

2011 OTIS REPORT ON THE CREATIVE ECONOMY OF THE LOS ANGELES REGION

INVESTING IN OUR CREATIVE CAPITAL

*The
Fast Facts*

The 4th largest
employment
cluster out of 66 in
Los Angeles County
Pg. 35

642,000 direct
and indirect
jobs—almost one
in every eight in
the area
Pg. 5

\$115 billion in
sales/receipts in
Los Angeles County
and \$14 billion in
Orange County
Pg. 6

Over \$3.1 billion
in state and local
tax revenues
generated
Pg. 7

Prepared for Otis College of Art and Design
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CREATIVITY
PROVIDES A LONG-RANGE AND
COMPETITIVE EDGE FOR THE ECONOMY**

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by LAEDC

Commissioned by Otis College of Art and Design

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Commissioned by Otis College of Art and Design

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November 2011

INVEST IN THE CREATIVE CAPITAL OF OUR REGION

Time flies by! The *2011 Otis Report on the Creative Economy* of the Los Angeles Region marks the fifth year Otis College of Art and Design has commissioned this annual report.

In 2007, Otis launched the study to champion an under-recognized economic driver of the region by putting real numbers to creativity. It is gratifying to note that the Otis Report has become a useful and indeed much-used advocacy tool. Since its inception, it has firmly established two facts regarding the regional creative economy:

- 1) The creative economy is powerful in Southern California. It produces in excess of \$200 billion in total sales and receipts, and is one of the largest employment-generators with over 640,000 direct and indirect jobs.
- 2) The creative economy is even more powerful considering its high multiplier effect on other aspects of our regional economy. For example, the allure and substance of art, design and entertainment in Los Angeles enhance tourism. 20% of tourists to the region are cultural tourists, and are responsible for 30% of tourism revenues because they visit longer and spend more.

The 2011 Otis Report and event aim to present a broader perspective by situating the creative economy in the larger context of the creative capital of our region.

Creativity is a native strength of Southern California. Its richness springs from the specific conditions of Los Angeles: place, time and people. In challenging economic times such as these, our policy makers and economy advocates should value and invest in creative enterprises and professionals for expeditious growth, and in arts education and cultural participation for long-term sustainable talent cultivation. The current economy mandates smart solutions. Creativity has to be part of our big picture.

The cultural sector is becoming more adept at building common ground with other sectors via increasingly frequent and compelling gatherings. That proactive coalescing work has never been more evident and exciting than this Fall. In mid-October, the The California Arts Council held a cross-sector summit on arts education, Arts CREATE California. Just a few days later, the Arts for LA convened another cross-sector event, the LA Convergence, to explore advocacy and policy ideas about the creative economy, arts education and civic engagement. Meanwhile, the Los Angeles region resounds with the clarion call of *Pacific Standard Time*, which has united an unprecedented network of partners to reframe how we look and think about art and design made in Los Angeles.

These are diverse initiatives that share an integrative strategy - bridging the arts to other sectors in order to build a case for why and how the creative sectors are essential partners in advancing the economy, education, social health, and of course, cultural vibrancy.

These efforts have a common call for action, which Otis heartily echoes - Invest in the creative capital of the Los Angeles region.

To illuminate the multiple dimensions of our creative capital and to explore ideas to sustain and grow our creative capital, the 2011 Otis Report event features a dialogue with voices from the arenas of social philanthropy, business, and cultural philanthropy. The three remarkable leaders on the panel are:

James Canales, President and CEO of The James Irvine Foundation. During his tenure, the Foundation has focused its resources on the arts, along with youth and democracy, as three strategic pathways to expanding opportunity for the people of California. The foundation believes that the future of California and Californians depends “on cultivating the creativity of the state’s artists and residents.”

Russell Goldsmith, Chairman and CEO of City National Bank and the Founding Chair of the Los Angeles Coalition for the Economy and Jobs. The Coalition is an independent advocacy organization that unites leading economic stakeholders from business, labor, academia and non-profits to help find solutions that will improve the economic well-being and long-term viability of the Los Angeles region.

Deborah Marrow, Director of the Getty Foundation, which advances the understanding and preservation of the visual arts locally and throughout the world. Under her stewardship, the Foundation has led Pacific Standard Time: Art in L.A 1945-1980, an unprecedented collaboration of more than 80 arts institutions across Southern California, and an innovative example of cross-sector partnerships.

Their panel conversation can be viewed on the Otis Report website: www.otis.edu/econreport.

