early 1990s, performance-based funding has been introduced in healthcare, care and higher education in several countries (Liefner 2003, Kastberg and Siverbo 2007).

Performance-based funding for organisations and their employees based on stipulated performance can be defined as economic incentives. These in turn are based on the assumption that economic gain is a very strong motivational drive among individuals and for organizations (van Herpen et al. 2005, Burgess et al. 2010, Arrowsmith and Marginson 2010, Heinrich and Marschke 2010). In recent years, however, bonuses have come to be associated in very negative terms with a greedy culture resulting in the financial crisis of the late 2000s (Augar 2009, Brum-
mer 2009a, 2009b, Henchoz 2009). Therefore it is interesting to look closer at the introduction of a bonus for the independent arts sector.

**Motivation and incentives in the nonprofit sector**

The independent arts sector is part of the nonprofit sector. Within the nonprofit sector at large, financial incentives have not been seen as central or appropriate (Borzaga and Tortia 2006, cf. Cook and Dixon 2006). Non-financial driving forces are assumed to be more important than financial ones for employees and managers in nonprofit organizations (Leete 2000, Schepers 2005). This is since the nonprofit sector is more value oriented than profit oriented. Most nonprofit arts organisations base their economy on a mix of public support, earned income, donations and grants, as do other organisations within the nonprofit sector (Froelich 1999). When nonprofit organizations are given public support for activities that serve both political and artistic ends, tensions may occur, as the views on accountability and performance reporting may differ (Bennett 2009). Several researchers report tensions between funders and nonprofit organisations when funders introduce demands on performance reporting and measurement (Rentschler and Potter 1996, Evans 2000, Campbell 2002, Ospina et al. 2002, Craik 2005, Ostrander 2007). These tensions may surface as the relationship between funder or supporter and nonprofit organizations is generally based on shared values rather than on hierarchy, and hence trust plays a central role in the legitimacy of nonprofit organizations as well as political bodies (Davis et al. 1997, Benjamin 2010).

On the whole, nonprofit and arts organisations are exhorted by politicians to engage more in cooperation and alliances with various kinds of other organisations, for better funding opportunities (Hughes and Luksetich 2004, Conway and Whitelock 2007). The type of direct involvement between private and public organizations, such as public-private partnerships, that have been increasingly common in the last decades (Bovaird 2006), has not, however, been popular in Sweden. There are a number of other policy instruments in use that aim to promote long-term financial stability of arts organisations. Among these are direct support, co-funding or matching grant schemes, and tax relief, policy instruments that are in use in many other countries as well (Rushton 2004, Shockley 2004, Champarnaud et al. 2008, Feld 2008).
Policies and the independent arts sector in Sweden

Sweden has a strong tradition of public support to the arts, both through direct ownership of national institutions, and through tax transfer. Management by objectives is used within the public sector on national, regional, and local level in Sweden, and cultural policy is also based on this type of management control. Public economic support has traditionally, since the introduction of cultural policy objectives in 1974, been in the form of public grants to artists and arts organisations according to both artistic quality and adherence to policy objectives. Performance measurement has in the last decades been emphasised as an element of the Management by Objectives policy tool. This development has been a result of evidence-based funding in the public sector as a policy tool (Barman 2007). The concrete reporting of performance may however turn out to be rather difficult for the individual organisation, as details on how measurement should be done are seldom offered by funders and principals. The increasing demands on reporting have also led to increased administrative tasks in arts organizations. Performance-based funding as such is not used in the cultural sector, but the bonus system discussed in this article is clearly a step towards a matching grants system.

In Sweden, the independent arts sector is supported according to the arm’s length principle, and this means that it is based on general rather than detailed control. The arm’s length principle entails decision-making left to reference-groups or similar with thorough artistic knowledge to assess applications for support. The new bonus system in Stockholm that will be discussed in this text clearly breaks with traditional forms of support to the arts in Swedish cultural policy, and has also caused discussion. This is especially since the bonus is paid directly by the Culture Administration of Stockholm according to performance. This means that political priorities directly impact on the economy of independent arts organisations, and are not based on a professional opinion of the quality of the output or activities. Furthermore, following the general trend towards more decentralised decision-making and network based governance, cultural policy in Sweden increasingly proposes diversified funding strategies for the arts and cultural sector.
Introduction of a bonus system for the independent arts sector in Stockholm

The conservative local government of Stockholm in 2008 introduced a bonus system for the independent arts sector. The bonus was aimed to stimulate increased levels of self-generated (earned) income and young audiences among independent arts organisations. As the capital of Sweden, the city of Stockholm has the largest number of arts organisations in the country, independent and private as well as public (national, regional and local). Arts and culture have been recognised by the present local government of the City of Stockholm as central to the attractiveness of the city. As a capital, Stockholm has many advantages such as business investment and the highest employment levels of Sweden, and the city is also the main basis for culturally and artistically employed.

