

OTIS

Otis College of Art and Design

Report on The Creative Economy of the Los Angeles Region

The fast facts:

- >> One of the largest business sectors in the region
- >> Nearly 1 million direct and indirect jobs—one in every six in the area
- >> \$121 billion in sales/receipts in Los Angeles County and \$18 billion in Orange County
- >> Over \$5.1 billion in state and local tax revenues generated

Prepared for Otis College of Art and Design by the
Los Angeles County Economic Development Corporation

November 2009



Economic Information & Research Department
Los Angeles County Economic Development Corporation
444 S. Flower St., 34th Floor, Los Angeles CA 90071
Tel: (213) 622-4300, (888) 4-LAEDC-1 Fax: (213) 622-7100



Unleashing Our Creative Potential

The 2009 *Otis Report on the Creative Economy of the Los Angeles Region*, the third and latest annual study commissioned by Otis College of Art and Design from the Los Angeles County Economic Development Corporation (LAEDC), affirms once again the monumental impact of the arts, design, and entertainment industries as a combined economic force in Southern California.

Nearly one million employees work directly or indirectly in the creative economy of Los Angeles and Orange counties. That's one in every six jobs in our region! Last year, even partly in recessionary times, Los Angeles area firms in the creative economy earned an estimated \$121 billion in revenues, while those in Orange County accounted for an estimated \$18 billion. State and local governments received an estimated \$5.1 billion in taxes tied to these activities. The creative sector holds its own with the two broadly recognized regional economic leaders — tourism/hospitality and international trade.

Our current economic challenges mandate long-term solutions. It is gratifying to hear on the federal and state fronts calls of attention to the economic importance of creative endeavors:

- New National Endowment for the Arts Chairman Rocco Landesman recently declared “Art Works” as a summative guiding principle of his work at the agency. He will spend the next six months learning and highlighting the ways that art works across America. A dimension of his “Art Works” concept is that “arts jobs are real jobs that are part of the real economy. Art workers pay taxes, and art contributes to economic growth, neighborhood revitalization, and the livability of American towns and cities.”
- At the state level, the National Governors Association Center for Best Practices has issued a report on “Arts & the Economy: Using Arts and Culture to Stimulate State Economic Development.” This report states that governors “...can adopt strategies that support and strengthen these industries. These include offering incentives targeted at the arts and culture sectors as well as development initiatives, entrepreneurial training, marketing programs or public-private collaborations to encourage growth and invest in specific creative clusters.”

Locally, we have thoughtful, exciting and ambitious efforts that could converge to shape a powerful action plan to foster creative endeavors and ensure not only a vital economy but also a better and more vibrant future. Consider the following —

- The LAEDC is developing a consensus strategic plan to better the environment for businesses. The plan is informed by conversations the LAEDC conducted with business, community, government and education leaders. It encourages the education and development of human capital, business-friendly policies and practices, and quality of life to attract and retain employers and employees.
- The City of Los Angeles Department of Cultural Affairs, directed by the Mayor, is creating a Cultural Master Plan, a roadmap of strategies and tactics to strengthen Los Angeles’ future through creativity, diversity and synergy.
- Arts for LA has developed a Policy Platform that articulates critical strategies of systemic change for the arts in Los Angeles County, with ideas ranging from arts education to integration of the arts into civic life to cultural tourism to funding.
- *Arts for All: Los Angeles County Regional Blueprint for Arts Education*, a strategic plan to restore arts education to the 1.7 million students in Los Angeles County’s 81 school districts, is already in place.

- There is the nascent and compelling argument for an Arts & Business Council for the Greater Los Angeles Area, spearheaded by the Los Angeles Stage Alliance with funding from the California Community Foundation.

The time has come for a strategic investment in and deployment of creativity as a productive stimulus for our region. We can seize the moment to combine creativity, enterprise, technology, and public policy to tackle the complex issues related to our regional growth, education, community development, and sustainability. Proudly recognizing and smartly supporting the already extraordinary creative resources and achievements of our region, we can brand Los Angeles as a creative capital.

At Otis College of Art and Design, we prepare our students to broaden their role as artists and designers in society. The lives, work and achievements of our alumni illustrate the power of art, design and creativity in our economy, culture and communities. To us, the data in the *2009 Otis Report on the Creative Economy of the Los Angeles Region* are more than the facts of creativity's economic impact; it is the story of possibilities made real by a combination of education and talent. We at Otis look forward to joining forces with leaders from across sectors to take *practical* steps in unleashing the creative potential of the Los Angeles region, and in engaging in a creative offensive for economic recovery and a better future.

Samuel Hoi
President
Otis College of Art and Design
November 2009

Table of Contents

| | |
|--|----|
| The Creative Economy of the Los Angeles Region..... | 1 |
| L.A. Firsts — Some Things “Born” in L.A. | 4 |
| Economic Environment..... | 5 |
| Employment..... | 7 |
| Salaries..... | 8 |
| Revenues..... | 8 |
| Tax Impacts..... | 9 |
| Employment Trends..... | 10 |
| "Nonemployer" Creative Activity..... | 11 |
| Industry Snapshots..... | 15 |
| Fashion..... | 15 |
| Toys..... | 16 |
| Digital Media..... | 17 |
| Product and Industrial Design..... | 19 |
| Architecture and Interior Design..... | 20 |
| Communication Arts..... | 20 |
| Art Galleries..... | 21 |
| Fine and Performing Arts..... | 21 |
| Furniture and Home Furnishings..... | 22 |
| Entertainment..... | 23 |
| Where Do We Go From Here? The Creative Economy in 2013..... | 24 |
| Some Final Thoughts..... | 28 |
| Statistical Appendix..... | 29 |
| Special Report: Analysis of Multimedia Artist and Animator Employment..... | 33 |

This report was produced by the LAEDC Kyser Center for Economic Research team:

Jack Kyser, Founding Economist
Dr. Nancy D. Sidhu, Chief Economist
Kimberly Ritter, Associate Economist
Ferdinando Guerra, Associate Economist
Myasnik Poghosyan, Analyst, Economic and Policy Consulting

© 2009 Los Angeles County Economic Development Corporation
444 S. Flower St., 34th Floor, Los Angeles, CA 90071
Tel: (213) 622-4300 Fax: (213) 622-7100 Web: www.LAEDC.org

Statistical information contained herein has been obtained from sources believed to be reliable but such accuracy cannot be guaranteed. The opinions expressed herein are subject to change without notice.

The Creative Economy of the Los Angeles Region

What is the *creative economy* of the Los Angeles region? As defined in this report, it is the market impact of businesses and individuals involved in producing cultural, artistic and design goods and services. It consists of creative professionals and enterprises that parlay original ideas into creative goods and services. It also includes presenting enterprises that bring creative products to the marketplace such as museums, art galleries and performing arts venues. A third component of the creative economy in Los Angeles revolves around activities one does not instinctively associate with “creativity,” such as manufacturing; but apparel, toy and furniture manufacturers depend upon good design for their success. The final piece of the creative economy consists of the support system that sustains creative activity: art programs in the schools, post-secondary arts institutes to develop talent, and community foundations along with other nonprofits to provide financial resources and incentives that allow the creative arts to thrive.

When one thinks of Los Angeles, the signature industries that most frequently come to mind are tourism and entertainment. But what draws nearly 25.9 million overnight visitors to Southern California every year? How did Los Angeles become the “entertainment capital of the world”? Tourism and entertainment derive their competitive advantage from the “L.A.” brand, which in turn owes its distinctiveness to the *creative economy*. People often get confused with the difference between culture and creativity. Culture is defined as a set of values, conventions, or practices shared by a society. Creativity, on the other hand, is defined as having the ability and the power to bring something into being; it is imaginative. The Los Angeles region has a creative culture.

Although tourism and entertainment are the most obvious industries that draw their competitive advantage from the creative economy, the creative talent base of the region spills over into a number of other sectors and is a major driver of economic growth. For example, there is a linkage between the creative economy and another one of Southern California’s signature industries: international trade. The import containers handled at the ports of Long Beach and Los Angeles are often filled with goods designed in the region and produced in Asia (e.g. toys, clothing and furniture). The sorting and further processing of these goods takes place in local warehouses and distribution centers, giving the creative economy a real estate impact. In Los Angeles County, this activity has resulted in the tightest industrial real estate market in the U.S., with an average vacancy rate of just 2.2% at the end of 2008. This need for space has spilled over into adjacent counties, especially the Riverside-San Bernardino area.

The creative economy is undeniably important to the region’s economic growth. Nearly one million employees work directly or indirectly in the creative economy of Los Angeles and Orange Counties. Los Angeles County based firms in the creative economy earned an estimated \$121 billion in revenues during 2008, while Orange County accounted for an estimated \$18 billion. California and local governments received an estimated \$5.1 billion in taxes tied to these activities.

The creative economy links with most other industry clusters in the region. With 342,300 employees in Los Angeles County, the creative industries would rank second, behind tourism and hospitality (458,000 jobs in 2008), and ahead of direct international trade (281,000 jobs), business and professional services (268,000 jobs, including architecture and engineering), and entertainment (262,000 jobs). The creative industries in Orange County employed 44,500 workers, placing them ninth after tourism (198,000 jobs), business and professional services (120,000 jobs, including architecture and engineering), wholesale trade/logistics (85,000 jobs), international trade (83,000 jobs), technology (78,000 jobs, including computer systems design), materials & manufacturing (56,000 jobs), health services (51,000 jobs) and financial services (45,500 jobs). [Note: Although the Orange County creative economy was ranked sixth in LAEDC’s previous report, their current status as number nine does not reflect any change in their fortunes relative to other industries. Instead, it is a result of new industry cluster definitions used in the current report.]

In 2007, the LAEDC, commissioned by Otis College of Art and Design, undertook the first comprehensive analysis of the creative economy's impact in the Los Angeles region. This current study is the third in the annual series. The "creative" economy examined in our reports encompasses the following ten areas: fashion, toys, product and industrial design, architecture and interior design, digital media, communication arts, art galleries, visual and performing arts, furniture and home furnishings, and entertainment.

The 2009 report is a revision and an update to the research carried out in 2007 and 2008. Data were collected on employment, payrolls, and revenues/shipments for all the component sectors in Los Angeles and Orange counties from the Bureau of the Census, the Bureau of Labor Statistics and the California Employment Development Department. Calculations were made of indirect employment¹, the overall economic impact, and the state and local taxes generated by these industries using specific sector inputs from the RIMS II model created by the U.S. Bureau of Economic Analysis. The numbers were truly impressive.

The results of the 2009 report are not strictly comparable with the earlier studies for several reasons.

- The 2005 figures cited in the 2007 report for employment and payrolls were partially based on samples. The 2008 figures in this report come directly from the California Employment Development Department (EDD) and are based on unemployment tax payments that all firms with employees are required to make into the state unemployment insurance fund. These data are the best available for this type of information.
- In addition to using employment data from the EDD, we surveyed local universities and colleges and trade and technical schools in 2008 to learn how many faculty and staff were involved in their fine and performing arts programs. These people were not counted in the 2007 report. We plan to update this survey next year for the 2010 report.
- The S/S/R (sales/shipments/receipts) estimates are based on data from the 2002 Economic Census. Figures for 2007 will not be available until 2010. For the 2009 report, we started with estimates for 2003 and updated them to 2008 based on the S/S/R of the various industries at the national level. This procedure is equivalent to assuming Los Angeles and Orange County maintained their 2002 industry shares of U.S. S/S/R in 2003 and 2008. We will revise these estimates in the 2010 study when results of the 2007 Economic Census should be available.
- Complete information is not publicly available on the sales, shipments, and receipts of all the creative industries in the region. The reason for this non-disclosure is the official policy of confidentiality. The government does not want to publish any data that might allow knowledgeable persons to estimate the sales of any single firm. This policy affects the smaller creative industries in Orange County and also the large motion picture industry in both counties. All of our statements about receipts in Orange County should be considered a lower bound. The actual figures are surely higher than shown.

Many creative people are not employed in a traditional way, which complicates our analytical effort. Because they are self-employed, they are not captured by the usual government information sources. We obtained information from a different source² on this significant group of people in the two-county area (see the section on "Nonemployer" Creative Activity).

The creative economy is among the top employers in the Los Angeles region. Importantly, the talent that drives the creative economy is also a resource for competitive advantage that reaches across almost every industry in the Los Angeles–Orange County region. In addition, the creative talent pool in the region is not as vulnerable to going "offshore." Typically, the development of advanced technologies to increase productivity

¹ Direct employees are the people working in the industry. Indirect employees work for firms in the supplier industries, and also for suppliers of consumer products who sell goods and services to both the direct workers and the employees of the supplier firms.

² Bureau of the Census Nonemployer Statistics: <http://www.census.gov/econ/nonemployer/index.html>

is seen as the road to better jobs. In fact, advanced technologies can be replicated across the world using cheaper labor. To the contrary, original artistic creation, innovative design thinking and other higher-level creative work cannot be outsourced easily. Creativity also serves to build brand awareness and an attractive environment to entice talented people to the region.

Los Angeles is unique because of its combination of place, resources and open attitudes towards new ideas. Here, ideas are constantly given form and brought to life by creative people. The LAEDC carried out this research because in the Los Angeles region, creativity is serious business. Otis College of Art and Design, a critical component of the creative economy, commissioned this analysis to put real numbers to the business of creativity.