Acknowledgements

I express heartfelt gratitude to the following sponsors whose generous support has made possible this year’s Otis Report and report event: Boeing, the California Community Foundation, Carol Anderson by Invitation (CAbi), City National Bank, the Department of Cultural Affairs of the City of Los Angeles, the Getty Foundation, The James Irvine Foundation, Mattel, National Endowment for the Arts, Nike, Inc., and Sony Pictures Entertainment.

In addition, I thank the event partnership of the Colburn School, and the media partnership of Arts for LA, Arts Orange County, Los Angeles County Museum of Art (LACMA), Los Angeles Philharmonic Association, Museum of Contemporary Art, Los Angeles (MOCA), and the Music Center. Otis is fortunate to collaborate with these great peer institutions.

Finally, the Otis Report would not be possible without the research and analytic work of the Kyser Center for Economic Research at the Los Angeles County Economic Development Corporation.

As befits the nature of the Otis Report, this network of sponsors and partners brings together an inspiring group of governmental, philanthropic, corporate, and non-profit forces in recognition of the creative strengths of the Los Angeles region.

Samuel Hoi
President
Otis College of Art and Design
November 2011

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The Creative Economy of the Los Angeles Region

The creative economy is a natural and inevitable force in society because creativity is a dynamic function of humanity. Our intellect and aesthetic sensibilities lead us to express through the arts, problem solve through design, and seek out what is beautiful and original. The modern advent of technology has facilitated the increasing dominance of the visual media, thereby strengthening the economic platform for art, design and entertainment.

How is the creative economy of the Los Angeles region defined? In this report, the creative economy is defined as the market impact of businesses and individuals involved in producing cultural, artistic and design goods and services. It consists of creative professions and enterprises that take powerful, original ideas and transform them into practical and often beautiful goods or inspire us with their artistry. For example, in product design, staying one step ahead of the competition depends upon capturing the public's imagination and that requires innovative design; if in doubt, think about the success of Apple.

The creative economy also includes organizations that bring creative products to the marketplace such as museums, art galleries and performing arts venues. A third component of the creative economy in Southern California revolves around activities one does not instinctively associate with "creativity" such as the apparel, toy and furniture manufacturing industries. Yet, it takes ingenuity to develop a manufacturing process that allows an apparel maker in Los Angeles to compete in the global market place. The final piece of the creative economy consists of the support system that sustains creative activity: arts programs in the schools, post-secondary arts institutions to develop talent, and philanthropic foundations along with other nonprofit funding organizations to provide financial resources, incentives and services to the creative arts.

When one thinks of Los Angeles, the signature industries that most frequently come to mind are tourism and entertainment. But what draws nearly 25 million 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*.

Although tourism and entertainment are the most obvious industries that draw their competitive advantage from the region's creative culture, 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). Often, additional processing of these goods takes place in local warehouses and distribution centers. This means the creative economy has an impact on local real estate. In Los Angeles County, this activity has contributed to the creation of the tightest industrial real estate market in the U.S., with an average vacancy rate of just 3.2% at the end of 2010. 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



“Cultural tourists represent 20% of the visitor headcount but they account for 35% of annual visitor spending – nearly \$5 billion each year.”

-LA Inc.

economic growth. About 642,300 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 \$115 billion in revenues during 2010, while Orange County accounted for an estimated \$14 billion. California and local governments received an estimated \$3.1 billion in taxes tied to these activities.

With 300,800 direct employees in Los Angeles County, the creative industries rank fourth out of 66 industry clusters, behind health services (421,000 jobs in 2010), local commercial services i.e. business to business services (360,000 jobs) and hospitality (303,000 jobs). The creative industries in Orange County employed 37,200 workers, placing them ninth after local commercial services (148,100 jobs), health services (142,700 jobs), real estate & construction (142,200 jobs), hospitality (121,100 jobs), business services (73,500 jobs), education & training (65,600 jobs), trade (46,500 jobs), and education & knowledge creation (44,900 jobs).¹



“Almost 20% of LA’s annual visitors choose to visit specifically because they want to engage in a cultural activity here – nearly half (48%) of them participate in some kind of cultural event while they are here.”

-LA Inc.

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. Firms develop a competitive advantage when they implement strategies that other firms cannot duplicate. Regions develop a competitive advantage when they attract creative people because creative thinkers provide the seeds of innovation from which germinate economic growth. For example, when a movie is filmed, actors, costume designers and special effects creators benefit, but so do persons working in industries as disparate as food services, security, transportation and florists.

