

Economic Value of Your Library
A Keynote Address for CALTAC workshops Spring 2006
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I think that all of us here today are completely committed to the value of libraries but we are often asked to justify their existence. We can discuss their intrinsic value to our democratic society and we often have personal anecdotes about the library's value to ourselves or our regular customers. But we live in a world where value is measured in dollars and sense and that is often the kind of information that works best with elected officials and city and county administrators and managers. Today I hope to give you some facts, figures and talking points about the economic value of libraries.

There is much research being done today about a variety of library issues. In order to keep up with this ever-changing context, I would strongly recommend that you and your library management team stay in touch with the reports that are published by OCLC, otherwise known as the Online Library Computer Center. Many libraries use OCLC as a source for cataloging data and for interlibrary loan. Yes they are a huge vendor with lots of clout in the library world, but they would be nowhere without libraries, so they are very concerned about the future and the viability of libraries. In 2003, OCLC published its report "Environmental Scan – Pattern Recognition" which was the first in a series of publications that analyzes the place of the library in 21st century society. They recently issued another report "Perceptions of Libraries and Information" which provides a wealth of information about how libraries are perceived and used today. Through Library Services and Technology Act funding, we are providing each library jurisdiction with one copy of this report. Also, a very effective quick read of the report is a summary of the conclusions which can be found at http://www.oclc.org/reports/pdfs/percept_concl.pdf. Ask your library director to keep you informed as these reports are issued.

Today I wanted to review "Libraries: How They Stack Up" which was published by OCLC in 2003 and provides a snapshot of the economic impact of libraries in the worldwide economy. This report sets the context for the more specific discussion of the economic value of the library in your community.

Worldwide expenditures on libraries are about \$31 billion annually, with \$14 billion of that being spent in the US. We account for almost 50% of the worldwide spending on libraries. How do library expenditures compare to other industries? We far exceed barber shops at \$2.1 billion and coin-operated laundries at \$4.3 billion, although both these institutions serve as neighborhood meeting places just like the library. We are about the same as expenditures on bars and taverns, which is \$13.3 billion and exceed video retail sales which is \$12.3 billion. Businesses spend a total of \$16.2 billion on magazine advertising.

We often hear that customers are forsaking their libraries and have shifted to Amazon.com and other online book providers. But the figures do not bear that out. US public library cardholders outnumber Amazon customers by almost 5 to 1. Also, each day US libraries handle about 5.4 million circulations and Amazon handles about 1.5

million items - a 4 to 1 ratio. Finally libraries circulate nearly the same number of items that are shipped by Fed Ex every day!

Libraries are also valued destinations and we know that the role of the library as place, as the favorite community living room is becoming more critical every day. Five times more people visit US public libraries each year than attend US professional and college football, basketball, baseball and hockey games combined. If library customers paid the average sporting event price of \$35 per ticket, libraries would generate more than \$39 billion in annual revenue.

We are constantly hearing that all our librarians are retiring. That certainly is a significant problem but there are many librarians compared to other professions. There are about 200,000 librarians in the US. There are also just about the same number of architects and pharmacists. Professions with less members include dentists, airline pilots, public relations specialists and actors, although that figure may not hold true in our state!

Recently, several benchmark studies have been conducted using various economic models to document the economic value of the library. These studies are often called return on investment or (ROI) studies. One of the first studies was done by Dr. Glen Holt at the St. Louis Public Library. Dr. Holt found that, for every \$1 that was spent on the library, over \$4 in value was received by the community. The methodology of the St. Louis study was replicated in several other libraries. Their results varied from a high of \$10 for every \$1 spent at the Phoenix Public Library to a low of \$1.30 value in the Birmingham Public Library. The King County Library in Seattle, which is one of the busiest library systems in the country, determined that a \$5 value was received for every \$1 in investment.

The Florida State Library measured inputs and outputs to show that Florida's public libraries returned \$6.54 for every \$1 invested. They also found that, for every \$6,448 spent on libraries, one job was created. The South Carolina State Library conducted a similar study and report that their public libraries returned \$4.48 to the state's economy for every \$1 invested. Although there are many factors that account for the differences in the results of these studies, but each one concluded that the economic impact and value of libraries on their communities exceeded expenditures by returning both direct and indirect benefits.

