

How Big Is Public Relations (and Why Does It Matter)?
The Economic Impact of Our Profession

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Toni Muzi Falconi, professional public relator since 1961, has operated inside organizations (Stanic, 3M Company and Fabbri Editori), as well as outside through the creation and leadership of SCR Associati (Italy's largest public relations firm until it was sold to Weber Shandwick in 1999); then On Off- Interactive Solutions (a consultancy boutique on technological convergency); and Methodos (management consulting). Since the late Nineties he has also taken up teaching assignments in public relations theory and practice for IULM University in Milano and the University of Udine; in corporate social responsibility for the University of Bologna; and presently public relations for Lumsa University of Rome and global relations for New York University. His professional activities and recognitions have included:

- Past President of Ferpi (Italian Public Relations Federation)
- Founding Chair of the Global Alliance for Public Relations and Communication Management
- Honorary Fellow of the Chartered Institute for Public Relations
- Member of EUPRERA, IPRA and PRSA
- Commission on International Public Relations and the Diversity Research Advisory Panel of the Institute for Public Relations
- Recipient of the David Campbell Johnson Medal for International Public Relations
- Author of "Governare le Relazioni," *Il Sole 24 Ore* Edizioni
- "Relazioni Pubbliche e Organizzazioni Complesse," Lupetti Editore
- Co-author of the Italian chapter of "Public Relations and Communication Management in Europe," De Mouton-Gruyere

Purpose of This Paper

This paper argues that our identity as a profession – not just a service industry of practitioners for hire, not just a management function of the staff variety – has a strong connection to issues of size and economic impact on society at large.

Being big does not make public relations a profession. But being measured in the same way as other professions may be a critical step toward being seen in the same light. To do that, we must think outside the budget.

In doing so, we may be better positioned to differentiate what we do from marketing and advertising, and perhaps even to seize the attention of government, institutional and corporate policy makers in a way that goes far beyond the level of notice we have achieved in the past.

Thus, it behooves the global professional community to discuss and concur on new and agreed upon criteria of evaluation.

Is There a Better Way to Measure Our Economic Impact?

Until today most efforts in *qualitative* evaluation and *quantitative* measurement of our economic impact have analysed public relations as if it was, in itself, a service *industry*. The demand – believed to be mostly originated from the private sector – meets the offer of services provided by agencies, consultancies and solo operators. Little, if any, attention has been focused on the economic impact of professional public relations in its entirety.

That would have to include public relations increasingly performed in all three sectors of society: private, public and social. In fact, in most countries of the world (many in Europe and Latin America, as in most of the emerging economies), the public sector accounts for more than 50% of estimated active public relators; while the social sector, albeit the smallest of the three, is nonetheless experiencing the quickest growth.

If we interpret the economic impact of the profession on society at large as the “induced economic output” of public relations activities on a society, rather than just the income which is annually exchanged between buyers and sellers of public relations services, we arrive at figures which are substantially different from the ones we have passively accepted as reliable. Until now, that has meant adopting the same criteria normally used for the advertising industry. The researcher creates a (more or less) representative basket of organizations; inquires about the size of their annual allocated budgets; compares these to the year before; extrapolates the resulting figures to a (more or less) valid universe of organizations; and finally comes up with a figure purporting to show the economic impact of public relations in a specific country or territory.

In short, public relations and advertising are treated as if they were both *capital intensive* activities. Their economic impact is equal to the sum of budgets allocated by organizations to sustain activities considered, respectively, as public relations or advertising.

But considering the different processes which affect the two activities, it seems clear that, while both obviously require financial resources, public relations is much more *labour intensive* than advertising. While increasing the effect of public relations very much depends on the number of qualified professionals involved in a specific activity, a similar magnification of advertising impact may be simply and effectively accomplished by further financial investment in media space and/or time.