L.A. Firsts — Some Things “Born” in L.A.

Many interesting ideas have come out of the Los Angeles area over the years. Here is a short list of such things.

- Audio-animatronic figures
- The modern bathing suit
- The fortune cookie
- SR-71 (high-altitude supersonic reconnaissance plane)
- The F-117, the first "stealth" fighter
- The B-2 "stealth" bomber
- The Douglas DC-3, the first commercially viable passenger plane
- The Mars Exploration Rovers Spirit & Opportunity
- The Space Shuttle
- The Internet
- The domain name convention for the internet
- Cross-interleaved Reed-Solomon coding (error correction mechanism for CDs)
- Bugs Bunny
- New VW Beetle
- The Mazda Miata
- Talking movies
- "Snow White & the Seven Dwarfs," the first feature length cartoon
- Barbie
- The first commercially successful TV station – now KTLA, Channel 5
- Valet parking
- Tooth-whitening toothpaste
- Concept of modern make-up (Max Factor's pancake make-up)
- Epogen/neuprogen (bio-tech blockbuster drugs)
- "Dancing" fountains
- Celebrity PR
- The electric guitar
- The multi-channel recording process
- Arc welding of natural gas pipelines
- The skateboard (Venice)
- The Cobb salad
- The Hula Hoop
- The strapless bra
- Shoulder pads (Adrian for Joan Crawford)
- Rhinestone and spangled western wear (Nudies)
- Bare midriffs
- Neoprene as sportswear (evolved into surf wear)
- The sarong (designed by Edith Head for Dorothy Lamour)
- The "stylist"
- "Hot Wheels"
- He-Man, Master of the Universe
- Bratz Dolls
- All Disney characters that have become dolls, figurines, etc.
- Plastic Frisbee
- Eames lounge chair and ottoman
- The Aeron chair
- The Magic 8 Ball
- The modern theme park -- Disneyland
- See's Candy (there was a Mary See, who moved to Los Angeles from Canada)
- The modern T-shirt (for USC in 1932)
- The French dip sandwich
- MySpace
- Von Dutch
- Juicy Couture
- Pinkberry
- Hot Dog on a Stick chain
- In-N-Out, first drive-through restaurant (1948, Baldwin Park, CA)
- Wigwag, the first railroad gate crossing Signal (Albert Hunt, 1909)
- THX Sounds System (for movie theaters)

Economic Environment

While this is a report about the creative economy of Los Angeles and Orange counties, the impact of the national and global economic downturn during 2008 must be acknowledged. As the year opened, U.S. housing markets were shrinking, home prices were falling, and the subprime mortgage industry was collapsing. Initially, the problems appeared confined to those sectors. However, subprime mortgage problems turned up unexpectedly in many other nations and infected their financial sectors as well. A full-fledged financial crisis broke out in September-October 2008. By year end, much of the world was engulfed in the deepest recession since World War II.

The creative industries of Los Angeles and Orange counties have felt the sting of this recession. New home construction has plunged from peaks earlier in the decade. It looks like permits issued during 2009 for new homes in Los Angeles County will be at most 10,000 units, down by -63% from 2004 (at 26,935 units) and the lowest level of activity since 1997. The situation is even worse in Orange County. Just 2,000 new home permits are expected in 2009, down by -83% from the 2002 peak of 12,000 units. Sales of existing homes also dropped markedly in 2008. With fewer home transactions taking place, demand for new furniture and home furnishings has fallen sharply, impacting sales of the L.A.-Orange County industry.

The financial crisis was well publicized in the media, and generated strong fears among consumers and businesses in Southern California and across the nation. *Consumers* retrenched and reduced discretionary spending for the holidays, vacations and new vehicles. *Business firms* reacted by cutting expenses to the bone—including advertising—and laying off workers. By summer 2009, the L.A. County unemployment rate had surpassed 12%, the highest in at least 50 years (and possibly since World War II). Joblessness exceeded 9% in Orange County; also well above previous deep recessionary periods. As the economy weakened, *global trade flows* shrank markedly. There are fewer containers moving through the Los Angeles-Long Beach ports and less heavy truck traffic on area freeways. That also means fewer dockworkers and less need for truck drivers.

Last fall's financial crisis created problems in many of the area's creative industries. For example,

- Plunging stock prices hit the endowments of most nonprofit organizations quite hard. Drastic shrinkage of endowment assets has forced a number of institutions to make unpalatable decisions like reducing hours or the scale of operations and even laying off staff.
- The credit crunch means it is more difficult to borrow money or to find new equity investors for major projects. In the entertainment industry, there are fewer people willing to back new film productions or expensive television series. Elsewhere, less venture capital funding is available to promising new-but-untried software companies.
- Some weakened financial companies have lost their own financial backers and have been forced to reduce or even stop lending to their traditional customer base. The spectacular collapse of the area's subprime mortgage industry is a case in point. This sort of problem also impacts the ability of small specialty retailers to purchase apparel and other merchandise on credit and of small manufacturers of apparel, toys, giftware, and home furnishings to purchase supplies.

As of this writing, it appears the economy, which has been falling since December 2007, hit bottom in the summer of 2009. Housing, consumer spending and business investment all are at low levels but not getting appreciably worse. Federal government economic policies have helped to arrest the decline. The Federal Reserve's policy—featuring extremely low interest rates and ample availability of funds to the financial sector—is restoring liquidity to financial markets, though it remains difficult for ordinary (less than prime) people and businesses to borrow from their banks. The federal stimulus plan has been slow to get moving but is beginning to report some successes, including the “Cash for Clunkers” program and more funding for infrastructure projects. However, in California and other states, the impact of the stimulus plan will be lessened by shrinking budgets and increases in state and local income and sales taxes.

How has the economic downturn affected the 2008 data in this report? Because of the recession, employment declined from 2007 to 2008 in most of the area's creative industries. The only exceptions were entertainment, fine and performing arts, and communication arts. Still, the decline was relatively small, about -2% overall, as the economy was teetering on the edge of the abyss for much of the year. We expect employment losses in the area's creative industries to increase markedly during 2009.

In the pages that follow, we document the creative industries' struggles to withstand the recessionary forces of 2008. Some were more successful, some less, as you will see. However, the economy returns to center stage at the end of this report. There, we will describe where we think the economy is headed over the next four-plus years and then present a high-level projection of employment in the area's creative industries in 2013.

Employment

In 2008, about 342,300 people in Los Angeles County worked directly in the creative industries. While many would expect the entertainment industry to dominate, it did not. It accounted for just 38.5% of the creative jobs. By sector in 2008, the largest employment counts were found in: entertainment: 131,800 jobs; fashion: 98,000 jobs; furniture/home furnishings: 35,600 jobs, and fine arts providers: 33,200 jobs. (See Table 21 on page 31 for the sector details.)

But direct employment is only the beginning. Every job in the creative industries supports or sustains other indirect jobs in the area. Direct employees are those who actually work in the creative industries of Los Angeles and Orange counties. Indirect employment is created when firms in these industries make purchases from their suppliers and vendors. Additional indirect (also sometimes referred to as “induced”) jobs are generated when the direct and indirect workers spend their wages on consumer goods and services.

Direct and indirect employment in the creative industries based in Los Angeles County totaled nearly 860,000 jobs in 2008. This fact points to another aspect of the creative industries — they have a “high-multiplier” impact. That is, each direct job supports roughly 1.5 indirect jobs.

In Orange County, the creative industries were responsible for 44,500 direct jobs in 2008. The largest employment sector was fashion with 12,500 jobs, followed by furniture with 10,600 jobs, and architecture and interior design with 6,200 jobs.

Direct and indirect employment in the creative industries located in Orange County totaled an estimated 92,500 jobs. The multiplier effect in this county is a little smaller than in Los Angeles, at 1.1 indirect jobs for every direct job.

Some comparisons help put these employment numbers in perspective. There are more direct jobs in the creative industries of Los Angeles and Orange Counties than:

- All 2008 nonfarm employment in the Oxnard-Ventura metro area (289,550 jobs); and
- All 2008 nonfarm employment in the state of North Dakota (367,000 jobs).

Direct and indirect employment in the creative industries of Los Angeles and Orange counties accounted for more than:

- 17.0% of total nonfarm employment in the two counties;
- All 2008 nonfarm employment in the state of New Mexico (848,800 jobs)
- All 2008 nonfarm employment in the San Jose metro area (921,200 jobs)

Table 1: Employment Impact of Creative Industries, 2008

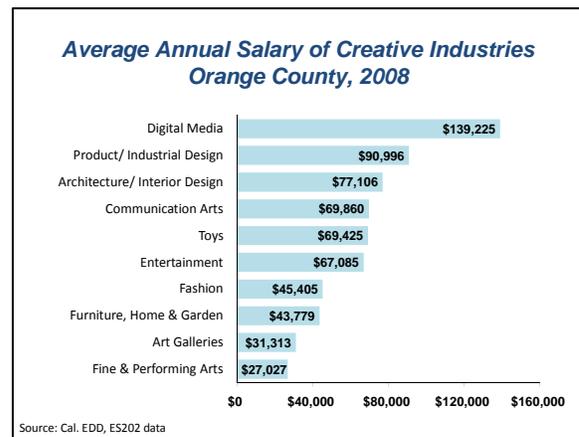
| Area | Direct Jobs 2008 | Total Jobs 2008 |
|--------------------|---------------------|--------------------|
| Los Angeles County | 342,300 | 858,500 |
| Orange County | 44,500 | 92,500 |
| Total | 386,800 | 951,000 |

Sources: California Employment Development Dept., ES202 data; BLS; overall impact calculated by LAEDC.

Salaries

When people think of “creative,” they often think “starving artist.” But that is not the case with the professionals working in most of the Los Angeles region’s creative industries. In Los Angeles County in 2008, the fashion sector had the lowest average annual salary, at \$36,990. At the other end of the spectrum were fine and performing arts providers at \$156,627 and toys at \$101,899. (Note: the average fashion salary was likely reduced by many lower-paid technical jobs while the average fine and performing arts salary was likely boosted by the inclusion of entertainment industry incomes in the category.)

In Orange County, persons working in the fine & performing arts had the lowest average salary of \$27,027 in 2008. Fashion in the County did better at \$45,405 — thanks to the area’s focus on fast-changing active sportswear, specifically the surfwear segment. The highest average salaries in Orange County were in digital media at \$139,225, product/industrial design at \$90,996, followed by architecture/interior design at \$77,106, and communication arts — which includes graphic design and advertising agencies — at \$69,860.

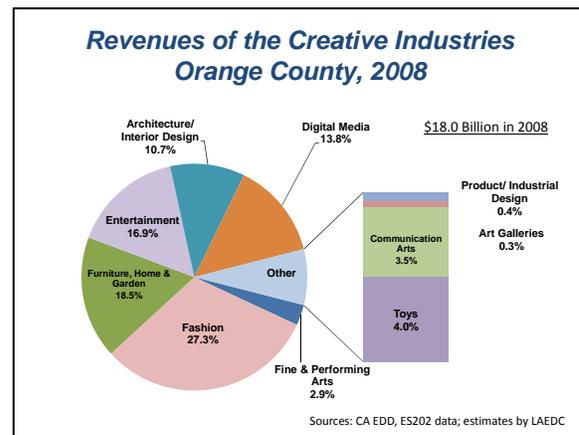
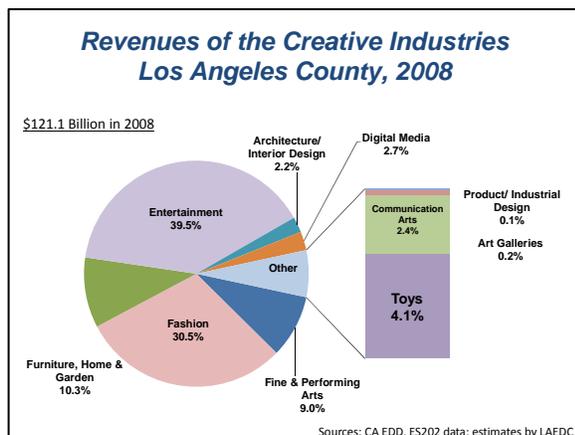


Revenues

The revenues generated by the region’s creative industries are also impressive. In Los Angeles County, total revenues reached \$121.1 billion in 2008. The largest segments were entertainment at \$47.9 billion, followed by fashion at \$36.3 billion.

In Orange County, revenues for some, but not all, of the creative industries totaled an estimated \$18.0 billion. Fashion was the largest segment at \$5.6 billion, followed by furniture at \$3.1 billion.

Total (direct and indirect) regional output of the creative industries was estimated to be \$276.6 billion in Los Angeles County and \$34.2 billion in Orange County in 2008.



Tax Impacts

We also calculated some of the state and local income and sales tax revenues attributable directly and indirectly to the creative industries. Note that actual tax revenues are higher than shown here, because we excluded other taxes, such as the state employment tax, corporate taxes and local property taxes.

In Los Angeles County, state/local personal income and sales taxes generated directly and indirectly by the creative industries were nearly \$4.7 billion in 2008. By sector, entertainment set the pace at \$2.5 billion, followed by fine & performing arts at \$802 million and fashion at \$661 million.