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

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

¹ Note: Although the creative industries in both counties ranked second and eighth respectively in LAEDC’s 2010 report, the change in ranking for the 2011 report does not reflect any change in their fortunes relative to other industries. Instead, it is a result of new industry cluster definitions recently adopted by the LAEDC used in the current report. See methodology section on page 35 for more details.

Global Economic Context

While this is a report about the creative economy of Los Angeles and Orange counties, the impact of national and global economic events must be acknowledged. At the time of this writing in October 2011, the U.S. economic recovery is well under way, having hit bottom in the middle of 2009, now over two years ago. By now, one might naturally expect the recovery to be further along than it currently is. However, this is a recovery from a major financial crisis. Most research suggests, and the last two years of U.S. economic performance confirm, that recoveries after financial crises are slower and last longer. There is not much lift in this type of recovery; as creditors and debtors alike absorb losses, saving rates remain somewhat higher and spending is curbed to pay off credit balances. Businesses and consumers remain cautious as prerecession investment excesses slowly work their way through and out of the system.

In terms of monetary policy, the Federal Reserve's quiver is nearly empty. The Fed has said it will keep the Federal Funds rate at near zero percent through the middle of 2013. Other unorthodox attempts to boost the economy are being offered, but the huge amount of liquidity sitting in banks' excess reserves at the Federal Reserve speak to the overall weakness in loan demand. The "gas is in the tank" but no one wants to turn the key and drive. Loan requirements remain restrictive and bank examiners have been on high alert for some time now. Smaller banks continue to fail, but the level of stress does not appear to be building. Overall bank profits are now positive, but could be stronger.

The stress test imposed by the economic and financial collapse in 2008-2009 was widespread and global. Spillover effects from financial problems abroad are contributing to the slow recovery. Another factor is the emergence and re-emergence of problems with indebtedness -- not only in the private domestic housing, commercial real estate, and financial markets, but also among sovereign governments which entered the period of collapse with already elevated debt burdens. The leading headlines this autumn concern enormous Greek debt levels, but Irish, Portuguese, Spanish, English, and French debt burdens are all too high as well. Sovereign debt markets, along with the governments and major financial institutions that manage them, have been slow to erect a firewall around problems like Greece. Stimulus plans have been set in motion in the U.S. and in Asia, but not in Europe. Slow or even negative GDP growth in Europe has not helped to relieve and reduce debt burdens.

Closer to home, housing, which has been a leading sector in most post-war recoveries, remains depressed. As a result, the overall economic recovery has been weak. However, existing home sales in Southern California appear to have hit bottom. Prices are still falling but not as fast. Home prices will stabilize when the large overhang of foreclosures is purged from the market. With fewer real estate transactions taking place and an uncertain outlook for housing and commercial construction, there is less demand for new home and office furnishings as well as decorative art. Architectural, interior design and landscape design services have also been severely impacted by problems in the construction and real estate markets.

At 9.1%, the U.S. unemployment rate is still much too high. Nonfarm payrolls are slowly rising (year-over-year), both nationally and in California, but growth rates are barely above one percent per year. This is not enough to absorb the many unemployed workers and new labor force entrants to make a real dent in the unemployment rate. At this writing, the California unemployment rate stands at 12%. Los Angeles County is a bit higher than that, while in Orange County, the unemployment rate is hovering around 9.0%. Nonetheless, California's economic upturn is advancing. Hiring has been fairly broad-based, with most industries adding jobs, but the construction, finance, and state and local government sectors continue to struggle.

The creative industries have their work cut out for them in this environment. While the economy is gradually improving, it remains challenging to obtain bank financing. However, low interest rates also mean less endowment income for nonprofit organizations. Many funding organizations still limit their giving to other arts organizations.

On the upside, there is good regional hiring in the leisure and hospitality industry, in professional and business services, and in motion picture production. Occupancy rates at area hotels are strong and room rates are rising. Retail sales are well above the depressed levels of 2009. The creative economy is heavily weighted to service industries, and their customers tend to be well-educated. In contrast to the national average, the unemployment rate for persons with a college education is just 4.3%. Wealth levels are generally down, but incomes have remained fairly stable for college educated people who are working. This means there is purchasing power and sufficient personal wealth to feed and support new and existing creative industry businesses with solid programs.

