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Economic Significance and Potential of the Crafts Sector in Ireland

Report

For

The Crafts Council of Ireland

Prepared By

Indecon International Economic Consultants

Indecon

www.indecon.ie

November 2010

Executive Summary

Introduction

This report is prepared for the Crafts Council of Ireland (CCoI) by Indecon International Economic Consultants. The report concerns an independent research project to evaluate the economic significance of the craft industry in Ireland.

Background and Understanding

The crafts industry in Ireland, as in other countries represents a range of diverse businesses and activities across a spectrum of industrial classifications. For example, a craftsperson working on stained glass has little in common with an employee manufacturing double glazing although both may be classified under glass making. Equally, textile felting or weaving is very different to the large-scale manufacture of cloth although both may fall under textiles in national statistics. Therefore, the nature and definitional boundaries associated with crafts across Ireland make it a challenging industry to accurately define and measure.

To develop rigorous estimates of the scale and prevalence of the craft sector requires a different kind of approach in terms of its estimation than that used in some other industries. Indecon addresses this issue by taking account of the division between craft and non-craft activities. This requires a detailed selection of potential craft areas under the industrial classifications, a breakdown of these areas into specific craft activities and the estimation of craft within each of the sectors. It is important to note that the categories and sectors used in this economic report are aligned with official statistical sources and differ from categorisation used by the Crafts Council of Ireland.

Another aspect of crafts which is important in understanding the industry is its market structure and industry features. Irish crafts primarily involve micro-businesses which are typically highly labour intensive. These craft businesses form an important part of many rural and local economies. There are also some craft businesses of scale and both are relevant to the evaluation of the economic impact and potential of the sector. A key issue in defining crafts relates to the skill involved and crafts workers are sometimes defined as those applying skills in practical arts.

November 2010

Assessment of Economic Significance of the Craft Industry

As part of our assessment of the craft industry, Indecon has produced a number of rigorous new estimates on key economic indicators for the sector including employment, gross value added, and productivity. In all cases we have utilised prudent assumptions in order to ensure that the figures do not overestimate the economic significance of the sector. Our analysis indicates that the craft sector makes an important contribution to national and local economic development in Ireland.

Employment

Indecon estimates that there are between 5,771 – 11,415 persons employed in the crafts sector in Ireland depending on the definition of the sector used. The range in the estimates is due to different methodological approaches used and is critically dependent on how wide a definition of the sector is utilised. Interestingly, the figures indicate a higher number of persons engaged in the craft sector in Ireland than was previously assumed.

Estimated Range of Employment Numbers in Irish Craft Sector

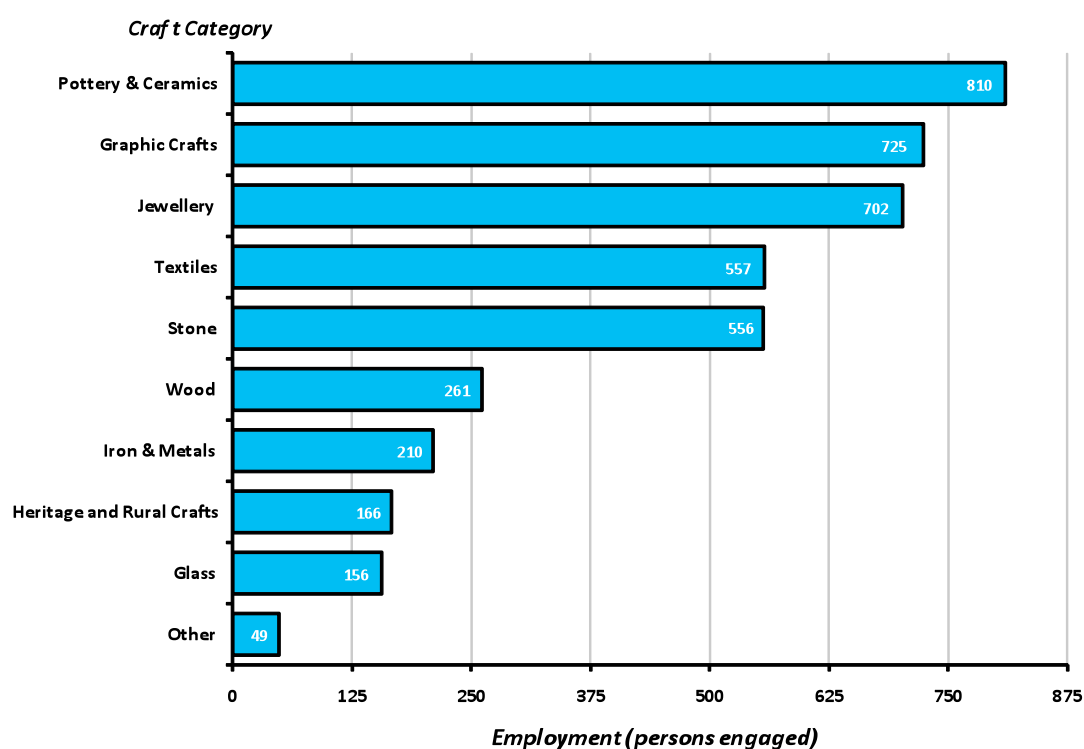
	Estimate Based on Selected Sectors in Census of Industrial Population and CCoI Data	Estimate Based on Census of Population
Employment	5,771	11,415