The local government of the city of Stockholm want the city to play in the league of world-leading cities, by seeking to attract the creative class as both investors and inhabitants of the Swedish capital. This is clearly stated in visions forming the basis for annual budget priorities (Stockholm budget 2009).

The introduction of the bonus system was based on a vision of wide access to high-quality art experiences in the Swedish capital. This vision for the city is not new, but the means by which to realise this vision. Three conservative members of the local government of Stockholm in 2007 suggested ways to increase the possibilities to encounter art and culture in everyday life in Stockholm by what they described better conditions for arts in society (Sjöstedt et al. 2007). The operational aim they described was to stimulate self-supporting and independent arts organisations and professionals, and this was in turn specified as achievable through the introduction of three new policy instruments. The first was the stimulation of increased overall level of self-generated income among arts organisations. The second was improvement of the economic conditions for artists and arts organisations, and the third stimulation of increased interaction between business and the arts. These three instruments would, according to the proposal, promote entrepreneurship and efficient marketing and audience work within the independent arts sector in the city. This would in turn, was the argument, lead to increasing independence and self-support among arts organisations.

In the budget for 2009, the local government uses classical liberal rhetoric when discussing policy instruments in the arts sector. The incentive scheme and the bonus is part of a politics for
“reduced dependence on benefits and economic support”, and “less influence from politics on the everyday decisions of individuals” (Stockholm budget 2009: Inl1). This also goes for artists and arts organisations. The arts, is the message, should be self-supportive. Furthermore, the local government states that “the prerequisite for a thriving independent arts sector is that cultural policy is not used as a tool for reaching ideological aims” (Stockholm budget 2009). The claim that cultural policy should be at arm’s length distance, as this quote implies, is heralded by many, but being stated by a government that introduces a liberal approach to the arts based on market mechanisms is in itself ideological.

The incentive scheme combines infrastructural support with more direct stimuli for improved conditions for increased earned income to the independent arts sector. The new incentive system was only oriented towards the independent arts sector, and more specifically organisations eligible for ordinary organisational support from the city Culture Administration. These allocations are not permanent, the organisational support is constantly reassessed, and criteria for receiving support differ over time. The independent arts sector is highly diverse both in terms of activities and in terms of size and outreach.

The new incentive scheme comprised an additional SEK 10 million (from the next year on 11 million) from the city budget. The Culture Administration annually allocates around SEK 16 million in ordinary organisational support to independent art organisations, so the bonus means a substantial addition to total available funding from the city administration.

The entire scheme consisted of the six following elements (SK 2007-12-04, SK 2010-09-22):

1. A bonus system with the aim of stimulating the independent art sector to increase its income;
2. A foundation for innovative arts and culture, and for increased cooperation between the independent arts sector, business, and research;
3. Support to the independent arts sector for applications for export/import and EU project grants;
4. Contracts regulating fees for exhibiting artists at exhibition galleries within the City of Stockholm;
5. A system of “live cheque” that function as performance remuneration for musicians;
6. A marketing and ticket office for and in cooperation with the independent arts sector.
The bonus, thus, was not the only policy instrument developed for the stimulation of higher levels of self-generated income and young audiences for the independent art sector in Stockholm. This policy is based on a business approach to the arts, and channels public resources to the establishment of an infrastructure that promotes market solutions in the arts. For example, the bonus and other instruments of the policy are aimed at stimulating innovation in the arts, but not traditional artistic innovation, but organisational or market innovation, whereby arts organisations find partners and additional resources in the private sphere. The city of Stockholm thus thinks that the arts sector has been innovative in a way that is not satisfactory, and uses incentives to promote changed behaviour in the arts sector.

Of the total amount of resources within the entire incentive programme, SEK 6 million were allocated to the bonus system. Of this sum, a total of 4 million were earmarked for the two categories of above-average level of self-generated income and increase in level of self-generated income, with half of the sum distributed within each category. The remaining 1.5 million were distributed equally between the two categories of above-average proportion of young audience of total audience, and increase in young audience during a budgetary year (SK 2008-06-03). The bonus is divided into two main categories; income and young audiences these two categories correspond to priorities of the local government. The bonus system distributes the funds available according to performance in the two categories of self-generated (earned) income and young visitors. The criteria for bonus are partly relative (above-average level of self-generated income and above-average proportion of children and young visitors respectively), and partly absolute. In addition, there is a roof for bonus payments at SEK 250,000, so that large percentual increases do not hollow the bonus out for others a single year.

The bonus as policy instrument does not require that arts organisations send in applications before-hand, or that assessments of artistic quality or outreach in planned repertoire are made. Instead, the Culture Administration calculates increases and decreases in young audience numbers and earned income, and grant bonuses to those organisations that have performed above average or increased their performance in the two bonus categories.