State/local personal income and sales tax revenues associated directly and indirectly with the creative industries based in Orange County were estimated to be \$383 million in 2008 (based on available data). The largest amount, \$88 million, was generated by fashion, followed by furniture & home furnishings at \$75 million.

Table 2 summarizes the economic impact of our creative industries in 2008. The creative industries of Los Angeles and Orange County generated \$310.8 billion in direct and indirect output. They employed nearly one million workers. The direct and indirect workers paid nearly \$5.1 billion in personal income and sales taxes to the California state government.

Table 2: Economic Impact of Creative Industries, 2008

| Area | Direct Impact | | Overall Economic Impact | | |
|--------------------|----------------|-----------------------|-------------------------|---------------------------|------------------------------------|
| | Jobs | Nonemployer Estab. | Output (\$millions) | Direct & Indirect Jobs | Taxes ¹ (\$millions) |
| Los Angeles County | 342,300 | 167,600 | \$276,600 | 858,500 | \$4,700 |
| Orange County | 44,500 | 18,600 | 34,200 | 92,500 | 383 |
| Total | 386,800 | 186,200 | \$310,800 | 951,000 | \$5,083 |

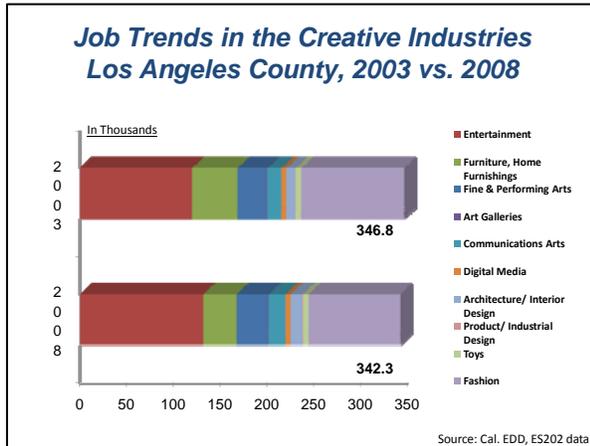
Notes:

1) State personal income tax and sales tax generated by earnings and spending of the direct and indirect workers. Details might not add to totals due to rounding.

Sources: California Employment Development Department, ES202 data; Bureau of the Census; revenue data extrapolated from 2002 Economic Census; overall impact calculated by LAEDC.

Employment Trends

Direct employment in the creative economy of Los Angeles and Orange Counties has moved more or less sideways since 2003. Some component sectors, such as fashion and furniture, have been shedding jobs for quite some time due to off-shoring of production activities. Meanwhile, other sectors have grown including architecture & interior design, product/industrial design, digital media and the fine & performing arts.

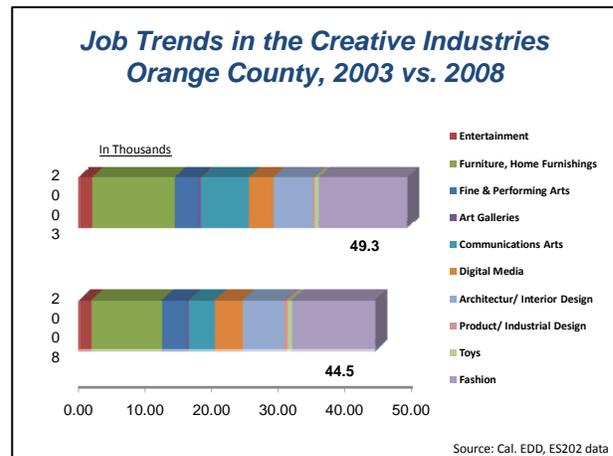


By far the largest component of the creative economy in Los Angeles County is the entertainment industry; particularly motion picture and video production. The entertainment industry has enjoyed substantial growth in recent years. Overall, employment has swelled by nearly +10.0% since 2003. This increase was driven by motion picture and video production which added +11,200 workers (+11.3%) and currently comprises 84% of total employment in the entertainment industry in Los Angeles County.

While several sectors within the creative economy experienced job losses, the fashion and furniture & home furnishings industries have suffered the most

significant declines over the last five years. Total employment in fashion fell by -11.0% with the heaviest job losses concentrated in apparel manufacturing (-12,700 jobs) and textile mills manufacturing (-1,200 jobs). The news was not all bad, however. Some fashion sectors added jobs: apparel wholesaling (+2,200 jobs) and specialized design services (+800 jobs). Unfortunately, there were no such mitigating offsets for the furniture & home furnishings industry. During the last five years, -12,900 jobs have disappeared in textile products, furniture and light fixture manufacturing, as well as furniture wholesaling — an industry-wide contraction of -26.7%.

Moving south to Orange County, most sectors of the creative economy saw declines from 2003 to 2008. The overall decline of -9.8% was primarily due to job losses in the furniture & home furnishings and communications arts industries. Furniture & home furnishings employment fell by -14.8%, with textile mills leading the retreat (-24.2%) closely followed by furniture manufacturing (-23.5%) and furniture wholesaling (-13.7%). The only bright spot was lighting fixtures, which added +700 jobs.



The largest contributor to job losses in Orange County's creative economy was communication arts. This sector includes graphic designers and advertising agencies. Since 2003, Orange County advertising agencies shed -2,900 workers (-52.8%), while -300 jobs in graphic design were lost (-19.8%). Among the bright spots in Orange County were architecture & interior design (+6.2%) and digital media (+13.1%).

Taking a snapshot view of the past eight years, in Los Angeles County the recent employment high point for the creative economy was 2002, when there were 358,500 jobs, as compared with 342,300 in 2008. In Orange County, the high was reached in 2001, when the employment count was 59,200 jobs. Employment in the creative industries fell to 49,300 jobs in 2003 and 44,500 in 2008.

“Nonemployer” Creative Activity

Many people in creative activities are self-employed and work as “nonemployer” firms, or firms with revenues but no paid direct employees. Thus, they do not show up in the traditional federal and state government employment data, such as the ES202 reports used to develop the job numbers in this report. The latest nonemployer data come from the IRS and cover tax year 2007. Note that some people may have a tax ID number as a nonemployer “firm” while also working for a traditional company. The latter job will be covered in the traditional statistics. To prevent double-counting, we treat this data separately from the ES202 based data. (Note also that nonemployer data are not available for digital media and several other industries.)

In 2007, there were 113,604 creative nonemployer firms in Los Angeles County and 18,645 in Orange County. Since 2000, there has been steady growth in both counties. By far the largest number of these firms is in the sector called “independent artists, writers and performers,” which includes many people working in the entertainment industry, particularly in motion picture and video production as well as on stage.

Revenues/receipts of creative nonemployer firms in Los Angeles County were over \$5.5 billion in 2007, with 39.7% generated by independent artists, writers and performers. In Orange County, revenues/receipts were almost \$845 million, with the largest share (38.0%) coming from communication arts.

While overall growth in nonemployer establishments has been steady, there is a great deal of variation in the relative importance of these single-person entities among the various sectors of the creative economy. For example, in the fine and performing arts, there are nearly two self-employed persons in Los Angeles for every traditional (i.e. salaried) employee. In Orange County, the ratio is 2.3 to one. In the communication arts (advertising and specialized design services), there is almost one-to-one parity in Los Angeles, while in Orange County, there are 1.3 single-person firms for each salaried worker. In comparison, persons working in the Los Angeles furniture industry are more likely to be employed by a regular firm. Nonemployer establishments comprise just one out of every 23 individuals working in the furniture industry. The Orange County ratio is similar.

Growth rates of creative nonemployer firms versus employee firms differed markedly by industry sector. In Los Angeles County, nonemployer firm growth outstripped regular employment growth from 2002 to 2007 in six of the ten major segments included in our analysis: art galleries, communication arts, entertainment, fashion, fine & performing arts, and furniture and home furnishings. The driving force behind this trend is a growing tendency for firms to concentrate resources on their core competencies (i.e., what they do best) and to outsource other tasks such as design services to independent contractors. Another factor at work, especially during a recession, is for laid-off workers to start their own businesses if they cannot find employment elsewhere.

In the case of art galleries, fashion and furniture, traditional employment actually shrank as the ranks of the self-employed grew over this period. Only the toy industry demonstrated growth in the opposite direction. [We suspect this may be due to independent designers in manufacturing industries being misclassified in the “specialized design services” category.] In Orange County, this trend was much less pronounced, with only nonemployer firms in entertainment and fine & performing arts growing faster than traditional employer establishments. Here too the number of self-employed persons in the toy industries diminished relative to regular employment.

We did not try to calculate any indirect impacts from nonemployer firms, as the RIMS II model was not developed to handle nonemployer activity. (Please see Tables 3 through 6 for detailed nonemployer data).

Table 3: Ratio Between Employees & Nonemployers by Sector (2007)

Percentage of nonemployer firms (self employed individuals) vs. salaried employees

| Industry Sector | Los Angeles County | | | Orange County | | |
|--------------------------------|--------------------|-----------|--------|---------------|-----------|--------|
| | Nonemployers | Employees | Ratio | Nonemployers | Employees | Ratio |
| Architecture & Interior Design | 3,671 | 12,800 | 28.7% | 1,247 | 7,300 | 17.1% |
| Art Galleries | 692 | 1,100 | 62.9% | 225 | 400 | 56.3% |
| Communication Arts | 17,884 | 17,700 | 101.0% | 5,764 | 4,300 | 134.0% |
| Digital Media | n/a | 6,800 | --- | n/a | 3,300 | --- |
| Entertainment | 17,640 | 131,200 | 13.4% | 1,267 | 1,800 | 70.4% |
| Fashion | 6,653 | 99,300 | 6.7% | 1,355 | 14,000 | 9.7% |
| Fine & Performing Arts | 64,962 | 32,800 | 198.1% | 8,170 | 3,500 | 233.4% |
| Furniture & Home Furnishings | 1,712 | 39,600 | 4.3% | 495 | 10,700 | 4.6% |
| Product & Industrial Design | n/a | 800 | --- | n/a | 500 | --- |
| Toys | 390 | 6,300 | 6.2% | 122 | 600 | 20.3% |

Source: California EDD ES202 Data; Bureau of the Census Nonemployer Statistics

Note: Data are not available for Digital Media and Product & Industrial Design

Table 4: Comparative Growth Rates: Employees vs. Nonemployers 2002-2007

| Industry Sector | Los Angeles County | | Orange County | |
|--------------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
| | Employment Growth 2002-2007 | Nonemployer Growth 2002-2007 | Employment Growth 2002-2007 | Nonemployer Growth 2002-2007 |
| Architecture & Interior Design | 34.7% | 3.2% | 30.4% | 1.9% |
| Art Galleries | -8.3% | 2.8% | 20.0% | 3.2% |
| Communication Arts | 16.4% | 22.3% | 38.6% | 20.0% |
| Digital Media | 19.3% | n/a | 17.5% | n/a |
| Entertainment | 5.8% | 23.7% | -7.0% | 20% |
| Fashion | -16.0% | 4.9% | 3.4% | 0.6% |
| Fine & Performing Arts | 21.1% | 34.9% | 7.9% | 28.6% |
| Furniture & Home Furnishings | -24.5% | 1.1% | 21.3% | -7.1% |
| Product & Industrial Design | 60.0% | n/a | 150.0% | n/a |
| Toys | 8.6% | -16.8% | 0.0% | -17.6% |