Source: Indecon Estimates

In our base case estimate we use the more restricted definition of crafts, which suggests employment of 5,771. Of this figure of 5,771, Indecon estimates that there are 4,191 persons engaged in craft in enterprises employing 3 or more people. Within this, the highest employing sectors are pottery and ceramics, jewellery, graphic crafts, textiles and stone. Also of importance is the fact that there are 1,787 students studying craft in plc and IoT courses, which represents an important skill base for the sector.

November 2010

Estimation of Craft Employment - Enterprises Employing 3 or More



Source: Indecon analysis

Gross Value Added

Gross Value Added (GVA) is one of the most widely used and reported indicators of economic activity. It is defined as the difference between the value of goods and services produced for any given sector and the cost of intermediate inputs and consumption used in the production process. In other words, GVA is the difference

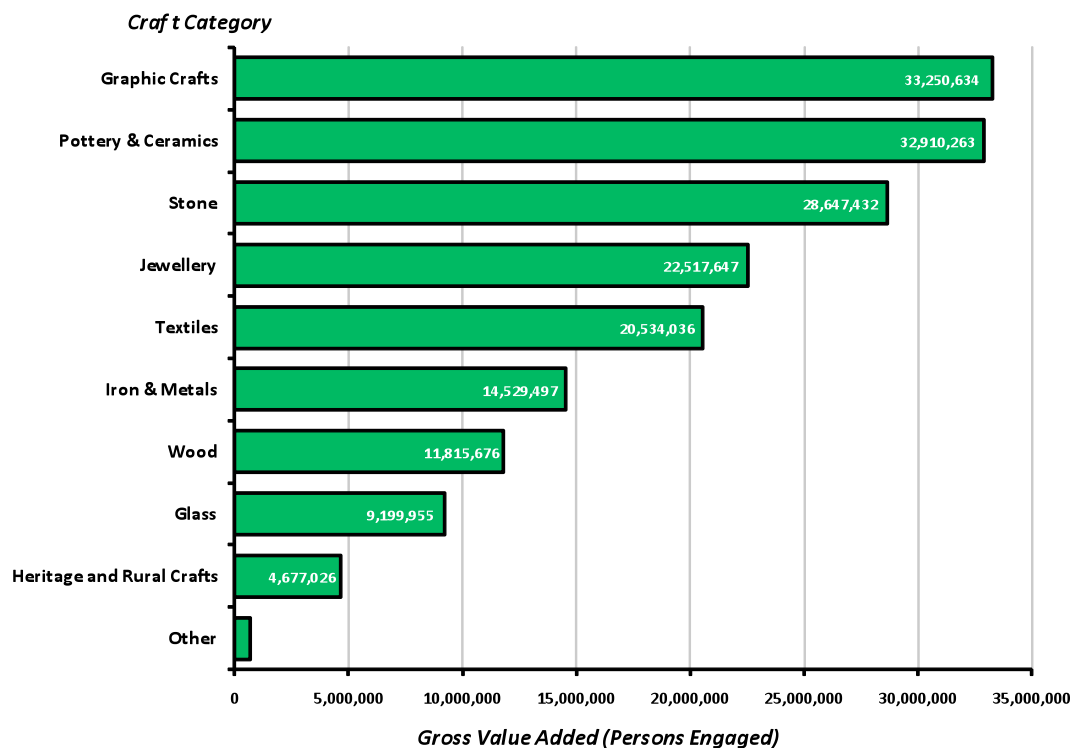
November 2010

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between output and intermediate consumption or the difference between the value of goods and services produced and the cost of raw materials and other inputs. Gross domestic product or GDP is a related national measure of the total economy and is the sum of the value added of all sectors or all activities in the economy. As part of this study, Indecon has for the first time in Ireland derived an estimate for GVA for the craft sector.