To summarise, the effects intended with the bonus procedure were to achieve higher levels of earned income and young audience numbers, but also to clearly send a message of priorities to the arts community, these priorities being encouraging arts organisations to create market
opportunities. An aim with the bonus was also to promote continuous improvements relating to young audience and earned revenue. The construction of the bonus so that part of it goes to organisations that have earned income and young audience figures above average, and part of it going to organisations that have increased these figures the most, manifests this policy.

The bonus as procedure clearly indicates a policy of teaching organisations and individuals not to expect public support, of teaching them to enterprise themselves, finding resources outside the public sphere. Ordinary organisational support is given to arts organisations in the city based on criteria relating to artistic vision and activities, and activities aiming at promoting integration and diversity, and young audiences. This is the main public support to arts organisations granted by the City of Stockholm. Also project grants and other prizes and support are granted children, amateurs and professional artists. In the conditions for ordinary support, it is stated that earned income and grants from other sources should actively be sought by the arts organisations.

**Evaluation of the bonus system**

The effects of the bonus system was studied both as regards performance, through comparison of economic and audience data for the period 2007-2009, but also as regards attitudes towards and organisational responses to the bonus system, through a questionnaire to all arts organisations eligible for bonus in 2009 (Lindqvist 2010). The economic and audience data, reported by arts organisations receiving municipal support to the Culture Administration, came in the form of extensive accounts sheets compiled by administrators at the Culture Administration office. In order to measure the attitude towards and the organisational responses to the bonus system, a web-based questionnaire was designed and sent out to all organisations eligible for bonus in 2010. The total number of sent questionnaires was 67, and with 26 compiled and returned questionnaires, the response rate was 39 per cent. The questionnaire contained 36 questions, relating to various elements of the bonus system, attitudes towards it, and consequences of the bonus for the organisations.

[Table 1]
Effectiveness of and responses to the bonus system

Earned income

One of the central issues for the municipal government was to find out if and how the bonus system had generated higher levels of self-generated (earned) [1] income. The result of the study was that the independent arts sector in Stockholm managed to increase its earned income during the period 2006-2009 with 29 percent. However, the impact of the introduction of the bonus remains unclear. The total incomes of the sector increased with 21 percent during the same period. The income generated from ticket sales varies widely within the sector, but during the period had an average range from 40 to 60 percent. Table 2 presents the total income for each sector over the period.

[Table 2]

In table 3 the amounts of earned income and the percentual development over the period are presented. Certain areas had an average decrease with 50 percent over the period, whereas other areas significantly increased their self-generated income. Within individual areas the differences were also large; individual organisations have performed very differently from one year to the next. The dramatic fall in the visual arts area, for example, is to a large extent linked to lower income for one of the major independent galleries. This organisation saw its founder and director resigning in late 2008, due to media pressure. The dramatic increase in self-generated income for the category Other, depends on a change in the type of organisations eligible for ordinary activities support. From 2007 onwards, some minority culture organisations were counted as part of the independent arts sector (e.g., the Hebrew parish of Stockholm).

[Table 3]

It is clear that self-generated income in the independent arts sector increased during the period. However, it is not possible to identify the bonus as the sole or even the main factor producing this result. In order to assess what factors influence the amount and level of self-generated income on organisational level, the development of each organisation’s economy would be necessary. It is however reasonable to conclude that variations over an economic cycle are natural and that also contingencies impact on the self-generated income a particular year. Possibly the conscious development among a minority of organisations towards increasing self-generated income have contributed to part of the increase. The actual amounts of self-generated income
for an individual organisation may however be negative, even though the average development of the area is positive. As for the development over time of self-generated income, the average percentage of total income varies radically among various areas.

The political aim of stimulating increased market orientation among independent arts organisations may assume that a bonus as procedure will generate changed behavior among arts organisations, as they are assumed to be, as other organisations, economically rational actors. However, to identify the impact of the bonus on aggregated results of the sector, proves difficult, due to the market itself, which creates fluctuations in turnover and visitor numbers over any period.

The opinions of the arts organisations on the bonus system as procedure, and organizational responses to it, will be discussed in a later section, giving more information on the rationality of arts organisations.

**Young audiences**

One of the priorities of the local government of Stockholm is to broaden the audiences and consumption of culture, and therefore have as one aim the increase of numbers of children and youngsters consuming arts. Young audiences are prioritized for public support by the government of Stockholm, and therefore also the development of visitor numbers for under-nineteens was interesting to evaluate as outcome of the bonus system. As visitor numbers for young audiences were not reported separately by all organisations until 2008, the data can only be compared for 2008 and 2009. The young audience for the whole independent arts sector increased during this period with six percent, but development varies significantly across areas. Both the development of young audiences in total and area-wise are reported in table 4. The dance sector increased its proportion of young audiences with 115 percent, whereas museums lost 38 percent of its young visitors over this two-year period. Again, audience data per se may not indicate the impact of the bonus system, as many factors influence the changes from one year to the next, and the composition of included organisations is not stable. Furthermore, repertoire changes from season to season. Dance organisations certainly have introduced more activities oriented towards children, and might have been identified as a new target market, but as a whole there are no clear trends. Again, then, it is difficult to pinpoint the specific contribution of the bonus on the development of young audience numbers.