Source: California EDD ES202 Data; Bureau of the Census Nonemployer Statistics

Note: Data are not available for Digital Media and Product & Industrial Design

Table 5: Nonemployer Firm Statistics for the Creative Industries, 2003-2007

Number of Firms

| Category | NAICS | Industry Description | Los Angeles County | | | | | Orange County | | | | |
|----------------------------------|-------|--|--------------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|
| | | | 2003 | 2004 | 2005 | 2006 | 2007 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Fashion | 313 | Textile Mills Manufacturing | 87 | 79 | 79 | 91 | 103 | 19 | 21 | 19 | 17 | 24 |
| | 315 | Apparel Manufacturing | 2,408 | 2,381 | 2,277 | 2,115 | 2,167 | 527 | 504 | 461 | 430 | 442 |
| | 3162 | Footwear Manufacturing | n/a | n/a | 63 | 59 | 56 | n/a | n/a | 6 | 7 | 9 |
| | 31699 | Other Leather & Allied Product Manufacturing | 99 | 99 | 107 | 106 | 123 | 25 | 25 | 22 | 21 | 20 |
| | 4243 | Apparel Wholesalers | 2,568 | 2,683 | 2,662 | 2,645 | 2,645 | 591 | 595 | 599 | 564 | 590 |
| | 42394 | Jewelry Merchant Wholesalers | 1,554 | 1,551 | 1,615 | 1,611 | 1,559 | 273 | 257 | 293 | 265 | 270 |
| Toys | 42392 | Toy and Hobby Goods Wholesalers | 489 | 487 | 444 | 429 | 390 | 160 | 157 | 143 | 134 | 122 |
| Architecture & Interior Design | 54131 | Architectural Services | 2,915 | 3,028 | 2,944 | 2,898 | 2,724 | 960 | 934 | 960 | 907 | 893 |
| | 54132 | Landscape Architectural Services | 947 | 995 | 1,000 | 1,006 | 947 | 349 | 358 | 365 | 374 | 354 |
| Art Galleries | 45392 | Art Dealers | 646 | 646 | 651 | 657 | 692 | 217 | 225 | 220 | 220 | 225 |
| Fine & Performing Arts Providers | 7111 | Performing Arts Companies | 2,205 | 2,376 | 2,516 | 2,787 | 3,331 | 301 | 336 | 315 | 402 | 521 |
| | 71141 | Agents & Managers of Artists, etc. | 3,865 | 3,963 | 4,087 | 4,089 | 3,940 | 434 | 453 | 457 | 457 | 460 |
| | 71151 | Independent Artists, Writers, & Performers | 47,132 | 49,904 | 53,411 | 54,712 | 57,400 | 5,940 | 6,320 | 6,723 | 6,674 | 7,154 |
| | 7121 | Museums | 237 | 293 | 258 | 285 | 291 | 17 | 21 | 33 | 28 | 35 |
| Furniture & Home Furnishings | 314 | Textile Product Mills | 117 | 131 | 116 | 114 | 153 | 35 | 26 | 33 | 33 | 29 |
| | 337 | Furniture & Related Product Manufacturing | 737 | 751 | 730 | 725 | 766 | 181 | 178 | 177 | 177 | 183 |
| | 4232 | Furniture/Home Furnishing Wholesalers | 840 | 871 | 867 | 805 | 793 | 332 | 324 | 326 | 310 | 283 |
| Entertainment | 5121 | Motion Picture/TV Production | 11,867 | 12,569 | 12,793 | 13,795 | 14,109 | 694 | 742 | 769 | 832 | 855 |
| | 5122 | Sound Recording Industries | 2,176 | 2,305 | 2,329 | 2,510 | 2,512 | 206 | 223 | 217 | 228 | 223 |
| | 515 | Broadcasting (except Internet) | 914 | 959 | 987 | 1,070 | 1,019 | 149 | 183 | 173 | 166 | 189 |
| Communication Arts | 5414 | Specialized Design Services | 9,490 | 10,091 | 9,937 | 10,695 | 11,598 | 2,955 | 3,084 | 3,108 | 3,268 | 3,559 |
| | 5418 | Advertising Agencies | 5,853 | 6,006 | 5,487 | 6,001 | 6,286 | 2,115 | 2,173 | 2,089 | 2,041 | 2,205 |
| Total Nonemployer Firms | | | 97,146 | 102,168 | 105,360 | 109,205 | 113,604 | 16,480 | 17,139 | 17,508 | 17,555 | 18,645 |

Source: US Dept. of Commerce, Bureau of the Census, Nonemployer Statistics.

Note: Data are not available for Digital Media and Product & Industrial Design

Table 6: Nonemployer Firm Statistics for the Creative Industries, 2003-2007

Value of Shipment, Sales, or Receipts

(\$millions)

| Category | NAICS | Industry Description | <u>Los Angeles County</u> | | | | | <u>Orange County</u> | | | | |
|----------------------------------|-------|---------------------------------------|---------------------------|------------------|------------------|------------------|------------------|----------------------|----------------|----------------|----------------|----------------|
| | | | 2003 | 2004 | 2005 | 2006 | 2007 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Fashion | 313 | Textile Mills Manufacturing | \$2.6 | \$4.1 | \$4.2 | \$2.4 | \$2.6 | \$1.6 | \$1.6 | \$0.3 | \$0.2 | \$0.5 |
| | 315 | Apparel Manufacturing | 160.1 | 151.5 | 134.6 | 122.8 | 131.6 | 39.5 | 35.0 | 29.2 | 23.8 | 25.4 |
| | 3162 | Footwear Manufacturing | n/a | n/a | 3.3 | 2.7 | 2.8 | n/a | n/a | 0.2 | 0.1 | 0.3 |
| | 31699 | Other Leather & Allied Product | 5.3 | 7.3 | 6.1 | 6.9 | 7.4 | 1.1 | 1.5 | 1.5 | 1.8 | 1.5 |
| | 4243 | Apparel Wholesalers | 322.7 | 337.2 | 359.6 | 356.2 | 316.5 | 51.6 | 53.8 | 56.5 | 56.8 | 60.2 |
| | 42394 | Jewelry Merchant Wholesalers | 242.9 | 250.8 | 261.0 | 251.8 | 234.6 | 19.9 | 19.6 | 21.5 | 21.6 | 24.3 |
| Toys | 42392 | Toy and Hobby Goods Wholesalers | 52.1 | 50.7 | 44.6 | 41.8 | 36.8 | 14.4 | 12.5 | 11.4 | 9.1 | 9.5 |
| Architecture & Interior Design | 54131 | Architectural Services | 146.5 | 157.6 | 171.6 | 179.3 | 178.9 | 59.6 | 63.7 | 67.9 | 67.6 | 68.0 |
| | 54132 | Landscape Architectural Services | 33.0 | 41.2 | 45.2 | 41.3 | 44.0 | 16.2 | 16.4 | 19.9 | 19.6 | 21.3 |
| Art Galleries | 45392 | Art Dealers | 44.8 | 47.9 | 60.0 | 62.5 | 67.3 | 16.4 | 26.0 | 35.2 | 28.4 | 17.3 |
| Fine & Performing Arts Providers | 7111 | Performing Arts Companies | 118.8 | 136.5 | 142.7 | 160.9 | 181.1 | 8.1 | 8.8 | 10.1 | 14.1 | 23.6 |
| | 71141 | Agents & Managers of Artists, etc. | 192.3 | 205.3 | 209.6 | 225.7 | 236.0 | 13.6 | 15.1 | 19.8 | 17.1 | 17.3 |
| | 71151 | Independent Artists, Writers, & | 1,589.0 | 1,735.0 | 1,939.8 | 1,959.5 | 2,185.4 | 122.8 | 132.7 | 137.6 | 139.8 | 153.7 |
| | 7121 | Museums | 4.7 | 4.9 | 6.7 | 7.3 | 6.5 | 0.4 | 0.5 | 0.4 | 0.7 | 0.7 |
| Furniture & Home Furnishings | 314 | Textile Product Mills | 6.8 | 4.1 | 7.9 | 7.4 | 10.0 | 1.8 | 1.3 | 1.5 | 1.6 | 1.6 |
| | 337 | Furniture & Related Product | 45.2 | 55.1 | 55.8 | 53.7 | 55.1 | 12.6 | 12.6 | 13.4 | 11.2 | 13.7 |
| | 4232 | Furniture/Home Furnishing Wholesalers | 71.1 | 80.8 | 81.6 | 70.4 | 75.5 | 36.8 | 37.7 | 37.9 | 38.6 | 31.8 |
| Entertainment | 5121 | Motion Picture/TV Production | 586.2 | 617.0 | 646.2 | 668.4 | 685.4 | 29.5 | 32.2 | 33.2 | 33.2 | 36.9 |
| | 5122 | Sound Recording Industries | 104.8 | 110.7 | 104.9 | 109.7 | 112.1 | 7.1 | 7.0 | 9.5 | 7.9 | 9.7 |
| | 515 | Broadcasting (except Internet) | 50.3 | 51.4 | 56.4 | 49.2 | 49.9 | 5.4 | 7.0 | 5.5 | 6.5 | 7.1 |
| Communication Arts | 5414 | Specialized Design Services | 367.9 | 409.2 | 428.6 | 464.2 | 507.8 | 142.1 | 158.7 | 166.7 | 173.2 | 184.5 |
| | 5418 | Advertising Agencies | 310.7 | 354.8 | 359.5 | 370.6 | 371.9 | 144.6 | 153.7 | 156.4 | 143.2 | 136.6 |
| Total Value: | | | \$4,457.8 | \$4,813.2 | \$5,129.9 | \$5,214.8 | \$5,499.3 | \$745.1 | \$797.7 | \$836.0 | \$816.2 | \$845.1 |

Source: US Dept. of Commerce, Bureau of the Census, Nonemployer Statistics.

Note: Data are not available for Digital Media and Product & Industrial Design

Industry Snapshots

Fashion

This sector includes apparel and textile manufacturing, the wholesale apparel and jewelry “marts,” jewelry manufacturing, cosmetics, footwear and handbag production. Apparel can be designed in Southern California, produced in Asia, and shipped back to the U.S. through the two local ports. Often, further processing takes place in the region, such as quality inspections, and affixing labels and “hang tags.” There is also a substantial local business in “quick-turn” apparel production (“I need it yesterday!”). Attendance at the various apparel markets held in Los Angeles is growing, especially among international buyers.

In 2008, there were 6,872 fashion businesses in Los Angeles County, with 98,000 direct employees. Direct sales were \$36.3 billion, including \$16.4 billion from apparel wholesaling and \$5.8 billion from apparel manufacturing. The total (direct and indirect) economic impact was large: 231,700 direct and indirect jobs and total output of \$70.6 billion. State/local personal income and sales taxes generated directly and indirectly by this sector totaled \$661 million.

The fashion industry in Orange County is smaller but runs the gamut from the refined designs of St. John Knits to high-profile action sportswear. In 2008, there were 743 fashion-related businesses with 12,500 direct jobs creating 26,500 total (direct and indirect) jobs in the region. State/local personal income and sales taxes generated directly and indirectly by this sector were \$88 million.

Table 7: Economic Impact of the Fashion Industry, 2008

| Area | Estab. | Jobs | Payroll (\$billions) | Nonemp. Estab. | 2013 Jobs Forecast | Total (Direct + Indirect) Impact | | |
|--------------|--------------|----------------|-------------------------|-------------------|--------------------------|----------------------------------|----------------|------------------------------------|
| | | | | | | Output (\$billions) | Jobs | Taxes ¹ (\$millions) |
| Los Angeles | 6,872 | 98,000 | \$ 3.6 | 6,653 | 88,600 | \$70.6 | 231,700 | \$661.4 |
| Orange | 743 | 12,500 | 0.6 | 1,355 | 11,100 | 10.6 | 26,500 | 88.0 |
| Total | 7,615 | 110,500 | \$ 4.2 | 8,008 | 99,700 | \$81.2 | 258,200 | \$749.4 |

Notes:

1) State personal income tax and sales tax generated by earnings and spending of the direct and indirect workers.

Sources: California EDD, ES202 data, Bureau of the Census; indirect impacts estimated by LAEDC.

Toys

While the job numbers may look modest, Southern California is a major force in the toy industry, with such marquee names as Barbie, Hot Wheels, and more recently, Bratz. The business names include Mattel, MGA Entertainment, Jakks Pacific, Funrise, Imperial Toys, and Mega Toys. Much of the actual manufacturing takes place in Asia, but the design and marketing take place in the Los Angeles region because of the local creative talent pool and supportive training programs.

In Los Angeles County, there were 6,000 direct jobs in toy manufacturing and wholesaling during 2008, while sales totaled \$5.0 billion. The total (direct and indirect) economic impact of the toy industry was 16,300 direct & indirect jobs and economic output of \$9.5 billion. Taxes associated with this industry were nearly \$101 million.

Toys had a much lower profile in Orange County, where there were 700 direct jobs in 2008, generating 1,600 jobs in total. State personal income and sales taxes generated directly and indirectly by this sector totaled nearly \$7 million.

Table 8: Economic Impact of the Toy Industry, 2008

| Area | Estab. | Jobs | Payroll (\$billions) | Nonemp. Estab. | 2013 Jobs Forecast | Total (Direct + Indirect) Impact | | |
|--------------------|------------|--------------|-------------------------|-------------------|--------------------------|----------------------------------|---------------|-----------------------|
| | | | | | | Output (\$billions) | Jobs | Taxes (\$millions) |
| Los Angeles County | 258 | 6,000 | \$ 0.61 | 390 | 5,800 | \$9.5 | 16,300 | \$100.8 |
| Orange County | 47 | 700 | 0.05 | 122 | 700 | 1.3 | 1,600 | 6.8 |
| Total | 305 | 6,700 | \$ 0.66 | 512 | 6,500 | \$10.8 | 17,900 | \$107.6 |

Sources: California EDD, ES202 data, Bureau of the Census; indirect impacts estimated by LAEDC.

Digital Media

Data for employment in the digital media industry are incomplete. A large number of programmers are independent contractors who are not captured by the traditional data sources. Many also work for firms in other industries. With the growth of digital media in the entertainment industry, for example, more and more of these individuals are moving onto the payrolls of the film studios.

We selected software publishers as the industry that best fits this activity and identified 53 major video game producers in the Los Angeles and Orange counties. In Los Angeles County, there were 5,400 persons directly engaged in software publishing during 2008, and sector revenues were \$3.3 billion. The total economic impact proved to be impressive: 16,000 total jobs and total economic output of \$6.3 billion.

Orange County had 4,200 people working in this sector in 2008, and sales of \$2.5 billion. Again, the total economic impact was large; 9,100 total jobs and economic output of \$5.0 billion.