This appears a sufficient reason to say that public relations is a labour intensive activity, not unlike accounting or legal or medical. Advertising, on the other hand, requires, a substantial financial investment (in addition to creativity, planning and managerial processes, of course). This is not necessarily true for public relations, as the latter relies more on the time invested by professionals in either activating relationships with influential publics or communicating with these publics via media relations, organization of events, publications, etc.

The implication is that it may be viable to analyse the economic impact of advertising by summing the total of financial resources invested by organizations to acquire media space in various outlets. But this is not a similarly valid criteria to analyse the economic impact of public relations, where a great majority of (and in many cases, all) economic resources invested by organizations are represented by the gross costs of the professionals directly or indirectly involved.

From this perspective, to estimate the economic impact of the public relations profession in a given area, country or region, one would therefore need to:

- Identify the number of professionals involved.
- Estimate their gross annual cost to the organizations they work for, or on whose behalf they supply counsel and services.
- Adopt an economic multiplier which accounts for the increased productivity delivered by those professionals, as it would seem senseless for an organization to invest resources in activities whose final value is considered equal to or lower than their gross costs. Once more, the difference from advertising is that the highly variable value of media space and/or time already considers the potential effect of the advertising messages, whereas this is not in any way true for the value of public relations activities.

New Methodology Applied to US Example

1. **To identify the number of professionals involved in public relations activities in a given country or territory, one must first establish what counts as public relations.** For this purpose, I suggest that public relations activities are those performed by an organization which involve:

Creating, consolidating, improving and managing conscious and planned relationships with an organization's influential publics: i.e., those publics whose decisions, behaviours, opinions and attitudes produce consequences on the organization and who, in turn, are impacted by the consequences of the same organization's decisions, behaviours, opinions and attitudes.

Of course, one may decide to adopt a tighter or even a looser definition of what constitutes a public relations activity for an organization, and consequently come up with different numbers of professionals involved. But the structural process remains the same.

To illustrate the need for agreed upon criteria coming from the public relations professional community, let me cite three recent examples involving the USA, the UK and Italy. The United States Bureau of Labour Statistics (<http://www.bls.gov/>) considers as public relations managers those who:

...plan and direct public relations programs designed to create and maintain a favourable public image for employer or client; or, if engaged in fundraising, plan and direct activities to solicit and maintain funds for special projects and non profit organizations...

and as public relations specialists those who:

...engage in promoting and creating good will for individuals, groups or organizations by writing and selecting favourable publicity material and releasing it through various communication media. May prepare and arrange displays and make speeches.

For 2005, these definitions would yield a number of 44,000 for the first group and 191,000 for the second, for a total of 235,000.

However, these numbers exclude, for example, professionals employed in internal/employee relations, in financial/investor relations or public relations research. Moreover, they do not count the many operators who from day-to-day are actually involved in public relations according to the broader definition I gave above, but are either not classifying themselves as such or maybe not even aware of being public relators (for example, the many communicators for development which work for organizations like the World Bank or the United Nations).

It also seems surprising that, in 1999, the US Census Bureau indicated that there were 68,000 managers and 149,000 specialists, for a total of 217,000 public relators. This implies that in six years, the profession has only grown by less than 10%, i.e. far less than 2% per annum! This is hardly credible.

However, the number in this case matters less than our objective to define a reliable process with acceptable indicators. If we adopted my proposed broader definition of public relations, which is possibly closer to today's reality, and if we added all internal and financial communicators, researchers as well as those unaware public relators, we could guesstimate that in 2006 the United States had some 400,000 public relators. That would imply that almost one in every eight hundred Americans is involved in public relations. To validate this estimate, it would be sufficient to isolate specific sample areas; conduct a detailed census involving public relations professionals and their organizations operating in the private, public and social sectors; extrapolate and project the results; and remember to ponder existing economic and cultural indicators.

2. **In order to estimate the gross annual cost of a public relations professional to an organization in a given country or territory, there are sufficient official and reliable economic statistics that may be adopted.** These costs will differ according to the level of seniority, expertise and responsibilities in the organization; as well as the level of economic development of the specific territory and the market strength of public relations in that economic environment.