The measurement of development of earned income and young audiences after the introduction of the bonus implies a direct relationship between the bonus and these figures. However, arts
organisations have strategies and artistic plans that may affect the development of such figures beyond the impact of the bonus. Therefore also the responses to and opinions on the bonus were investigated, and will be presented next.

**Changes in work organization, capacity and attitudes**

An important element in the exploration of effects of the bonus is the organizational response to it among arts organisations, in terms of attitudes and changes in the organisation and its activities.

The distribution of answers to the questions regarding changes in organizational work and activities due to the introduction of the bonus, is presented in table 5. A vast majority, 87 percent of the respondents, state that they have not changed their ways of working in respect to new cooperation for increased earned income due to the introduction of the bonus system. Only 13 percent state that they have introduced changes in their work aiming at cooperation for new sources of earned income. A larger percentage of the organisations state they have changed their audience work due to the introduction of the bonus; 22 percent. But still more than three quarters of the responding organisations have not changed their audience work in the last three years. Finally, hardly any organisation had changed their work with artistic productions since the introduction of the bonus. Only four percent had done so.

The questionnaire also contained questions regarding how the organisations themselves perceived their competence and capacity to actively seek cooperation in order to raise their earned income, and to work towards attracting larger young audiences. 30 percent of the responding organisations stated that they lack competence/capacity internally for development of work aimed at increasing cooperation in order to increase earned income. Somewhat fewer, 13 percent, assessed that they lack competence/capacity for young audience development. Furthermore, obstacles to, or problems with, attracting younger audiences were identified by 45 percent of the responding organizations. Significantly more organizations, 71 percent, saw problems with or obstacles to increasing their overall level of self-generated funding.

In their comments the responding organisations mention reduced ability of schools to pay for theatres to visit them, as a problem for increasing young audience numbers. They also mean that the marketing of local theatre and other cultural productions to schools in Stockholm,
coordinated by the Culture Administration, does not work well. The difficulty of finding spon-
sorship or business interest for young and coming artists is also mentioned as a problem for
generating earned income.

70 percent of all organizations, however, also saw possibilities that would help them in such
aspirations, beyond existing support structure. But the organisations cannot afford staff that
work primarily with audience development and cooperation initiatives, they simply have not
got the resources for it. They suggest better resources for schools to demand culture from local
arts organisations.

[Table 6]

Finally, it was vital to understand the attitudes within the independent arts sector towards the
bonus system as policy instrument and its political objectives.

Many organisations expressed clear opinions on the bonus system as an unduly interference
from politicians in their work, whereas others point to the complexity of the issue of distribu-
tion of monetary support, or the risks of the bonus system leading to more commercially ori-
ented supply in the arts. Several respondents state that the time to answer the questionnaire
was not sufficient to come up with thought-through proposals. Instead, the organisations called
for direct communication with the politicians and officials regarding criteria for distribution of
monetary support to the independent arts sector. Something proposed by several organisations
was dialogue of activities development directly with the Culture Administration, or a resource
centre for support in day-to-day work tasks relating to the two policy goals. This proposal was a
central suggestion forwarded in the evaluation report to the responsible politicians.

The two aims of the bonus system are to broaden the level and base of self-generated income
among organisations, and to increase the proportion of young audiences in the sector. The re-
splying art organisations in Stockholm perceived the political aim of increasing self-generated
income as more negative than positive. A majority of the responding organisations, however,
perceived the political aim of increasing young visitors as positive. Overall, the bonus system
was judged to have had positive results for the responding organisations, even though the bonus
as such was commented in more negative than positive terms. All responding organisations had
accepted offered bonus payments. The fear of most commenting organisations is that the bonus system would result in a more commercially oriented independent arts sector, but responding organisations saw both positive and negative effects of the bonus system so far. The bonus payments were seen as positive surprises, but were not something that the responding organisations said they could plan for.

[Table 7]

Some arts organisations are afraid that the bonus system results in a more commercial orientation among arts organisations. Several respondents suggest a kind of competence centre or resource to use for this kind of strategic work. Resources to competence development within organisations could be an alternative to the bonus system.

To summarise the results of the evaluation, since 2008 the independent arts sector in Stockholm has increased its total incomes and its earned income as well. A fifth of responding organisations have changed their audience work since the introduction of the bonus system, whereas only 13 percent have changed their work with increasing earned income. The bonus system thus has impacted on the work organisation of a minority of organisations, and the increase in earned income cannot solely be explained by the introduction of the bonus. Audience numbers and earned income vary naturally over years, and it is difficult to judge the increase in the earned income during 2007-2009 to any overall performance by individual organisations and areas over a longer period of time. Nevertheless, for all responding organisations the bonus payments have meant positive contributions to the overall annual income.

