Municipal Library of Prague

ARE WE WORTH THE TAXPAYERS’ MONEY?
LET’S ASK THEM!

Tomáš Řehák, Municipal Library of Prague
METLIB, May 2015
Czech Republic
Czech Republic

- Country in Central Europe
- 10.5 mil. inhabitants (79 000 km²)
- Member of EU
- Non € country, currency is Koruna (CZK)
Czech Republic
Prague

- The capital and the largest city
- 1.3 million people
- UNESCO list of World Heritage
- UNESCO Creative City of Literature since 1st Nov 2014
Municipal Library of Prague

- Public library network
  - CL, 40 branches and 3 mobiles
- One of 14 county libraries of Czech Republic
  - Legal deposit
Central Library
Basic Numbers

- Staff (FTE): 435
- Library items: 2 mil.
- Card holders: 170,000 (13 %)
- Visits / year: 2.2 mil.
- Library loans / year: 6.3 mil.
- Events, programs,… 3,750
- Budget € 8.37 mil.
Population share
Methodology for measuring the value of library services 2011 – 2013

- Project MLP and a university
- The aim was to develop a methodology for measuring the value of the services that are provided by public libraries.
Why?

- To get a convincing argument in relation to public authorities (sponsors,...)
- To get data for assessing the effectiveness of the individual activities of libraries
- To learn to speak and think like they do:
  - Bureaucrats
  - Politicians
  - Business people
  - …
If we were in business

- „My only goal is long-term profitable growth.“
- The company must represent a good investment for its shareholders
- Shareholders must feel that they couldn’t have invested their money in a better way
- **And therefore** the company cares for its clients
Client vs. Shareholder
And what about the library?

- Who are we loyal to?
Reader vs. Taxpayer
The same story

- Taxpayers must feel that they couldn’t have invested their money in a better way, that the library’s worth it
- That the library is at least as good an investment as school, hospital, a children’s playground
- And therefore we care for our readers
Cost-benefit analysis (CBA)

- Measuring benefits and costs.
- Determining the total cost is *almost trouble-free*
  - The inputs into the production process of public services are market valued
- Determining the cost of particular services is quite *laborious*
- Evaluation of benefits is *very difficult.*
Surveying of the premises of MLP

- Complete surveying of the premises in terms of space and function
- “Public space“
- Collection stocks
- Other premises (backoffice)
  - maintenance, ICT, ...
- A total of 35 categories of premises by the way of use
Time frames

- A randomly selected sample of employees
- Recording of all activities during the week
- A total of 15 categories of activities
- Dividing labour costs into categories
- The proportion of personnel costs in the categories on individual services
Expert estimates

- Board of skilled colleagues
- Facilitated obtaining quantitative estimates (simplified Delphi method)
CBA – assessing the benefits

- WTP = Willigness To Pay, i.e. a willingness to pay for the consumption of public services
- WTA = Willigness To Accept Compensation, i.e. a willingness to accept compensation for public services which are not consumed
Willigness To Pay

Willingness to pay for the service (public good)

„What is the maximum amount you are willing to pay for library services, in a case it is NOT funded from the public purse?“
WTA

- Willigness To Accept (Compensation)
- Willingness to accept financial compensation for the unavailability of some services (public goods)
- „What's the lowest amount you would accept in exchange for NOT having a library in your town?“
WTA vs WTP

- Willigness To Pay is (several times) lower than Willigness To Accept Compensation
- WTP gives very conservative results
Survey

- Two large and well-documented sets of WTP / WTA questions:
  - Florida 2004 - A study of taxpayer return on investment (ROI) in Florida public libraries

- Creating a questionnaire made with regard to the Czech environment
Pilot survey

- Three sets of questions were designed into 7 different questionnaires
- Similar questions (or variations of questions) were scattered into different questionnaires
- Always sent to at least 150 respondents

→ Prejudices (paradigms) - the inability to even hypothetically accept another situation
Imagine that the MLP stops making new membership cards. But existing readers will be allowed to sell their cards (rent their membership) at the beginning of each year to someone else, who will use the services of the library instead of them. What is the minimum amount you would accept for your membership card to be transferred to someone else?
Main research - MLP readers and three other libraries outside Prague

- On-line questionnaire
- More than 3,000 respondents answered
WTP - Willingness to pay “out of your own pocket"

- The library is now financed from the budget of the capital city of Prague. When we share out current costs between all readers, we get € 50 for 1 reader. Imagine that the funding system of the library would have completely changed and the library would be funded entirely from annual membership contributions from readers. Would you be willing to pay this amount, i.e. € 50 per year?
WTP - Willingness to pay “out of your own pocket"