Now what do we mean by direct and indirect benefits? Direct economic value comes in the form of tangible services such as the variety and use of library materials, reference assistance, Internet usage and library programs. These services can be measured and valued. A simple way is identifying the cost to a library user to borrow a book (nothing) as compared to the average cost of purchasing a book which varies greatly, but, for purposes of ROI studies, the Massachusetts State Library has established a book price of \$12.50. The Massachusetts State Library has developed a very handy table of Value of Library Services which I would be glad to share with anyone who is interested.

Indirect benefits are much harder to measure but may be more significant in the long run than direct benefits. This indirect value is demonstrated in the library's contribution to enhancing the community quality of life, building a diversified economy including job creation, promoting healthy lifestyles, creating stronger and safer communities and increasing local property values.

The first national study on the economic value of public libraries was undertaken by a professor at Oslo University College for all the libraries in Norway. Although this was a small population, the study shows the complexities of undertaking such an analysis.

This project sought to find ways to estimate the value of public libraries from the population's perspective. The aim was to measure the value of Norwegian public library benefits to citizens in monetary terms and thus determine if their benefits outweighed the costs to provide them. In addition, the study attempted to elicit motivations – why do Norwegians, both users and non-users, value public libraries? The purpose was to provide a better understanding of the public libraries' total value and demonstrate their instrumental value which equates to their direct value, as well as their democratic and cultural value, which equates to their indirect value.

Since library services are not exchanged in a market or price-driven environment so it is difficult to achieve cost estimates of the value of these services. There are economic models for valuing non-market goods and these were used in the Norway study. The overall conclusion is that Norwegian households value the benefits from public libraries clearly higher than the costs of providing the library services at a ratio of about \$4 in value for every \$1 in investment. This result is similar to what was found in other studies. The study also tested the motivations for valuing public libraries. The study showed that 40% of the valuation was based on individual or family use, a direct benefit, 20% of the valuation was based on future anticipated uses, again a direct benefit, and 40% was based on the perceived indirect benefit, the availability of the library for the community at large, the support that the library provides for life-long learning and a democratic society.

Another interesting result of this study that I believe relates to the indirect benefits was described as “property rights”. I also think this concept is based on the fact that public monies are used to support libraries and other public institutions. In the study, this question was asked – Do you think you have a right to access to a public library in the municipality where you live? 94% of the respondents said they had the right to have access to the library, and only 60% of the respondents actually used the library. Library supporters such as ourselves know that the library is a valued institution in our communities but this study demonstrates that. When local officials assume that only those who use the library value it, you can respond that the actual use does not represent the entire scenario regarding the library's value to the community.

As you can see, determining the economic value of the library is a rather complex and challenging endeavor. If you are interested in trying this, I applaud you and would be

willing to provide technical assistance and share with you all the resources that I have found. I also wanted to touch on another trend in program evaluation that is becoming more and more prevalent. Libraries have been counting what they do in more ways that we can imagine – books checked out, questions answered, programs offered. But we have not really been measuring the impact of what we do. This measurement impact is critical. We can be presenting as many storytimes as possible, but if they are not having an impact or reaching the necessary audiences, we are really not making a difference.

The Federal Government has been requiring what they called outcome-based measurement since the early 1990's. This is trickling down to the local level because the Feds are requiring all the state agencies to provide information on the impact of programs that are supported by Federal funds. Any library who has had an LSTA application recently is well aware of the State Library's focus on outcomes. Although we are moving to this type of evaluation because it is being mandated, I am convinced that it is the most effective way to measure what we do and to provide clear and compelling information on the value of our services to local decision-makers.

I hope that the information that I have provided has helped to develop a base of knowledge for you on the economic value of libraries. I hope I have inspired some of you to think about how these approaches might be implemented for your library system. I am sincere in my offer to provided some assistance if any of you are interested in developing an analysis for your library.