The introduction of a different incentive system than that focused on artistic quality, and granted according to criteria relating to cultural policy objectives, mobilized reactions and forces in the arts sector and individual organisations.

For the local government of Stockholm, the overall objective of the new incentive scheme, including the bonus, was to lessen the dependence of independent arts organisations on public support. Regarding the bonus, it is clear that the independent arts sector as a whole have increased their earned income over the studied period. The increase has even been rather substantial, over twenty per cent. Over the last year, young audiences had also increased within
the sector as a whole, but not as drastically as the earned income. But these increases are not
necessarily a direct effect of the new bonus, probably the opposite. This is due to a number of
reasons. Firstly, the number and composition of organisations eligible for bonus changed during
the period, so the population is not exactly matching over the three studied years. Furthermore,
the spread in organisational size and turnover is very large, something that makes average trends
sensitive to the impact of a few large actors. Secondly, especially for young audience numbers,
there were only complete data for the years 2008 and 2009, so the conclusions for the develop-
ment of this audience could only be made for the period 2008-2009. In order to evaluate the
impact of this incentive scheme, much longer time series analysis should be done.

The third weakness in assessing the impact of the bonus system and the incentive scheme as a
whole, namely the normal fluctuations in audience and income that occur over a few years, due
to repertoire changes and general economic conditions of both audiences and the arts organisa-
tions.

From the questionnaire, it became evident that arts organisations had to a certain extent
changed their audience work as a result of the introduction of the bonus (21 per cent), whereas
only twelve per cent had put effort into developing their efforts to establish co-operations as a
means to generate earned income. The artistic core of work had not been altered at all; one out
of 26 respondents (four per cent) said that they had adapted their artistic repertoire as a result of
the new bonus system. Possibly the conscious development among a minority of organisations
towards increasing self-generated income have contributed to part of the increase.

The introduction of the bonus, and in particular the political priority of increasing earned
income, met with much resistance from arts organisations. Earned income through coopera-
tion generating revenue from private sources is considered an intrusion by politicians into the
domain of the arts. The implicit aim of the incentive system had clearly been conveyed to the
arts sector, and it reacted clearly negatively to it. The system of assessment and calculation was
perceived as acceptable, but the policy itself, of promoting earned revenue, was seen as unduly
intrusion by government. Especially the use of the term bonus, and the economic foundation of
this incentive, was seen in very negative terms by the independent arts sector. Even previously
to the undertaken evaluation, one of the major daily newspapers reported on negative opinions
on the bonus system (Hellekant 2009, Cederskog 2010, Kalmteg 2010). In the questionnaire, many organisations voiced the opinion that the bonus system is an unduly interference from politicians, whereas others pointed to the complexity of measurement of performance and success in the arts sector. The economic contribution was seen as positive by all responding organisations, but the bonus system was not perceived as the right way to support the arts. Several organisations proposed a dialogue of activities development directly with the Culture Administration, instead of the current bonus system. Many organisations also saw a resource centre for support in day-to-day work with initiating and establishing co-operation and audience work as a solution for lacking internal competence in these areas. The political aim of increasing young audiences was, however, seen more positively than the objective of increasing earned income through external co-operation. The fear of many responding arts organisations is that the new bonus system will result in a more commercially orientation among independent arts organisations.

The question whether the SEK ten million spent on the bonus system could have been spent more effectively is an open question. The arts sector itself definitively would propose other procedures to distribute support to individual organisations. Positive with the prevailing system is at least that it distributes monies untapped to the arts organisations, rather than to intermediary bodies. The arts sector is already suffering from an increasing corpus of administrative tasks and staff.

**Conclusions**

Conclusions that can be drawn from this study of the introduction of a bonus system as incentive and policy tool in the city of Stockholm are:

(1) The assessment of the effectiveness of policy implementation is very difficult. There is a large number of factors that influence visitor numbers and earned income for an individual organisation. The development over time does not always make sense without comparative data. Also, there is a broad diversity within the very small arts sector, so comparisons between individual organisations or even across sub-sectors risk bias due to the small and changing number of organisations eligible for bonus.
(2) The term bonus causes negative responses in the arts sector, as it strongly associates to a greedy culture where individual monetary rewards or benefits are put before other values and objectives. Bonus as policy instrument is clearly a symbol for an economic view on human motivation. Therefore it is particularly badly suited for the arts sector.