Kathleen Milnes, CEO of the Entertainment Economy Institute, researched occupations requiring digital media skills. Selecting multi-media artists and animators, she found 10,510 people employed in California in a variety of industries. The top five were motion picture & video, advertising, computer systems design, software publishers and specialized design services. All but computer systems design are included in our creative economy employment totals. Of equal interest (and frustration to the data watchers), nearly 70% of digital artists (nationwide) are self-employed. (*See the end of this report for Kathleen Milnes', "Opportunities in the Arts Are Larger Than They Appear: An Analysis of Multimedia Artist and Animator Employment Across California's Industries."*)

Table 9: Economic Impact of the Digital Media Industry, 2008

| Area | Estab. | Jobs | Payroll (\$billions) | 2013 Jobs Forecast | Total (Direct + Indirect) Impact | | |
|--------------------|------------|--------------|-------------------------|--------------------------|----------------------------------|---------------|-----------------------|
| | | | | | Output (\$billions) | Jobs | Taxes (\$millions) |
| Los Angeles County | 176 | 5,400 | \$0.5 | 5,900 | \$6.3 | 16,000 | \$71.7 |
| Orange County | 112 | 4,200 | 0.6 | 4,600 | 5.0 | 9,100 | 66.7 |
| Total | 288 | 9,600 | \$1.1 | 10,500 | \$11.3 | 25,100 | \$138.4 |

Sources: California EDD, ES202 data, Bureau of the Census; indirect impacts estimated by LAEDC.

Major Video Game Firms with Operations in Southern California

Video game firms are difficult to find, but we put together a list of such firms in Los Angeles and Orange counties, using sources deemed reliable. If there are any omissions, we apologize (call and tell us). One of the problems is that these firms can be classified under software publishing or under toy manufacturing (there is no government industry code -- NAICS -- for video game publishers). There are also "serious" video game publishers in the area. One is Alelo, which publishes a game that helps U.S. soldiers learn everyday conversational Arabic.

Los Angeles area game publishers with local development branches:

- Activision Blizzard, Irvine & Santa Monica
- Heavy Iron Studios, Culver City
- Infinity Ward, Encino
- Luxoflux, Santa Monica
- Neversoft, Woodland Hills
- NovaLogic, Calabasas
- Riot Games, Los Angeles
- The Walt Disney Co., Burbank
 - eDisney Studios, North Hollywood
- THQ, Calabasas
- Treyarch, Santa Monica

Southern California-area independently owned game developers:

- Emergent Game Technologies, Calabasas
- Genuine Games, Woodland Hills
- High Impact Games, North Hollywood
- Insomniac Games, Burbank
- Jailed Games Inc., Santa Monica
- Left Field, Westlake Village
- Legacy Interactive, Hollywood
- Liquid Entertainment, Pasadena
- Naked Sky Entertainment, Los Angeles
- Pandemic Studios, Westwood (owned in partnership with BioWare, Canada)
- Realtime Associates, El Segundo
- Seven Studios, Los Angeles
- Spark Unlimited, Sherman Oaks
- Trilogy Studios, Santa Monica
- Way Forward, Santa Clarita
- Coresoft, Lake Forest
- inXile Entertainment, Newport Beach
- Obsidian Entertainment, Santa Ana
- Point of View, Tustin
- Quicksilver Software, Irvine
- Ready at Dawn Studios, Tustin
- Red 5 Studios, Aliso Viejo
- Supervillain Studios, Santa Ana

Companies headquartered outside the region, but with local development branches:

- Abandon Entertainment, New York
- Lucky Chicken Games, Malibu
- Climax Group, UK
 - Climax, Santa Monica
- Electronic Arts, Redwood Shores, CA
 - EA Los Angeles, Playa Vista
 - EA Mobile (formerly JAMDAT Mobile), Playa Vista
- Midway Games, Illinois
 - Midway Studios, Los Angeles
- Sony, Japan
 - Naughty Dog, Santa Monica
 - Sony Computer Entertainment America, Santa Monica
- Turbine, Massachusetts
 - Turbine LA, Santa Monica
- NCsoft, South Korea
 - NCsoft Los Angeles, Santa Monica
 - NCsoft Orange County, Aliso Viejo
- The Collective, Newport Beach
 - Shiny Entertainment
 - Foundation 9
- MumboJumbo, Texas
 - Zono Inc., Costa Mesa
- Valve Corporation, Washington
 - Turtle Rock Studios, Irvine

Southern California game publishers with no local development offices:

- Acclaim Games, Beverly Hills
- Buena Vista Games, Glendale (owned by Disney)
- Conspiracy Entertainment, Santa Monica
- Fox Interactive, Century City (owned by News Corp.)
- Konami Digital Entertainment, Los Angeles (owned by Konami Japan)
- Tecmo Inc., Torrance (owned by Tecmo Japan)
- Warner Bros. Interactive Entertainment, Burbank (Time Warner, New York)
- Atlus USA, Irvine (owned by Atlus, Japan)
- Crave Games, Newport Beach (owned by Handleman, Illinois)
- Square Enix North America, El Segundo (owned by Square Enix, Japan)

Product and Industrial Design

Many product and industrial designers are direct employees of companies that produce and sell a wide variety of products. The data in this report already capture those working in creative industries like apparel or furniture but do not include those working in other industries (e.g., aerospace or custom fabricated metal products). The figures shown in Table 10 below reflect only specialized design firms that serve as outside contractors or consultants to manufacturers and construction firms.

Though it is difficult to quantify, the real design base in the area is much, much larger than shown. A large number of designers work at the 22 automotive design shops located in Southern California and are classified as “automotive industry employees.” Another example is WET Design, located in Sun Valley. WET designs and manufactures unique water fountains featuring music and decorative visual displays. This firm is classified as a “manufacturer of other fabricated metal products”!

In Los Angeles County during 2008, there were 700 direct workers in the “outside” product and industrial design industry, and revenues for this activity were \$99.3 million. The total economic impact yielded 1,100 total jobs and economic output of \$202 million. Orange County has some heft in this sector, with 500 direct jobs in 2008, and revenues for this activity were \$74.4 million. The total economic impact was 800 jobs.

Table 10: Economic Impact of the Product and Industrial Design Industry, 2008

| Area | Estab. | Jobs | Payroll (\$millions) | 2013 Jobs Forecast | Total (Direct + Indirect) Impact | | |
|--------------------|------------|--------------|-------------------------|--------------------------|----------------------------------|--------------|-----------------------|
| | | | | | Output (\$millions) | Jobs | Taxes (\$millions) |
| Los Angeles County | 131 | 700 | \$ 41.1 | 800 | \$202.0 | 1,100 | \$5.4 |
| Orange County | 67 | 500 | 45.5 | 600 | 146.3 | 800 | 5.7 |
| Total | 198 | 1,200 | \$ 86.6 | 1,400 | \$348.3 | 1,900 | \$11.1 |

Sources: California EDD, ES202 data, Bureau of the Census; indirect impacts estimated by LAEDC.

Architecture and Interior Design

This sector includes firms that specialize in architectural services, landscape architecture and interior design. In Los Angeles County, the industry reported 12,600 direct jobs in 2008. Revenues were estimated to be \$2.7 billion (with \$1.9 billion from architecture). Los Angeles is the home of several high-profile architects, including Frank Gehry, Thom Mayne, Fred Fisher, Steven Ehrlich, and long-time local stalwart A.C. Martin Partners (designers of the iconic Los Angeles City Hall and many other prominent buildings). This sector generated a total economic impact of 24,800 jobs and \$5.4 billion in economic output.

Orange County has a lot of activity in this sector as well, with 6,200 direct jobs in 2008 and estimated revenues of \$1.9 billion. The total economic impact included 12,100 direct and indirect jobs and output of \$3.8 billion.

Table 11: Economic Impact of the Architecture and Interior Design Industry, 2008

| Area | Estab. | Jobs | Payroll (\$billions) | Nonemp. Estab. | 2013 Jobs Forecast | Total (Direct + Indirect) Impact | | |
|--------------------|--------------|---------------|-------------------------|-------------------|--------------------------|----------------------------------|---------------|-----------------------|
| | | | | | | Output (\$billions) | Jobs | Taxes (\$millions) |
| Los Angeles County | 1,727 | 12,600 | \$ 1.0 | 3,671 | 13,400 | \$5.4 | 24,800 | \$123.7 |
| Orange County | 796 | 6,200 | 0.5 | 1,247 | 6,600 | 3.8 | 12,100 | 59.4 |
| Total | 2,523 | 18,800 | \$ 1.5 | 4,918 | 20,000 | \$9.2 | 36,900 | \$183.1 |

Sources: California EDD, ES202 data, Bureau of the Census; indirect impacts estimated by LAEDC.

Communication Arts

This sector includes firms specializing in graphic design services, advertising agencies, package design, and display and direct mail advertising. During 2008, there were 18,000 people working directly in this sector in Los Angeles County (with 12,600 employed in advertising agencies), and revenues were more than \$2.8 billion. The total economic impact was sizable: 38,800 direct and indirect jobs and output of \$5.9 billion.

In Orange County, there were 3,900 people working directly in these activities, with business revenues of \$6.0 million. The total economic impact included 7,900 jobs and output of \$1.1 billion.

Table 12: Economic Impact of the Communication Arts Industry, 2008

| Area | Estab. | Jobs | Payroll (\$billions) | Nonemp. Estab. | 2013 Jobs Forecast | Total (Direct + Indirect) Impact | | |
|---------------|--------------|---------------|-------------------------|-------------------|--------------------------|----------------------------------|---------------|-----------------------|
| | | | | | | Output (\$billions) | Jobs | Taxes (\$millions) |
| Los Angeles | 1,644 | 18,000 | \$ 1.6 | 17,884 | 18,000 | \$5.9 | 38,800 | \$225.8 |
| Orange County | 579 | 3,900 | 0.3 | 5,764 | 4,000 | 1.1 | 7,900 | 34.7 |
| Total | 2,223 | 21,900 | \$ 1.9 | 23,648 | 22,000 | \$7.0 | 46,700 | \$260.5 |

Sources: California EDD, ES202 data, Bureau of the Census; indirect impacts estimated by LAEDC.

Art Galleries

There were 255 art galleries in Los Angeles County during 2008. Direct sales volume was estimated to be \$215 million. The total economic impact was 1,600 jobs and output of \$444.5 million. In addition, we found 692 “art dealers” in the nonemployer data for L.A. County, with sales of \$67.3 million during 2007 (latest data available). Some of these could be operating out of their homes.

In Orange County, there were 71 galleries in 2008 with estimated direct sales of \$49.3 million. The total impact of this segment of the creative industries was 510 total jobs and output of \$97.3 million. Also, there were 225 nonemployer art dealers in 2007, who reported sales of \$17.3 million.

Table 13: Economic Impact of Art Galleries, 2008

| Area | Estab. | Jobs | Payroll (\$millions) | Nonemp. Estab. | 2013 Jobs Forecast | Total (Direct + Indirect) Impact | | |
|--------------------|------------|--------------|-------------------------|-------------------|--------------------------|----------------------------------|--------------|-----------------------|
| | | | | | | Output (\$millions) | Jobs | Taxes (\$millions) |
| Los Angeles County | 255 | 1,000 | \$ 53.3 | 692 | 1,100 | \$444.5 | 1,600 | \$7.8 |
| Orange County | 71 | 300 | 9.4 | 225 | 400 | 97.3 | 510 | 1.3 |
| Total | 326 | 1,300 | \$ 62.7 | 917 | 1,500 | \$541.8 | 2,110 | \$9.1 |

Sources: California EDD, ES202 data, Bureau of the Census; indirect impacts estimated by LAEDC.

Fine and Performing Arts

This grouping includes fine and performing art schools, theater and dance companies, musical groups, other performing arts companies, museums, as well as independent artists, writers, entertainers and their agents and managers. Many of these firms are non-profit organizations. In addition to the official employment numbers, we conducted a survey of universities, colleges, and technical and trade schools providing degree programs in the fine and performing arts. We included them in the 2008 employment figures in Table 14.

There were 33,200 direct jobs in this sector in Los Angeles County during 2008 (3,700 jobs from the LAEDC survey), and revenues totaled \$11.0 billion (with \$6.6 billion from the independent artists). The total economic impact included 56,500 jobs and output of \$26.7 billion. The state tax revenues generated directly and indirectly by this sector came to \$802.2 million in 2008.

In Orange County, the fine and performing arts industry had 3,700 direct jobs (200 jobs from the LAEDC survey) with total revenue of \$527 million. The total economic impact of this industry was 6,300 jobs and output of \$1.2 billion. The tax revenues generated directly and indirectly by this sector came to \$20.1 million in 2008.

Table 14: Economic Impact of the Fine and Performing Arts Industry, 2008

| Area | Estab. | Jobs* | Payroll (\$billions) | Nonemp. Estab. | 2013 Jobs Forecast | Total (Direct + Indirect) Impact | | |
|--------------|--------------|---------------|-------------------------|-------------------|--------------------------|----------------------------------|---------------|-----------------------|
| | | | | | | Output (\$billions) | Jobs | Taxes (\$millions) |
| Los Angeles | 8,295 | 33,200 | \$ 5.2 | 64,962 | 35,300 | \$26.7 | 56,500 | \$802.2 |
| Orange | 405 | 3,700 | 0.1 | 8,170 | 3,900 | 1.2 | 6,300 | 20.1 |
| Total | 8,700 | 36,900 | \$ 5.3 | 73,132 | 39,200 | 27.9 | 62,800 | \$822.3 |

* Includes LAEDC’s survey of degree programs offered by Fine and Performing Arts departments/schools in local universities/colleges and trade/technical schools.