Indecon estimates that Gross Value Added in the craft sector in Ireland employing 3 or more persons amounted to €178 million. The highest levels of GVA are in the following sectors: pottery and ceramics, graphic crafts, textiles, stone and jewellery. This number, however, underestimates the total GVA as it excludes the contribution of the numerous smaller craft businesses, although Indecon believes that the estimate is likely to account for the majority of GVA in the sector.

Estimation of Gross Value Added - Enterprises Employing 3 or More



Source: Indecon analysis

Note: The 'other' craft category has a total gross value added of €713,053 per person engaged

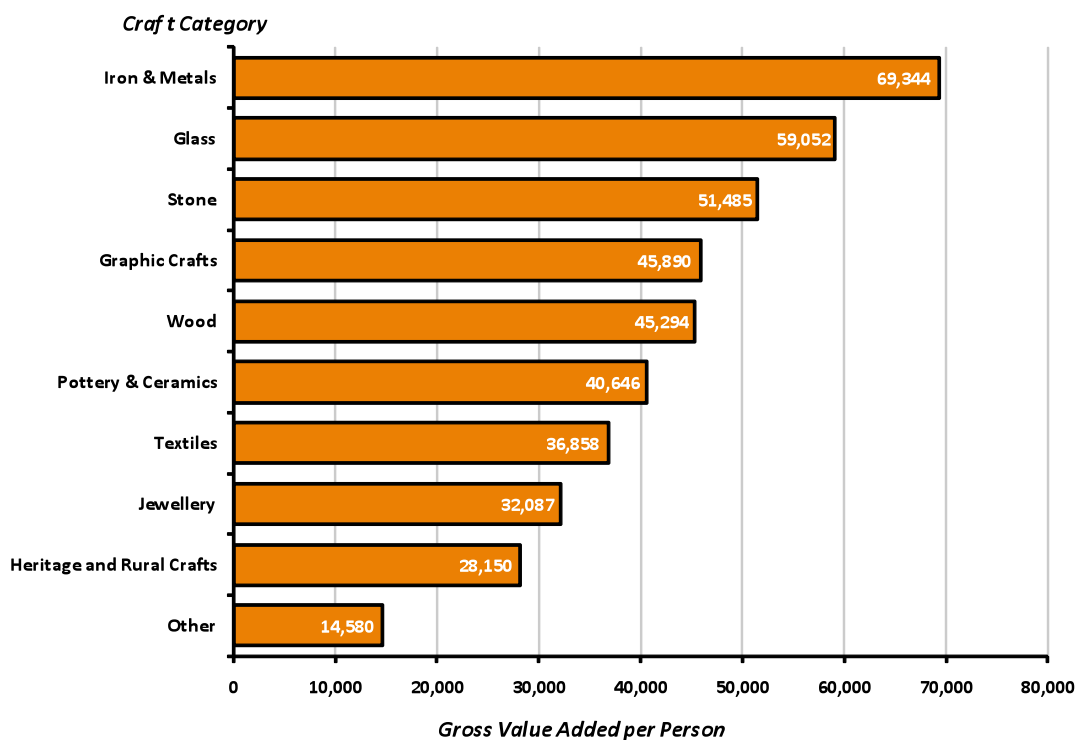
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Productivity

Indecon also has prepared estimates of productivity in the sector, which is defined for this purpose as the ratio of Gross Value Added per employee. This aggregate measure of productivity suggests that productivity per person in the craft industry is €42,339. While there are some differences reflecting specific sectoral features including the level of capital investment, the productivity per employee is within a fairly narrow range. The estimates are consistent with the labour intensive nature of craft activity.

Estimation of Productivity - Enterprises Employing 3 or More



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Source: Indecon analysis

A summary of the key measures of direct economic contribution of the Irish craft sector is presented in the table below.