(3) The role of a policy tool may be to mark changed political priorities rather than to achieve quantitative objectives. In the case of the bonus system for the independent arts sector in Stockholm, the main impact of the policy tool has been its very implementation rather than its (possible) achieved quantitative results. The political opposition certainly, as well as parts of the cultural sector, have reacted strongly on the symbolic dimension of the policy tool, whereas the structure of the bonus “simply” merits above-average revenue and young audience results.

(4) The description of cultural policy as non-ideological a clear ideological presentation of the character of policy tools. The bonus as policy tool is evidence of a marketisation of cultural policy and support. The bonus rewards market-orientation rather than adherence to policy objectives or quality.

As regards intended and unintended effects, the conclusion from the above is that the intended effects are difficult to pinpoint, as regards quantitative measures. It is difficult to assess the direct impact of an individual policy instrument on the performance of organisations without very detailed monitoring measures. The intention certainly was to mark a new priority for the independent arts sector from the part of the City administration; that of market orientation. An unintended effect of the policy was the strong negative reaction to the policy as ideological manifestation. The organisations of the arts sector think that the bonus has good and bad dimensions, but many organisations strongly react to the very introduction of the bonus as a policy instrument.

The incentive programme in Stockholm can be described as a contended depolitisation of cultural policy, something which on a rhetorical level goes well with an arm’s length distance policy towards the arts as honoured by the arts sector itself. Nevertheless, consequent to a liberal logic, the government seemingly avoids political intervention with the current bonus system. As bonus is paid according to political priorities, but the amounts depend on the action of the
market actors (arts organisations and their customers), it is the market that decides, not the politicians. As the Stockholm city government has stated in its political programme for the arts, politicians should not interfere with the artistic decisions of the organisations. Nevertheless, this is still what happens with a liberal government using tax monies for support to the independent arts. As an example of persuasive governance (Bell et al. 2010), the bonus incentive goes well with the entrepreneurially oriented policy for Stockholm formulated by the current conservative government, where growth is seen as central (Strom 2003).

Some of the undesired effect of performance-based funding in the care and healthcare sectors are creeping, dumping, and gaming (Kastberg and Siverbo 2007). This means that organisations in different ways try to maximise their economic output of a particular funding system, including avoiding certain client groups and stretching the boundaries of classifications, so that the performance is positively affected. This is what representatives of the arts sector fear will happen with the independent arts sector with a bonus system focussed only on income and audience figures. They fear a commercialisation of the arts sector. Furthermore, the independent arts sector reacts strongly to the assumption of economic incentives as central to professional ambitions in the arts. The very use of a support system built on bonus indicates a narrow economic view on the driving forces of the arts sector, something which arts professionals are clearly negative towards.

A narrow focus on performance measurement and performance-based incentives is not fruitful in the support of nonprofit organizations, which often have limited resources to develop capacity. Increasing an organisation’s earned income demands administrative resources and marketing skills (Dolan 2002). The arts organisations themselves in their questionnaire responses stressed the importance of a common support structure for capacity development especially for cooperation with companies and organizations, as these resources can seldom be afforded by individual organisations. The arts organizations as well as the Culture Administration and politicians of the City of Stockholm have realised that support for development of resources and skills to help increase levels of earned income and young audiences are needed in addition to incentives. The incentive scheme introduced in 2008, in addition to the bonus system, contained this kind of support structure and resource in the form of a ticket and marketing office for the arts sector developed with the sector itself.
From the current study, it is evident that the diversity and the small size of the independent arts sector makes measurement of performance problematic. The relationships between changes in internal work and priorities on the one hand, and a policy instrument such as a bonus and the changes in income and audiences on the other, are intricate, and would need detailed study to be mapped. It is questionable if such studies would be of value, given the negative associations of the concept of bonus, and the publication of sensitive data that such a study would imply. A comparison of the performance development of individual arts organisations would be sensitive to critique, as it would probably be perceived as a ranking of arts organisations on the basis of quantitative indicators, something which is questionable in the arts sector. Another incentive used in some countries is a matching-grant model, where public bodies contribute to an arts project or organisation according to secured funding from private sources (Rushton 2008). That could be a viable option for the politicians in Stockholm, but it is not without risks of its own.

**Bonus as marketisation indicator**

Marketisation has been introduced in several sectors with public support since the 1980s; such as healthcare, care and education (van Berkel and van der Aa 2005, Newman and Jahdi 2009). Marketisation and market-orientation is now increasingly proposed as a solution to the poor economy of artists and arts organisations. Much in line with the increased focus on arts as an industry, the City of Stockholm in 2008 introduced a bonus for the independent arts sector, as part of a scheme aimed at stimulating increased levels of earned income and young audiences within the arts.

The bonus system in Stockholm is based on the assumption that the arts are a business sector, and that dependence on public support, regardless of field or activity, is undesirable. From a liberal perspective, public support should be as limited as possible, and active and enterprising individuals and organisations promoted. Such a view evidently clashes with the view on culture of many cultural sector organisations, which recognise the importance of access to and availability of the arts, and support for a variety of arts. The difference in view is that the liberal approach to support for the arts is that society should support the arts, not necessarily public bodies.