Again, if we take the USA case, the same Labour Bureau statistics for 2005 indicate the average annual salary of the 44,000 managers was \$86,000, while that of the 191,000 specialists was \$51,000. The total 2005 income of those operators is therefore equal to \$14.5 billion, which would mean gross costs of at least \$16 billion for the employers/clients (based on the more conservative Labour Bureau count of PR managers and specialists, and not the reasonable larger estimate).

Once more, this is another aspect which could be fairly easily investigated on a sample basis. The outcome would vary from country to country, including regulations and customs that determine employer gross costs over salary.

3. **Finally, to identify a useful and reasonable multiplier to calculate the added value produced by the individual professional, economists who have studied other labour intensive professions (i.e., accounting or law or medicine) tend to agree that the multiplier should vary between 1.5 and 3**, according to the value attributed by the organization to the individual professional (which however is already somewhat reflected in annual gross cost).

This criteria, certainly debatable but seemingly reasonable, also bears a relationship to the traditional fee billing procedures used by consulting companies in public relations. That is, wherever possible and in the best of instances, the employee gross cost to her/his agency should be multiplied by three and billed to a client. The billed amount therefore includes the consultant's cost (one third), the general expenses of the organization connected to the day-to-day activity (a second third), while the third third allows for the amortization of investments, depreciation as well as gross margins of the organization.

So, if we return to the USA and multiply by, say, an average of 3 the \$16 billion per annum gross cost of public relations managers and specialists, we could say that the annual economic impact of public relations professionals in the USA (as counted by the Labour Bureau) is equal to \$48 billion.

Applying the Methodology to Another Country

A second relevant example is that of the Republic of Italy.

In 2001 the Italian Government (Ministry of the Public Function) implemented an official census to calculate how many public relations professionals operated within the country's Public Sector, and came up with an overall figure of 40,000. This included all employees who at the time operated in or for the central and local public administrations':

- offices of relations with publics
- offices of media relations
- and offices of the spokespersons.

These are the three functions officially recognized by the Italian state as subject to the provisions of the law 150/2000 on public communication.

The Italian public relations professional association (Ferpi) used this base figure as a starting point to estimate how many professionals operated in the private and social sectors of the Italian economy, and came up with a figure of another 30,000 (25,000 in the private sector and 5,000 in the social sector). The sum of all numbers indicate that in 2001, there were 70,000 public relations professionals operating in Italy.

In recent years, this number has significantly grown and is now estimated to be in the 90,000 range, i.e., one every 700 Italians. In Italy, the average annual gross medium cost in dollars per professional is possibly \$40,000. By applying the same average productivity multiplier we used for the USA (i.e., 3), we could say that the annual economic impact of the public relations profession in Italy is \$11 billion.

To cite a third example, the United Kingdom's Chartered Institute of Public Relations recently published research which estimated 48,000 public relations professionals in the country, and an overall figure of \$10 billion as a total annual economic impact. This implies that each UK professional produces an average economic impact of \$210,000 ($\$210,000 \times 48,000 = \10 billion).

But with these estimates of the number of professionals, we encounter a double conflict with the Italian and USA figures. It would seem that in Italy, taking a proportional perspective, the public relations profession has a bigger economic impact than in the USA! On the other hand, it is also not credible that the UK – the European country where public relations is most diffused and advanced – has barely more than half the professionals counted in Italy, even though the two countries have more or less the same population.

It is clear that the estimates are based on different criteria and that the UK criteria were more stringent than Italy's. Furthermore, the individual estimated economic impact of the UK professional is greater than the American figure.

Applying the Methodology Globally

Basically, if one were to look at the whole world, one could roughly identify and separate at least three major macro-regions along a continuum on the basis of economic development, market strength and development of the professional:

- A more private-sector-oriented and professionally consolidated macro-region, where we may estimate (based on the country examples above) one professional for every 700/1000 inhabitants.
- A more public-sector-oriented and less professionally developed macro-region, where one may estimate one professional for every 1000/2000 inhabitants.