Sources: California EDD, ES202 data, Bureau of the Census; indirect impacts estimated by LAEDC.

Furniture and Home Furnishings

This grouping includes firms that manufacture, warehouse, import and export furniture, the furniture “marts,” textile product mills (e.g., sheets, toweling, and curtains) and china and pottery producers. Like apparel, these items are frequently designed in the region, produced in Asia and shipped back through the local ports. The furniture marts have annual shows that attract buyers from around the nation.

In Los Angeles County, this segment accounted for 35,600 direct jobs during 2008 and estimated sales of more than \$12.2 billion. Furniture wholesaling (which includes import/export and warehousing as well as wholesale distribution) accounted for \$7.1 billion and furniture manufacturing for \$3.3 billion. The total economic impact was over 77,800 direct and indirect jobs and output of \$23.7 billion. State and local tax revenues generated directly and indirectly by the sector were \$230.6 million.

Orange County had 10,600 people working in this industry during 2008 with estimated revenues totaling \$3.1 billion. The total economic impact was 22,700 jobs. State/local tax revenues generated directly and indirectly by the sector were \$74.7 million.

Table 15: Economic Impact of the Furniture and Home Furnishings Industry, 2008

| Area | Estab. | Jobs | Payroll (\$billions) | Nonemp. Estab. | 2013 Jobs Forecast | Total (Direct + Indirect) Impact | | |
|--------------------|--------------|---------------|-------------------------|-------------------|--------------------------|----------------------------------|----------------|-----------------------|
| | | | | | | Output (\$billions) | Jobs | Taxes (\$millions) |
| Los Angeles County | 1,872 | 35,600 | \$ 1.4 | 1,712 | 33,300 | \$23.7 | 77,800 | \$230.6 |
| Orange County | 547 | 10,600 | 0.5 | 495 | 9,800 | 5.8 | 22,700 | 74.7 |
| Total | 2,419 | 46,200 | \$ 1.9 | 2,207 | 43,100 | 29.5 | 100,500 | \$305.3 |

Sources: California EDD, ES202 data, Bureau of the Census; indirect impacts estimated by LAEDC.

Entertainment

When people think of creativity and Los Angeles, this sector is often the focus of their thoughts. Several activities are included here: sound recording (including records), motion picture and TV production, and cable broadcasting (cable firms are producing more of their own content these days). Musicians might be included here for recording film scores, but many perform on the stage as well as in the studio; so we have already counted them as employees or nonemployer firms in the fine and performing arts sector.

In Los Angeles County, there were 131,800 people working directly in the entertainment industry during 2008. The estimated direct sales numbers were huge, \$47.9 billion in 2008, of which \$37.7 billion came from the film production industry. The total economic impact was almost 394,000 direct and indirect jobs (a high multiplier) and estimated total output of nearly \$128 billion. State and local taxes generated directly and indirectly by this sector totaled \$2.5 billion in 2008 (a reminder of why other states are trying to lure film production away).

The entertainment sector in Orange County is smaller, with just 1,800 direct jobs in 2008 and estimated total revenue of \$2.9 billion. The total economic impact was nearly 4,800 total jobs. State/local taxes generated directly and indirectly by this sector totaled \$20.0 million in 2008.

Table 16: Economic Impact of the Entertainment Industry, 2008

| Area | Estab. | Jobs | Payroll (\$billions) | Nonemp. Estab. | 2013 Jobs Forecast | Total (Direct + Indirect) Impact | | |
|--------------------|--------------|----------------|-------------------------|-------------------|--------------------------|----------------------------------|----------------|-----------------------|
| | | | | | | Output (\$billions) | Jobs | Taxes (\$billions) |
| Los Angeles County | 5,488 | 131,800 | \$ 12.0 | 17,640 | 132,200 | \$127.8 | 393,700 | \$2.5 |
| Orange County | 157 | 1,800 | 0.1 | 1,267 | 1,800 | 0.5 | 4,800 | 0.02 |
| Total | 5,645 | 133,600 | \$ 12.1 | 18,907 | 134,000 | \$128.3 | 398,500 | \$2.52 |

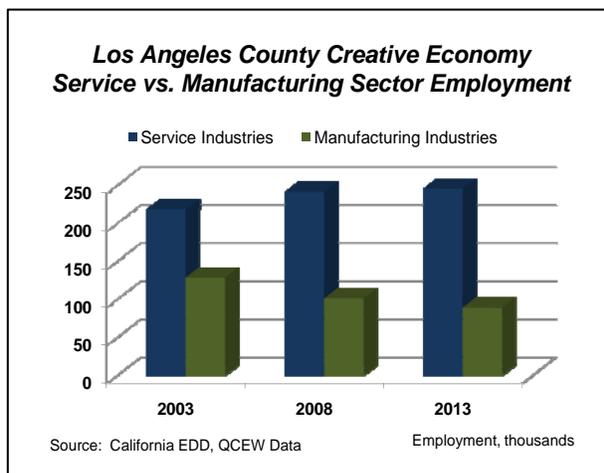
Sources: California EDD, ES202 data, Bureau of the Census; indirect impacts estimated by LAEDC.

Where Do We Go from Here? The Creative Economy in 2013

In the preceding pages of this report, we have reviewed the performance of the creative economy of Los Angeles and Orange County in 2008, including the impacts of the current economic downturn. In this section, we make a preliminary projection of 2013 creative industry employment levels in Los Angeles and Orange County. We chose 2013 because it should be far removed from the current distressed situation. What will the creative economy look like by then?

Making such a projection proved surprisingly difficult. The employment projections for 2013 must take into account *both* the depth of the downturn in 2009 (and possibly 2010) *and* the speed of the upturn expected in 2011 through 2013. As to the former, we recognize that 2009 will compare unfavorably with 2008. Beyond 2009, the outlook for the next few years is quite uncertain. The best case would be several years of steady economic growth and expansion once the low point has passed later in 2009. A more negative result is also possible, however: after a fitful upturn in late 2009, the economy relapses again in 2010 and grows only sluggishly thereafter.

As of this writing, the LAEDC economic forecast anticipates the economy will travel a path between these two alternatives. The recession hits bottom before the end of 2009, and recovery gets underway during 2010. The economy is growing nicely by 2011, and moderate growth continues through 2013. Labor markets will take somewhat longer to turn around. The unemployment rate is expected to increase and employment to decline until spring or summer 2010. By the end of 2010, both should be moving in the right direction (joblessness downward and job counts upward) and should continue to do so through 2013.



What does this economic outlook imply for the area's creative industries? The LAEDC projects that, given the trends visible today, total creative industry employment in Los Angeles County will be 334,400 jobs during 2013, down by -2.3%, or -7,900 jobs, from 2008 levels. Note that total creative employment in LA County declined somewhat less than this between 2003 and 2008, by -4,500 jobs or -1.3%.

Why is total creative employment in the area expected to decline when the economy will be growing? The answer is the manufacturing sector, which is expected to lose -11,800 creative industry

jobs by 2013, for a decline of -11.7% over the next five years. Fundamental trends in the creative manufacturing sectors—especially apparel and textiles, footwear, furniture, and toys—are pushing down factory production in the U.S. in favor of production in regions with lower labor costs, like China, other nations of Southeast Asia and Latin America. **Excluding manufacturing, employment in L.A.'s creative industries should grow by +4,000 jobs, or +1.6% by 2013.**

Total creative industry employment in Orange County during 2013 will be 43,300 jobs, down by -2.6% or -1,200 jobs, from 2008. This will be a better performance than the previous five-year period, when total creative industry employment fell by -4,800 jobs or -9.8%. Again, the projected decline in total creative industry employment is explained by losses in the creative manufacturing sectors. **Excluding manufacturing, employment in Orange County's creative industries is projected to grow by +900 jobs, or +3.5%, by 2013.**

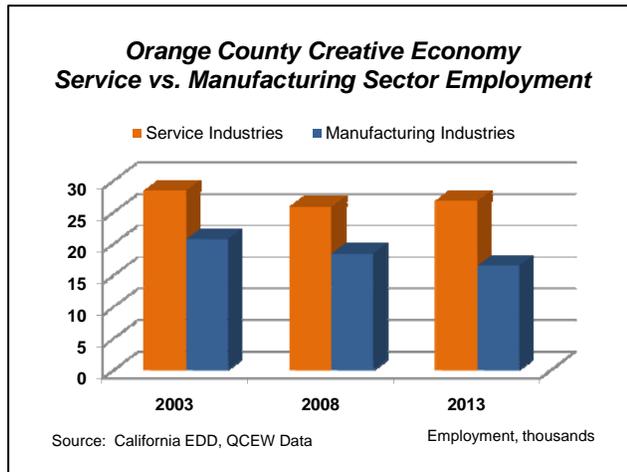


Table 17 on page 27 presents the 2013 projection for each sector of the creative economy in Los Angeles County.

The digital media sector is expected to grow the fastest between 2008 and 2013, with employment rising by at least +10%. This sector's good record during the current recession is the primary reason to expect a high rate of growth to 2013. More than video games are involved in this projection. Demand is quite strong for all types of consumer handheld devices despite the recession, and interest in new applications for them is very high.

Employment in two smaller creative sectors, industrial design and art galleries, is expected to post growth in the 7% to 8% range between 2008 and 2013. In the industrial design sector, the LAEDC believes there is always a healthy appetite for good design in all kinds of economic weather. Employment in most design-related creative industries is expected to increase. Art galleries also are projected to grow in numbers and staffing as a result of the economic recovery and expansion.

Moderately good employment growth, in the 5% to 6% range, is projected for the architecture and interior design sector and for fine and performing arts. Employment in the first has fallen during the recession—a casualty of the collapse in residential and commercial construction activity. However, demand for design services is expected to grow when construction activity resumes. Among the fine and performing arts industries, employment is expected to grow rapidly—by 10% or more—among independent artists, writers and actors. Employment is also likely to increase at the area's education and training institutions. Stable employment, at best, is expected at nonprofit institutions like museums, theater and dance companies as they struggle to overcome the financial challenges they will be facing over the next few years.

Little if any employment growth is projected for the communication arts and entertainment sectors overall. However, job counts will increase in certain segments of both sectors. The no-growth projection for communication arts masks a decline in employment at advertising agencies that will be matched by job growth in the graphic design industry. Graphic designers are employed by a large cross section of industries, some of which will be growing over the next several years as others decline. Jobs for graphic designers are projected to increase especially rapidly in computer systems design and in management, scientific & technical consulting services. Among the entertainment related industries, post production services activity is seen as growing rapidly, while job counts in the traditional sectors remain stable.

The three remaining sectors, all of which are heavily dependent on manufacturing activities, will experience declines in employment over the coming years. The trend toward retaining local design and quality control while outsourcing production overseas is well entrenched and will certainly continue in the next five years. This trend has been especially visible in the apparel and textiles industry. Job counts in the textiles, apparel, footwear, handbag and jewelry manufacturing are projected to fall by -11% to -15%. Wholesale employment in each of these segments will remain flat or decline slightly. **The one activity that will enjoy employment growth is “other specialized design services.”** This group includes fashion designers and is expected to expand rapidly. The furniture and home furnishings sector also will continue to lose workers as production continues to shift offshore. Textile product mills are expected to suffer the largest declines, but furniture and electric light manufacturers will shed workers as well. The story is much the same for the toy industry, as most toys are now designed locally and produced in China.

Employment projections for Orange County follow an arc similar to that of Los Angeles over the forecast period. Table 18 on page 27 presents the 2013 projection for each sector of the creative economy in Orange County. **The digital media sector is expected to exhibit the largest growth rate between 2008 and 2013, rising by over 10% and adding +400 jobs.** Orange County is home to a number of digital media firms with a significant presence in video gaming. The economic downturn has not impaired future development of this sector and may even have helped, as consumers shift to at-home entertainment options in lieu of more costly activities.

Growing at a moderate but still healthy pace (between +6% and +8%) between 2008 and 2013 are art galleries, product & industrial design, and architecture & interior design. As is expected to be the case in Los Angeles County, a recovery in the economy and the labor market will enable consumers to redirect a greater share of discretionary income to the arts and business firms to increase demand for well designed products. Improving labor markets will also go hand in hand with recovery in the housing and construction industries, thus increasing the demand for architects and interior/landscape designers.

Overall growth in the communication arts will be flat, but this is the result of divergent results within the sector – graphic designers are expected to expand their ranks significantly. However, the effect will be offset by a decline in advertising jobs. Similarly, the fine & performing arts sector will see little gain overall, though the ranks of independent artists, writers, etc., will increase. Performing arts schools and universities with fine arts programs should also do well over the next five years. Entertainment, a relatively small portion of the creative arts industry in Orange County, will remain flat.