From a perspective where politics and government are based on ideology, the phrase seems a contradiction in terms. But from a liberal (political) perspective, it makes sense, as public bodies
are seen as ideally only administration of services. According to the doctrine of the government of the city of Stockholm, “the prerequisite for a thriving independent arts sector is that cultural policy is not used as a tool for reaching ideological aims”, politics should not be mixed up with provision of public services, such as support of the arts. Nevertheless, the presentation of cultural policy as non-ideological is an ideological statement. This ideology is what the arts sector is reacting to when it reacts negatively to the introduction of a market-based bonus system.

The bonus system is an indication of a changed approach to the arts from the side of the local government, to emphasise the government’s prioritisation of market-oriented rather than production-oriented activities in the independent arts sector, beyond the basic organisational support that is granted according to policy objectives and artistic quality. Nevertheless, SEK 6 million is a substantial public contribution to the total funding of the independent arts sector in Stockholm. The point with marketisation of the support to the arts is, however, that it is designed to match market options (Lee 2005).

The totality of the incentive scheme in Stockholm is predominantly market supporting, containing a bonus, a foundation distributing grants for innovative cooperation with business and research, support for import and export and EU grants, and a system with a “live cheque” for musicians. All these policy instruments aim at supporting market relationships between arts organisations and their audiences and project or activity partners. The foundation supporting innovative projects borrows a form traditional to the arts sector, but is clearly oriented towards generating externalities. The cash flow of the business sector is seen as the economic solution to the problems of the arts sector.

Notes

1. Self-generated or earned income is by the City of Stockholm officials defined as ticket sales and related sales of merchandising etc., sponsorship and other income, such as rent of facilities and similar. Public support is by the City of Stockholm defined only as Swedish public authority support to arts organisations, excluding foreign public authority support, such as EU project grants or grants from foreign governments. This kind of income is instead defined as self-generated income in the economic reporting from individual arts organisations. Loans are not seen as self-generated income.
Acknowledgements

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References


Henchoz, Sarah 2009. “Banks rethinking incentives as the bonus pool dries up”, People Management, 26 February, 34.


SK 2007-12-04 ”Förslag om bonussystem till det fria kulturlivet”, förslag till beslut, Kulturnämnden, 4 December 2007.


Tables

Table 1. Number of organisations per area.

<table>
<thead>
<tr>
<th>Area</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dance</td>
<td>9</td>
<td>9</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Film</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Visual art</td>
<td>8</td>
<td>9</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Literature</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Museums</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Music</td>
<td>11</td>
<td>13</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Theatre</td>
<td>20</td>
<td>20</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66</strong></td>
<td><strong>70</strong></td>
<td><strong>66</strong></td>
<td><strong>69</strong></td>
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Table 2: Total income in million SEK.

<table>
<thead>
<tr>
<th>Area</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dance</td>
<td>91</td>
<td>68</td>
<td>68</td>
<td>70</td>
</tr>
<tr>
<td>Film</td>
<td>21</td>
<td>22</td>
<td>29</td>
<td>33</td>
</tr>
<tr>
<td>Visual art</td>
<td>26</td>
<td>28</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Literature</td>
<td>10</td>
<td>12</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Museums</td>
<td>14</td>
<td>13</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Music</td>
<td>38</td>
<td>37</td>
<td>41</td>
<td>47</td>
</tr>
<tr>
<td>Theatre</td>
<td>90</td>
<td>89</td>
<td>92</td>
<td>112</td>
</tr>
<tr>
<td>Other</td>
<td>52</td>
<td>106</td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td>Total</td>
<td>342</td>
<td>375</td>
<td>387</td>
<td>414</td>
</tr>
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</table>

Table 3: Self-generated income in million SEK, and development in percent.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Literature</td>
<td>&lt;1</td>
<td>1</td>
<td>&lt;1</td>
<td>&lt;1</td>
<td>162</td>
<td>-44</td>
<td>2</td>
<td>50</td>
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<tr>
<td>Museums</td>
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<td>5</td>
<td>5</td>
<td>4</td>
<td>20</td>
<td>-13</td>
<td>-20</td>
<td>-18</td>
</tr>
<tr>
<td>Visual art</td>
<td>15</td>
<td>12</td>
<td>10</td>
<td>6</td>
<td>-15</td>
<td>-21</td>
<td>-40</td>
<td>-60</td>
</tr>
<tr>
<td>Film</td>
<td>15</td>
<td>16</td>
<td>21</td>
<td>24</td>
<td>5</td>
<td>29</td>
<td>17</td>
<td>57</td>
</tr>
<tr>
<td>Music</td>
<td>23</td>
<td>25</td>
<td>27</td>
<td>29</td>
<td>9</td>
<td>8</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td>Dance</td>
<td>43</td>
<td>21</td>
<td>23</td>
<td>22</td>
<td>-51</td>
<td>8</td>
<td>-2</td>
<td>-49</td>
</tr>
<tr>
<td>Theatre</td>
<td>34</td>
<td>32</td>
<td>35</td>
<td>52</td>
<td>-8</td>
<td>12</td>
<td>46</td>
<td>50</td>
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<tr>
<td>Other</td>
<td>23</td>
<td>70</td>
<td>65</td>
<td>68</td>
<td>202</td>
<td>-7</td>
<td>5</td>
<td>196</td>
</tr>
<tr>
<td>Total</td>
<td>159</td>
<td>1823</td>
<td>186</td>
<td>205</td>
<td>1</td>
<td>2</td>
<td>10</td>
<td>29</td>
</tr>
</tbody>
</table>
Table 4: Total audience number, young audiences in Stockholm.