Direct Economic Contribution of the Craft Sector

Estimated Value of Output	€498m
Estimated Employment	5,771
Value of Exports	€124.5m
Value of Irish Market Sales	€373.5m

Source: Indecon Analysis

In addition, the craft sector has indirect and induced economic impacts on the Irish economy. When these factors are taken into account, the direct, indirect and induced impacts are estimated to facilitate 17,994 jobs. Indecon would point out that every sector contributes more than its initial value added but it is useful to consider the wider economic impacts of the sector.

Potential Opportunities

Because of the underlying skill and talent of craft workers in Ireland and the positive market reputation for Irish crafts, Ireland has a comparative advantage in this sector. While there are major challenges facing the industry there is also potential for growth and for the sector to expand exports, output and employment. Market research undertaken by The Research Perspective also suggests that the sector believes there is potential for significant further growth.

In particular, the sector believes that with appropriate supports there would be potential to secure a 63% increase in sales.

If one utilises Indecon's lower estimate of employment in the sector based on the more restricted definition of crafts, it is possible to derive some indicative estimates of the employment potential, if the expectations of the sector were realised. This, however, is based on an assumption of the availability of adequate supports to assist the sector to grow and represent medium term potential for the sector. In the current economic

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environment, many craft businesses who are dependent on domestic demand, are likely to face very difficult market conditions.

Indecon, however, believes that there is very unlikely to be a one to one relationship between sales and employment growth in the craft sector although we accept this will in part be dependent on the rate of growth in sales.¹

In line with the prudent approach taken throughout this study, our analysis assumes that only 65.5% of expected sales growth will be realised. In other words, sales will only increase by 41.26%. We also assume that this will only result in a corresponding growth in employment of 31.5%. In our analysis we examine three different scenarios for sales potential as follows:

- Scenario A: Assumed growth in employment is aligned with the judgement of the sector for sales growth i.e. 63%.
- Scenario B: Assumed growth in employment represents only 50% of that implied in Scenario A.
- Scenario C: Where only 20% of the implied growth in employment in Scenario A is realised.

The implications of the above growth scenarios for employment in the sector are presented in the table below. This suggests a potential increase in employment in the craft sector of the order or range 727 – 3,636. This is of course a matter of judgment and the numbers are illustrative only. However in our base case we use a prudent figure of 1,818 for potential increase in employment. This is only 50% of what would be realised if sales growth was aligned with the expectations of the sector and if there was a one to one relationship between output and employment.

Employment Potential in the Irish Craft Sector

	Potential Employment	Potential Increase in Employment
Scenario A	9,407	3,636
Scenario B	7,589	1,818
Scenario C	6,498	727

¹ See Gray, A. W., Employment Potential in Manufacture. Published by The Irish Trade Board, 1993.

November 2010

The figures suggest that there is potential to significantly increase employment and sales growth in the sector. An analysis of the overall potential is outlined in the table below. This highlights the fact that the sector employs 5,771 under our base case but this could potentially increase to as high as 7,589. The figures also indicate that exports from the craft sector amount to nearly €125 million and there is potential for these to increase to over €175 million. There is also potential for an increase in domestic sales of crafts if Irish crafts gain a greater share of the domestic market.

Potential for Craft Sector			
	Existing	Increase	Potential
Value of			
Profits Employing 3 or More	€361.65m		
Total	€498m	€205.5m	€703.5m
Employment	5,771	1,818	7,589
Value of Exports	€124.5m	€51.4m	€175.8m
Value of Domestic Sales	€373.5m	€154.1m	€527.6

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November 2010

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Key Conclusions

- ❑ Our analysis has demonstrated that even using a narrow definition of the craft sector, the sector is a significant source of skilled employment and makes an important contribution to output and exports. The sector employs a larger number of people than was previously assumed.
- ❑ The number of students graduating from Post Leaving Certificate, Institute of Technology or other third level colleges in craft related subjects represents an important resource for the sector. Unless opportunities are created for some of these students it would represent a potential waste of the investment in these skills.
- ❑ The design sector is an important component of the craft industry both in Ireland and internationally and an integration of supports for the wider craft and design sector would have value.
- ❑ The sector is facing a challenging market environment but there is potential for an increase in the number of full time jobs in the sector if craft businesses are facilitated to secure an increased share of the Irish market and to develop existing and new export markets. This would, however, require on-going supports and Indecon believes this potential could only be realised over the medium term.

November 2010

Acknowledgements and Disclaimer

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The usual disclaimer applies and the analysis in this report remains the sole responsibility of Indecon.

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