The two largest creative sectors in Orange County in terms of employment, fashion and furniture, are projected to contract between 2008 and 2013. The declines in textile and apparel manufacturing parallel the drop-off seen in Los Angeles. Employment in the furniture and home furnishings industry will also fall across the board. **Toy manufacturing, one of the smallest sectors in the County, will lose workers as well.**

Table 17: Los Angeles County Employment Forecast 2008 - 2013

| Creative Industry | Number of Jobs (000) | | 2008-2013 Change | |
|------------------------------------|----------------------|--------------|------------------|--------------|
| | 2008 | 2013 | Number | Percent |
| Art Galleries | 1.0 | 1.1 | 0.1 | 7.7% |
| Communication Arts | 18.0 | 18.0 | 0.0 | 0.0% |
| Architecture & Interior Design | 12.6 | 13.4 | 0.8 | 6.1% |
| Digital Media | 5.4 | 5.9 | 0.6 | 10.4% |
| Fashion | 98.0 | 88.6 | -9.5 | -9.7% |
| Entertainment | 131.8 | 132.2 | 0.5 | 0.4% |
| Fine & Performing Arts Providers | 33.2 | 35.3 | 2.1 | 6.2% |
| Furniture & Home Furnishings | 35.6 | 33.3 | -2.3 | -6.4% |
| Toys | 6.0 | 5.8 | -0.1 | -2.2% |
| Product Design – Industrial Design | 0.7 | 0.8 | 0.1 | 7.7% |
| Total | 342.3 | 334.4 | -7.9 | -2.3% |

Source: California EDD LMID, ES202 Series; forecasts by LAEDC

Table 18: Orange County Employment Forecast 2008 - 2013

| Creative Industry | Number of Jobs (000) | | 2008-2013 Change | |
|------------------------------------|----------------------|-------------|------------------|--------------|
| | 2008 | 2013 | Number | Percent |
| Art Galleries | 0.3 | 0.4 | 0.0 | 7.7% |
| Communication Arts | 3.9 | 4.0 | 0.0 | 0.2% |
| Architecture & Interior Design | 6.2 | 6.6 | 0.4 | 6.2% |
| Digital Media | 4.2 | 4.6 | 0.4 | 10.4% |
| Fashion | 12.5 | 11.1 | -1.4 | -11.4% |
| Entertainment | 1.8 | 1.8 | 0.0 | 0.0% |
| Fine & Performing Arts Providers | 3.7 | 3.9 | 0.1 | 3.8% |
| Furniture & Home Furnishings | 10.6 | 9.8 | -0.8 | -7.3% |
| Toys | 0.7 | 0.7 | 0.0 | -0.9% |
| Product Design – Industrial Design | 0.5 | 0.6 | 1.1 | 7.7% |
| Total | 44.5 | 43.3 | -1.2 | -2.6% |

Source: California EDD LMID, ES202 Series; forecasts by LAEDC

Some Final Thoughts

Some segments of the creative economy of Los Angeles and Orange County have significant potential for further growth. The declining employment trends of the past five years and the coming half decade reflect manufacturing-specific issues, as found in apparel, furniture and toys. Between 2003 and 2008, employment in the various manufacturing sectors declined by -21.5% in Los Angeles and by -11.0% in Orange County because more production runs now take place in Asia. **Excluding the manufacturing segments, employment in the service-oriented creative industries of Los Angeles grew by +21,500 jobs, or by +9.9%, between 2003 and 2008, and by an estimated 2% in Orange County.**

However, the creative industries do face some issues. These include:

- A lack of recognition in the region of just how important these activities are. A key driver of the region's economy, the creative sector is a serious business generating good quality jobs and significant tax revenue streams.
- One result of this attitude is that many of the creative industries are ignored by government agencies in planning and support.
- In particular, the K-12 curriculum lacks sufficient arts and design-related education. State reductions in school district budgets will make this problem worse in the near term. There is a huge irony here because at the college and university level, the creative educational assets of the Los Angeles area are unparalleled. In addition, graduates of arts programs can move to and thrive in other fields of endeavor.
- The region's creative talent pool, which is unique, is not fully used in the area's economic development efforts. Business and government leaders should consider how to partner with colleges and university programs to promote innovation and utilize the region's creative assets more effectively.

Resolving all the issues will be time-consuming and require a collective will among various sectors. But the efforts will be worthwhile, as creativity in Los Angeles already generates a huge number of jobs and tax flows with little or no encouragement.

With the data in this report, it is clear that the creative industries can be used to more effectively "brand" Southern California. Already local media identify the region as the "Creative Capital of the World." More of us need to do so.

Statistical Appendix

Table 19: Economic Impact of Creative Industries, 2008

| <u>Los Angeles County</u> | | | | | <u>Total (Direct + Indirect) Impact</u> | | |
|------------------------------|---------------|----------------|----------------------|--------------------|---|----------------|---------------------------------|
| Industry | No. of Estab. | Jobs | Payroll (\$billions) | Nonemployer Estab. | Output (\$billions) | Jobs | Taxes ¹ (\$millions) |
| Fashion | 6,872 | 98,000 | \$ 3.6 | 6,653 | \$70.6 | 231,700 | \$661.4 |
| Toys | 258 | 6,000 | 0.6 | 390 | 9.5 | 16,300 | 100.8 |
| Digital Media | 176 | 5,400 | 0.5 | --- | 6.3 | 16,000 | 71.7 |
| Product/Industrial Design | 131 | 700 | 0.04 | --- | 0.2 | 1,100 | 5.4 |
| Architecture/Interior Design | 1,727 | 12,600 | 1.0 | 3,671 | 5.4 | 24,800 | 123.7 |
| Communication Arts | 1,644 | 18,000 | 1.6 | 17,884 | 5.9 | 38,800 | 225.8 |
| Art Galleries | 255 | 1,000 | 0.05 | 692 | 0.4 | 1,600 | 7.8 |
| Fine and Performing Arts | 8,295 | 33,200 | 5.2 | 64,962 | 26.7 | 56,500 | 802.2 |
| Furniture/Home Furnishings | 1,872 | 35,600 | 1.4 | 1,712 | 23.7 | 77,800 | 230.6 |
| Entertainment | 5,488 | 131,800 | 12.0 | 71,640 | 127.8 | 393,700 | 2,470.4 |
| Total | 26,718 | 342,300 | \$26.0 | 167,604 | \$276.6 | 858,300 | \$4,700.4 |

| <u>Orange County</u> | | | | | <u>Total (Direct + Indirect) Impact</u> | | |
|------------------------------|---------------|---------------|----------------------|--------------------|---|---------------|---------------------------------|
| Industry | No. of Estab. | Jobs | Payroll (\$billions) | Nonemployer Estab. | Output (\$billions) | Jobs | Taxes ¹ (\$millions) |
| Fashion | 743 | 12,500 | \$0.6 | 1,355 | \$10.6 | 26,500 | \$88.0 |
| Toys | 47 | 700 | 0.05 | 122 | 1.3 | 1,600 | 6.8 |
| Digital Media | 112 | 4,200 | 0.6 | --- | 5.0 | 9,100 | 66.7 |
| Product/Industrial Design | 67 | 500 | 0.05 | --- | 0.1 | 800 | 5.7 |
| Architecture/Interior Design | 796 | 6,200 | 0.5 | 1,247 | 3.8 | 12,100 | 59.4 |
| Communication Arts | 579 | 3,900 | 0.3 | 5,764 | 1.1 | 7,900 | 34.7 |
| Art Galleries | 71 | 300 | 0.01 | 225 | 0.1 | 510 | 1.3 |
| Fine and Performing Arts | 405 | 3,700 | 0.1 | 8,170 | 1.2 | 6,400 | 20.1 |
| Furniture/Home Furnishings | 547 | 10,600 | 0.5 | 495 | 5.8 | 22,700 | 74.7 |
| Entertainment | 157 | 1,800 | 0.1 | 1,267 | 5.2 | 4,800 | 20.0 |
| Total | 3,525 | 44,500 | \$2.8 | 18,645 | \$34.2 | 92,500 | \$383.2 |

Notes:

1) State personal income tax and sales tax generated by earnings and spending of the direct and indirect workers. Details might not add to totals due to rounding.

Sources: California EDD, ES202 data; Bureau of the Census; indirect impacts estimated by LAEDC.

Table 20: Local Universities, Colleges, Trade and Technical Schools Offering Degree Programs in the Creative Industries, 2008

| Los Angeles County | |
|---|---|
| Art Center College of Design | Loyola Marymount University |
| California Institute of the Arts | School of Film & Television |
| Colburn School of Music | Occidental College |
| Fashion Institute of Design & Merchandising | School of Arts |
| California Polytechnic University, Pomona | Otis College of Art and Design |
| College of Environmental Design | Pomona College |
| Music, Theater and Dance | Music |
| Apparel Merchandising & Management | Theater & Dance |
| California State University, Long Beach | Southern California Institute of Architecture |
| College of the Arts | Scripps College |
| California State University, Los Angeles | Art |
| Art | Art conservation |
| Music | Dance |
| Theater Arts & Drams | Music |
| California State University, Northridge | University of California, Los Angeles |
| College of Arts, Media, Communication | School of Arts & Architecture |
| Claremont Graduate University | School of Theater, Film, Television |
| School of Arts & Humanities | University of Southern California |
| Los Angeles Trade Technical College | School of Architecture (incl. Gamble House) |
| Architecture & Environmental Design | School of Cinematic Arts |
| Cabinet Making & Millwork | School of Fine Arts |
| Culinary Arts | School of Theater |
| Fashion Design & Merchandising | Thornton School of Music |
| Visual Communications & Sign Graphics | Fisher Gallery |
| Orange County | |
| California State University, Fullerton | |
| Theater | |
| Music | |
| Visual Arts | |
| Chapman University | |
| College of Performing Arts | |
| Dodge College of Film & Media | |
| University of California, Irvine | |
| Claire Trevor School of the Arts | |

Table 21: Number of Jobs in the Creative Industries of Los Angeles County, 2003 vs. 2008

| Creative Industry | NAICS Code | Avg. Number of Jobs (000) | | 2003-2008 Change | |
|---|------------|---------------------------|--------------|------------------|---------------|
| | | 2003 | 2008 | Number | Percent |
| Art Galleries | 45392 | 1.0 | 1.0 | 0.0 | 3.5% |
| Communication Arts: | | 15.1 | 18.0 | 2.9 | 19.4% |
| <i>Graphic Design</i> | 54143 | 4.9 | 5.4 | 0.5 | 10.1% |
| <i>Advertising Agencies</i> | 54181 | 10.2 | 12.6 | 2.4 | 23.9% |
| Architecture and Interior Design: | | 9.4 | 12.6 | 3.2 | 34.0% |
| <i>Architectural Sevices</i> | 54131 | 6.7 | 9.0 | 2.3 | 34.7% |
| <i>Landscape Design</i> | 54132 | 1.0 | 1.1 | 0.1 | 12.5% |
| <i>Interior Design</i> | 54141 | 1.7 | 2.4 | 0.7 | 43.8% |
| Digital Media: | | 5.3 | 5.4 | 0.0 | 0.4% |
| <i>Software Publishers</i> | 5112 | 5.3 | 5.4 | 0.0 | 0.4% |
| Fashion: | | 110.1 | 98.0 | -12.1 | -11.0% |
| <i>Textile Mills Manufacturing</i> | 313 | 10.3 | 9.1 | -1.2 | -11.5% |
| <i>Apparel Manufacturing</i> | 315 | 67.8 | 55.1 | -12.7 | -18.8% |
| <i>Apparel Wholesaling</i> | 4243 | 15.5 | 17.7 | 2.2 | 14.3% |
| <i>Footwear Manufacturing</i> | 3162 | 0.9 | 0.7 | -0.2 | -25.7% |
| <i>Footwear Wholesaling</i> | 42434 | 2.8 | 3.0 | 0.2 | 5.5% |
| <i>Women's Handbag Manufacturing</i> | 316992 | 0.1 | 0.0 | -0.1 | -96.6% |
| <i>Cosmetics Manufacturing</i> | 32562 | 4.4 | 4.9 | 0.5 | 12.3% |
| <i>Jewelry Manufacturing</i> | 33991 | 3.1 | 1.7 | -1.4 | -46.6% |
| <i>Jewelry Wholesaling</i> | 42394 | 4.4 | 4.3 | -0.1 | -3.3% |
| <i>Other Specialized Design Svc</i> | 54149 | 0.8 | 1.6 | 0.8 | 104.6% |
| Entertainment: | | 119.9 | 131.8 | 11.9 | 9.9% |
| <i>Sound Recording</i> | 5122 | 4.9 | 3.3 | -1.6 | -32.2% |
| <i>Cable Broadcasting</i> | 5152 | 5.5 | 6.7 | 1.2 | 21.9% |
| <i>Motion Picture/Video Production</i> | 51211 | 99.2 | 110.4 | 11.2 | 11.3% |
| <i>Motion Picture Distribution</i> | 51212 | 1.9 | 2.2 | 0.3 | 13.3% |
| <i>Post Production Services</i> | 51219 | 8.4 | 9.2 | 0.8 | 9.5% |
| Fine and Performing Arts Providers: | | 30.9 | 33.2 | 2.3 | 7.4% |
| <i>Fine and Performing Arts Schools</i> | 61161 | 2.6 | 3.2 | 0.6 | 23.4% |
| <i>Programs at colleges and universities*</i> | 6113 | na | 3.0 | | |
| <i>Programs at technical and trade schools*</i> | 6115 | na | 0.7 | | |
| <i>Theater Companies</i> | 71111 | 1.4 | 2.2 | 0.8 | 59.3% |
| <i>Dance Companies</i> | 71112 | 0.2 | 0.1 | -0.1 | -32.5% |
| <i>Musical Groups</i> | 71113 | 4.1 | 3.3 | -0.8 | -19.9% |
| <i>Other Performing Arts Cos.</i> | 71119 | 0.3 | 0.2 | -0.1 | -45.0% |
| <i>Agents & Managers of Artists, etc.</i> | 71141 | 4.3 | 6.3 | 1.9 | 44.5% |
| <i>Independent Artists, Writers, etc.</i> | 71151 | 14.0 | 10.1 | -3.9 | -27.9% |
| <i>Museums</i> | 71211 | 3.5 | 3.8 | 0.3 | 7.9% |
| <i>Musical Instrument Manufacturing</i> | 339992 | 0.5 | 0.4 | -0.1 | -28.7% |
| Furniture and Home Furnishings: | | 48.5 | 35.6 | -12.9 | -26.7% |
| <i>Textile Product Mills</i> | 314 | 8.1 | 5.8 | -2.3 | -28.3% |
| <i>Furniture Manufacturing</i> | 337 | 26.7 | 18.0 | -8.7 | -32.8% |
| <i>Furniture Wholesaling</i> | 4232 | 9.5 | 8.7 | -0.8 | -8.0% |
| <i>Electric Lighting Fixtures</i> | 33512 | 4.2 | 3.1 | -1.1 | -27.0% |
| Toys: | | 6.0 | 6.0 | 0.0 | -0.4% |
| <i>Toy Manufacturing</i> | 33993 | 2.4 | 2.2 | -0.2 | -7.8% |
| <i>Toy Wholesaling</i> | 42392 | 3.6 | 3.8 | 0.2 | 4.4% |
| Product Design-Industrial Design | 54142 | 0.5 | 0.7 | 0.2 | 41.4% |
| TOTAL | | 346.8 | 342.3 | -4.5 | -1.3% |