<table>
<thead>
<tr>
<th>Area</th>
<th>2008</th>
<th>2009</th>
<th>Change, young audience number</th>
<th>Change percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dance</td>
<td>4.167</td>
<td>8.978</td>
<td>4.811</td>
<td>115</td>
</tr>
<tr>
<td>Film</td>
<td>71.300</td>
<td>66.763</td>
<td>-4.537</td>
<td>-6</td>
</tr>
<tr>
<td>Visual arts</td>
<td>14.107</td>
<td>18.034</td>
<td>3.927</td>
<td>28</td>
</tr>
<tr>
<td>Literature</td>
<td>2.102</td>
<td>1.987</td>
<td>-115</td>
<td>-5</td>
</tr>
<tr>
<td>Museums</td>
<td>54.353</td>
<td>33.961</td>
<td>-20.392</td>
<td>-38</td>
</tr>
<tr>
<td>Music</td>
<td>24.703</td>
<td>23.649</td>
<td>-1.054</td>
<td>-4</td>
</tr>
<tr>
<td>Theatre</td>
<td>57.743</td>
<td>86.234</td>
<td>28.491</td>
<td>49</td>
</tr>
<tr>
<td>Other</td>
<td>4.433</td>
<td>6.624</td>
<td>2.191</td>
<td>49</td>
</tr>
<tr>
<td>Total</td>
<td>232.908</td>
<td>246.230</td>
<td>13.322</td>
<td>6</td>
</tr>
</tbody>
</table>

Table 5. Distribution of responses to questions relating to changes in work and activities due to the introduction of the bonus.

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you changed your audience work after the introduction of the bonus system?</td>
<td>21 %</td>
<td>79 %</td>
</tr>
<tr>
<td>Have you changed your work with finding new co-operations after the introduction of the bonus system?</td>
<td>12 %</td>
<td>88 %</td>
</tr>
<tr>
<td>Have you changed your work with repertoire / productions after the introduction of the bonus system?</td>
<td>4 %</td>
<td>96 %</td>
</tr>
</tbody>
</table>
Table 6. Questions and answers relating the view of arts organisations on their competence to increase cooperation for increasing earned income and young audiences, and on problems and possibilities relating to developing such work at their organisations.

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you think that you have sufficient competence within your organisation for developing your work with the aim of achieving increased self-generated income?</td>
<td>30 %</td>
<td>70 %</td>
</tr>
<tr>
<td>Do you think that you have sufficient competence within your organisation for developing your work with the aim of achieving an increased share of children and young in your total audience?</td>
<td>87 %</td>
<td>13 %</td>
</tr>
<tr>
<td>Do you see obstacles for/problems with increasing your level of earned income?</td>
<td>71 %</td>
<td>29 %</td>
</tr>
<tr>
<td>Do you see possibilities that would support you in such development work, beyond the existing support structure?</td>
<td>70 %</td>
<td>30 %</td>
</tr>
<tr>
<td>Do you see obstacles for/problems with increasing and widening your audience?</td>
<td>45 %</td>
<td>55 %</td>
</tr>
<tr>
<td>Do you see possibilities that would support you in such development work, beyond the existing support structure?</td>
<td>71 %</td>
<td>29 %</td>
</tr>
</tbody>
</table>
Table 7. questions and responses regarding attitude towards the policy of the bonus.

<table>
<thead>
<tr>
<th>Question / response</th>
<th>positive</th>
<th>neutral</th>
<th>negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your opinion of the political objective to stimulate increased earned income among arts organisations?</td>
<td>24 %</td>
<td>40 %</td>
<td>36 %</td>
</tr>
<tr>
<td>What is your opinion of the political objective to stimulate a higher proportion of young audiences in total audiences among arts organisations?</td>
<td>48 %</td>
<td>35 %</td>
<td>17 %</td>
</tr>
</tbody>
</table>