- And a third mostly public-and-social-sector oriented but professionally developing macro-region, where one may estimate one professional for every 2000/5000 inhabitants.

Considering a global population of more than 6 billion, we may reasonably attribute 700 million inhabitants to the first region; 1.4 billion to the second; and 3.9 billion to the third.

This would imply:

- 700,000 to 1 million professionals in the first macro-region
- 750,000 to 1.5 million professionals in the second
- 800,000 to 2 million professionals in the third.

Summing up, we may estimate anywhere from 2.3 to 4.5 million professionals in the world today. If we apply a highly conservative individual total economic impact of \$100,000 for the first group (based on an average annual salary of \$25,000, a gross cost of \$33,000 and a 3 multiplier) to the first number; an even more conservative \$50,000 to the second group (reflecting an average annual salary of \$13,000, a gross cost of \$17,000 and a 3 multiplier); and a definitely conservative \$25,000 to the third group (reflecting an average annual salary of \$ 6,000, a gross cost of \$8,000 and a 3 multiplier) we would still arrive at an annual global economic impact in the area of \$130-230 billion.

But Why Does It Matter?

What is the purpose of all this exercise, and why is it so relevant for the public relations profession to review existing criteria for self-identification and evaluation/measurement of its economic impact on society? The arguments can be presented from four perspectives.

First, as Harold Burson recently noted, “The broad umbrella of PR is being equated with the discipline of support to marketing.” It is highly relevant for public relations professionals to be fully aware (and also be prepared with convincing arguments to make their stakeholders fully aware) that their own professional activity is distinct from advertising and marketing.

This is an old, old issue which has accompanied the development of our profession since its inception and early institutionalization at the beginning of the 20th century. The reality that public relations is more labour intensive while advertising is more capital intensive provides a strong argument for differentiation.

All too often public relations, in organizations of all sorts, is placed under the marketing communication umbrella and, at times, even under the advertising umbrella. This defeats the ongoing process of institutionalization of the discipline as it has been growing and developing

over these recent years, and we must find and constantly use convincing arguments to promote further differentiation. The capital vs. labour intensive argument appears to be a forceful one.

Second, if we consider the normal day-to-day estimates of the economic impact of our profession that we have passively accepted over the years and compare these to advertising, the differences seem to be way out of proportion. Indeed, they seriously misrepresent public relations as a tiny addendum to the overall marketing and advertising budget of the organization. If we can argue from reliable and convincing estimates that succeed in narrowing the gap, while at the same time bringing light to the true nature of public relations, this becomes highly relevant in reinforcing our professional relevance and in strengthening the position and power of public relations in various organizations and societies in times of economic downturn or organizational restructuring/change/downsizing.

Third, many new entrants into the profession today come from specialized studies in colleges and universities where public relations is taught as a unique discipline. The body of knowledge which public relations has developed and accumulated over the last 20 to 30 years, albeit much in need of reinforcement, is solid enough to establish this notion of a profession on its own, although strongly related to others.

But there is a dire need for the basic recognition of the above indicated differentiation and it does not seem reasonable to continue to stimulate these new professionals to think as if they were destined only to be a sideshow in the advertising/marketing areas of organizations.

Fourth and finally, this reinforces the sound argument that public relations is not merely, nor even mostly, a private sector and/or outsourced consultancy or service based profession. It is equally and in some countries even more consolidated in the public and social sectors of society. It is important for public relations worldwide to be fully aware of this, as the largest public relations investors in the world today are more likely to be the US government, the UN, the European Union or the World Bank, rather than the ExxonMobils, the Shells, the Procter & Gambles or the General Electrics.

All of this reasoning unveils a whole different perspective of the profession which immediately highlights the necessity for such arguments to be discussed within the professional community and its immediate boundaries every day and everywhere. And this to the benefit of the public interest.