* LAEDC's survey of degree programs offered by fine and performing arts schools/department in colleges/universities, trade and technical schools in Los Angeles County.

Source: California Employment Development Department, Labor Market Information Division, ES202 data.

Table 22: Number of Jobs in the Creative Industries of Orange County, 2003 vs. 2008

| Creative Industry | NAICS Code | Avg. Number of Jobs (000) | | 2003-2008 Change | |
|---|------------|---------------------------|-------------|------------------|---------------|
| | | 2003 | 2008 | Number | Percent |
| Art Galleries | 45392 | 0.4 | 0.3 | -0.1 | -24.0% |
| Communication Arts: | | 7.2 | 3.9 | -3.3 | -45.3% |
| <i>Graphic Design</i> | 54143 | 1.6 | 1.3 | -0.3 | -19.8% |
| <i>Advertising Agencies</i> | 54181 | 5.6 | 2.6 | -2.9 | -52.8% |
| Architecture and Interior Design: | | 5.9 | 6.2 | 0.4 | 6.2% |
| <i>Architectural Services</i> | 54131 | 3.5 | 4.1 | 0.6 | 16.3% |
| <i>Landscape Design</i> | 54132 | 1.5 | 1.4 | -0.1 | -5.8% |
| <i>Interior Design</i> | 54141 | 0.9 | 0.8 | -0.1 | -13.6% |
| Digital Media: | | 3.7 | 4.2 | 0.5 | 13.1% |
| <i>Software Publishers</i> | 5112 | 3.7 | 4.2 | 0.5 | 13.1% |
| Fashion: | | 13.3 | 12.5 | -0.8 | -6.2% |
| <i>Textile Mills Manufacturing</i> | 313 | 1.3 | 0.8 | -0.5 | -36.3% |
| <i>Apparel Manufacturing</i> | 315 | 8.2 | 8.0 | -0.2 | -2.5% |
| <i>Apparel Wholesaling</i> | 4243 | 1.9 | 2.0 | 0.1 | 4.6% |
| <i>Footwear Wholesaling</i> | 42434 | 0.7 | 0.6 | -0.1 | -13.6% |
| <i>Cosmetics Manufacturing</i> | 32562 | 0.3 | 0.3 | 0.0 | 3.5% |
| <i>Jewelry Manufacturing</i> | 33991 | 0.3 | 0.2 | -0.1 | -35.3% |
| <i>Jewelry Wholesaling</i> | 42394 | 0.4 | 0.3 | -0.1 | -18.4% |
| <i>Other Specialized Design Svc</i> | 54149 | 0.3 | 0.3 | 0.0 | -3.6% |
| Entertainment: | | 1.9 | 1.8 | -0.1 | -7.0% |
| <i>Sound Recording</i> | 5122 | 0.2 | 0.1 | -0.1 | -36.4% |
| <i>Cable Broadcasting</i> | 5152 | 1.2 | 1.0 | -0.2 | -14.4% |
| <i>Motion Picture/Video Production</i> | 51211 | 0.6 | 0.7 | 0.1 | 17.7% |
| Fine and Performing Arts Providers: | | 3.5 | 3.7 | 0.2 | 6.2% |
| <i>Fine and Performing Arts Schools</i> | 61161 | 0.8 | 0.8 | 0.1 | 9.3% |
| <i>Programs at colleges and universities*</i> | 6113 | | 0.2 | | |
| <i>Theater Companies</i> | 71111 | 0.9 | 0.8 | -0.1 | -15.5% |
| <i>Musical Groups</i> | 71113 | 0.2 | 0.3 | 0.1 | 41.6% |
| <i>Other Performing Arts Companies</i> | 71119 | 0.2 | 0.1 | -0.1 | -49.6% |
| <i>Agents & Managers of Artists, etc.</i> | 71141 | 0.1 | 0.1 | 0.0 | -34.0% |
| <i>Independent Artists, Writers, etc.</i> | 71151 | 0.7 | 0.8 | 0.1 | 15.5% |
| <i>Museums</i> | 71211 | 0.3 | 0.4 | 0.1 | 15.4% |
| <i>Musical Instrument Manufacturing</i> | 339992 | 0.2 | 0.2 | 0.0 | -1.4% |
| Furniture and Home Furnishings: | | 12.4 | 10.6 | -1.8 | -14.8% |
| <i>Textile Product Mills</i> | 314 | 2.8 | 2.1 | -0.7 | -24.2% |
| <i>Furniture Manufacturing</i> | 337 | 6.9 | 5.2 | -1.6 | -23.5% |
| <i>Furniture Wholesaling</i> | 4232 | 1.9 | 1.6 | -0.3 | -13.7% |
| <i>Electric Lighting Fixtures</i> | 33512 | 0.9 | 1.6 | 0.7 | 77.9% |
| Toys: | | 0.6 | 0.7 | 0.0 | 6.7% |
| <i>Toy Manufacturing</i> | 33993 | 0.1 | 0.1 | 0.0 | -14.9% |
| <i>Toy Wholesaling</i> | 42392 | 0.5 | 0.6 | 0.1 | 11.7% |
| Product Design-Industrial Design | 54142 | 0.3 | 0.5 | 0.2 | 80.8% |
| TOTAL | | 49.3 | 44.5 | -4.8 | -9.8% |

* LAEDC's survey of degree programs offered by fine and performing arts schools/department in colleges/universities, trade and technical schools in Los Angeles County.

Source: California Employment Development Department, Labor Market Information Division, ES202 data.



Opportunities in the Arts Are Larger Than They Appear:

An Analysis of Multimedia Artist and Animator Employment Across California's Industries

Kathleen A. Milnes
President and CEO
The Entertainment Economy Institute

Adjunct Assistant Professor – Digital Media
Otis College of Art and Design

October 1, 2009

Welcome to any Friday. You turn on the TV news in the morning. There’s a report about the latest astronauts joining the space station crew that includes a simulation of the docking maneuver viewed from outside the aircraft. You head out for a doctor’s appointment because you are scheduled for an artificial heart valve replacement. Your doctor plays a DVD showing how the new valve will be inserted and how it will function. On the way home, you stop at your kitchen design store to see a virtual fly-through of your new kitchen. You decide you prefer cherry cabinets to white and the designer changes it before your eyes. Finally, you come home and pull out your Wii remote for a quick tennis match with your teenager before heading out to see the latest science fiction movie.

What do all these experiences have in common? Many of the images you are seeing were created by workers that the U. S. Bureau of Labor Statistics calls “Multi-Media Artists and Animators.” This relatively new occupational classification (added in the late 1990’s) covers 3-D animators, video game designers, special effects wizards, character animators, and other specialties.

Animation once involved scores of workers who painstakingly drew and colored cells. Today, low-cost computers and enhanced 3-D software enable an animation studio to fit on a desktop, fueling a boom in the genre that has extended well beyond the major Hollywood studios.

The purpose of this paper is to look at how artists are employed across industry sectors. The most common way to look at economic and workforce development is by analyzing total industry employment by specific industry sector. This is the methodology used by the Los Angeles Economic Development Corporation in the *2009 Otis Report on the Creative Economy of the Los Angeles Region*. However, if you are focused primarily on specific kinds of workers — in this case, artists — it is valuable to look at data that covers occupations. While there are many occupations that include creative and design elements, we are using Multi-Media Artists and Animators (hereafter “Digital Artists”) to illustrate the breadth of artistic employment across industry sectors.

Although overall unemployment is high, the job prospects for Digital Artists continue to be excellent. Total payroll employment nationally stands at 31,500 in 2008, slightly down from the 2003 peak of 32,910. The California Labor Market Information Division reports that these artists are among the fastest-growing occupations in California, with a 32 percent growth rate expected over the next ten years and over 1,500 annual job openings. Two-thirds of the new jobs for this category are expected to occur in the Los Angeles region.

Below is a table showing California Employment of Multi-Media Artists and Animators for all industries from 2001–2009. This only covers employees of businesses paying payroll taxes on these workers.

Multi-Media Artists and Animator Employment, California

| 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 5,410 | 6,020 | 8,110 | 7,880 | 9,370 | 6,530 | 8,470 | 9,460 | 10,510 |

Source: EDD, Labor Market Information Division

The numbers are significantly lower than one might expect, as a unique aspect of this career is that nearly 70% of Digital Artists are self-employed (Current Population Statistics, BLS, 2007). Therefore, the total number of people working as Digital Artists is much larger. For comparison, only 25% of Graphic Designers (SOC 27-1024) are self-employed.

California Projections of Employment, Earnings and Self-Employment

| Digital Artist Employment, All Industries 2006 | Projected Percent Growth 2006–2016 | Projected Annual Job Openings 2006–2016 | Statewide Median Annual Wage | Self-Employed |
|--|------------------------------------|---|------------------------------|---------------|
| 27,900 | 31.9 | 1,540 | \$72,901 | 69.7% |

Source: California Labor Market Information Division, BLS Current Population Survey

In addition, Digital Artists earn much more than the average Californian, with a statewide Median Annual Wage of just under \$73,000 — double the median wage of \$36,500. And, Digital Artists working in California earn more than their counterparts in the rest of country, where the median wage for these artists is approximately \$55,000.

Nationally, Digital Artists are employed in 14 different broad industry sectors and 78 different industry categories. The top five industries employing Digital Artists are Motion Picture and Video; Advertising, Public Relations and Related Industries; Computer Systems Design and Related Services; Software Publishers; and Specialized Design Services. Included in the highest paying industries are Aerospace Product and Parts Manufacturers and Employment Services. Other sectors include Printing, Publishing, Health Care and Social Assistance, Manufacturing, Finance and Insurance, and, not surprisingly Performing Arts, Spectator Sports and Related Industries.

A number of these industries are covered in the 2009 Report on the Creative Economy, but the “Digital Media” sector is limited to Software Publishers. Another example of an industry that slips through the cracks is the Video Game Industry. As noted in the Report, there is significant employment in these companies in Los Angeles and Orange counties. However, it is nearly impossible to track, as companies are classified as specialized computer design firms, software publishers or toy manufacturers, or are found in industry classifications where one would not naturally look. For example, one of the largest game companies in Orange County, Blizzard Entertainment (now Activision Blizzard) is classified as Musical Groups and Artists (NAICS code: 711130) by Info USA, the company that provides employer information to the California Employment Development Departments Labor Market website. Obsidian Entertainment, another Orange County game company, is listed under Marketing Consulting Services (NAICS code: 541613).

A further complication is that digital media skills are now embedded in many other occupations within other industries. Since the employer determines the occupational classification of their own employees, many of these workers will not be reported as multimedia artists and animators but as architects or aerospace engineers.

Is California supplying enough workers to fill the expected demand? The answer appears to be “not yet.” According to the National Center for Educational Statistics, the total number of training program completers for the 2006–07 year amounted to about 75% of the projected annual demand.

As with the motion picture industry, California has established a strong presence in this area. However, as with all maturing industries, companies begin to search for lower cost labor to fill the growing demands. An important fact in the Report is that while manufacturing is experiencing continued decreases in employment, “the trend toward retaining local design...is well entrenched and will continue to grow.” Southern California is in a unique position to maintain its hold on these creative workers, as we have a specialized infrastructure of institutions that provide training as well as challenging opportunities for artists to work across industry sectors. Finally, these industries all rely on a continuous supply of innovation, inspiration and new ideas. With the proper care and feeding, Southern California should be able to continue its prominence in this field.