<table>
<thead>
<tr>
<th>Answer</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, this amount – € 50 per year – I would NOT be willing to pay</td>
<td>63 %</td>
</tr>
<tr>
<td>Yes, this amount – € 50 per year – I would be willing to pay</td>
<td>19 %</td>
</tr>
<tr>
<td>I am not able to answer</td>
<td>14 %</td>
</tr>
<tr>
<td>Without answer</td>
<td>4 %</td>
</tr>
</tbody>
</table>
The proportion of each type of services on the MLP costs

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Off-site loan</td>
<td>70%</td>
</tr>
<tr>
<td>Reference only loan</td>
<td>14%</td>
</tr>
<tr>
<td>Cultural and educational events</td>
<td>4.5%</td>
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<tr>
<td>Digital services</td>
<td>4.5%</td>
</tr>
<tr>
<td>Library visit</td>
<td>3.5%</td>
</tr>
<tr>
<td>Other services</td>
<td>3.5%</td>
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</tbody>
</table>
Off-site primary loan – inquiring its value

- If you don’t have an access to MLP (e.g. the library is closed for a long time), would you try to get this or similar title somewhere else?
- If you try to get this title somewhere else, how would you act?
Off-site primary loan – inquiring its value

- If you try to get this title, how much time would you be willing to give to various ways?
- If you try to get this title, what expenses connected with it would you be willing to pay?
Off-site primary loan – inquiring its value

- Imagine that this title is not available in MLP or in any other library, no one in your surroundings has it and it is not even on sale. You found only one copy, which is available in a second hand bookshop. What is the highest price you are willing to pay for the title?
Off-site primary loan – inquiring its value

- Imagine, that the owner of the shop is not willing to sell you the title, because he had already promised it to someone else. But he is willing to rent the book for one month for some fee. **What is the highest price you are willing to pay for the loan?**

- Average (without extreme figures)

  € 2.50 / loan
ROI (WTP) off-site loans

- Library costs are €1.35
- User benefit (WTP) is €2.50
- i.e. a conservative estimate of ROI is approximately $2.50 / 1.35 = 1.8 : 1$
# Results of Foreign Studies

<table>
<thead>
<tr>
<th>Study</th>
<th>ROI</th>
</tr>
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<tbody>
<tr>
<td>The British Library, UK 2004</td>
<td>4.40</td>
</tr>
<tr>
<td>Florida, USA 2004</td>
<td>5.02</td>
</tr>
<tr>
<td></td>
<td>3.66</td>
</tr>
<tr>
<td></td>
<td>6.54</td>
</tr>
<tr>
<td></td>
<td>9.08</td>
</tr>
<tr>
<td>Ohio, USA 2004</td>
<td>3.81</td>
</tr>
<tr>
<td>South Carolina, USA 2005</td>
<td>2.86</td>
</tr>
<tr>
<td>Suffolk County, USA 2005</td>
<td>4.48</td>
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<tr>
<td>Pennsylvania, USA 2006</td>
<td>3.93</td>
</tr>
<tr>
<td></td>
<td>5.50</td>
</tr>
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<td></td>
<td>9.29</td>
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</tbody>
</table>
“Ohio approach”

- Seek for the nearest product, which has the market price.
- Identify what are the best commercial replacements of the library service
  - Best from the consumer’s point of view
“Ohio” – loan of a book

- Book is a market-priced product
- Average price of a book (CZ) is approximately € 10
- Book is not consumed by reading
- I can give / lend it to someone else
- …
- I can sell it
“Ohio” calculation

- I buy a book for € 10
- I sell the book to a second hand bookshop for € 3
- Book loan in a library is worth approximately € 10 – € 3 = € 7
ROI (Ohio) off-site loans

- Library costs are € 1.35
- User benefit is € 7
- i.e. ROI estimate of an off-site loan based on the existence of market substitute is approximately 7 / 1.35 = 5 : 1
Does a library save money?

When you consider borrowing or other services and information that you acquired during your last library visit, did the library save your money?

- Yes: 75 %
- No: 10 %
- I don’t know: 15 %

... HOW MUCH?

... 0

Average (without extreme figures) = € 27
ROI of MLP services based on an estimate of saved costs

- Single visit of the library saves €27
- 2.2 mil. visits / year
- Total value of the benefit is €60 mil. / year
- Budget €8.37 mil.
- i.e. ROI estimate of an off-site loan based on an existence of market substitute is more then 5:1
THANKS FOR YOUR ATTENTION!

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