In the pages that follow, the LAEDC documents the creative industries' efforts to regain their footing. A few more creative industries are doing better in 2011, though several continue to struggle. The economy will return to center stage on page 16, which describes where the economy is headed over the next four to five years and presents a high-level projection of employment in the area's creative industries for 2015. A preview: the next five years look better with improving job trends expected in most sectors.

Employment

In 2010, some 300,800 people in Los Angeles County worked directly in the creative industries. While it is not surprising that the entertainment industry employed the greatest number of workers by far (after all Los Angeles claims top billing as the Entertainment Capital of the World), it only accounted for 40% of the creative jobs. By sector in 2010, the largest employment counts were found in: entertainment (119,200 jobs); fashion (87,000 jobs); visual and performing arts providers (24,700 jobs), and furniture/home furnishings (26,500 jobs). [See Table 23 on page 37 for the sector details.]

But direct employment is only the beginning. Every job in the creative sector 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 (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 572,000 jobs in 2010. This fact points to another aspect of the creative industries – they have a “high-multiplier” effect. That is, each direct job supports roughly 0.9 indirect jobs. This high multiplier effect argues for the promotion of the creative industries as a driver of job growth.

In Orange County, the creative industries were responsible for 37,200 direct jobs in 2010. The largest employment sector was fashion with 10,600 jobs, followed by furniture with 7,700 jobs, and digital media with 4,500 jobs.

Direct and indirect employment in the creative industries located in Orange County totaled an estimated 70,300 jobs. The multiplier effect in this county was the same as Los Angeles at 0.9 indirect jobs for every direct job.

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

- All 2010 nonfarm employment in the Bakersfield metro area (310,200); and
- All 2010 nonfarm employment in the state of Alaska (324,000 jobs).

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

- 12.5% of total nonfarm employment in the two counties;
- All 2010 nonfarm employment in the Sacramento metro area (636,800 jobs)
- All 2010 nonfarm employment in the state of Hawai’i (602,900 jobs)

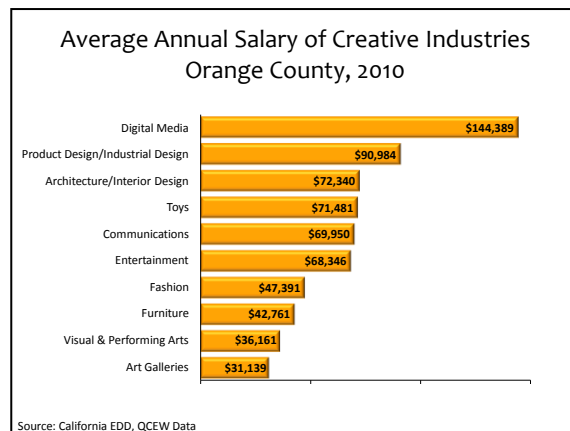
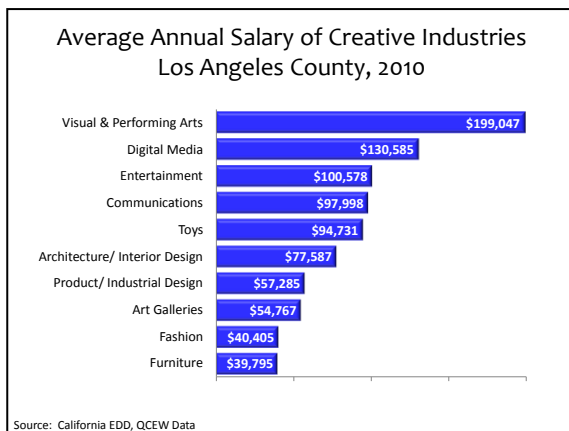
Area	Direct Jobs (2010)	Total Jobs (2010)
Los Angeles County	300,800	572,000
Orange County	37,200	70,300
Total	338,000	642,300

Sources: California EDD, QCEW Data; overall impact calculated by LAEDC

Salaries

Creativity is a highly valued and recognized professional attribute and the salaries received by many of the individuals working in the Los Angeles region’s creative industries bear that out. In Los Angeles County in 2010, the furniture sector had the lowest average annual salary at \$39,795. Jobs in the fashion industry also had a comparatively low average annual salary (\$40,405). The mostly likely explanation for the relatively low average wage in the fashion industry is the large number of lower-paid technical jobs (like cutting and sewing). At the other end of the spectrum were visual and performing arts providers at \$199,047. Average salaries in this sector are boosted by independent artists (including actors) and writers working in the entertainment industry. At \$130,585 and \$100,578 respectively, the average annual salaries for workers in digital media and entertainment are also quite healthy.

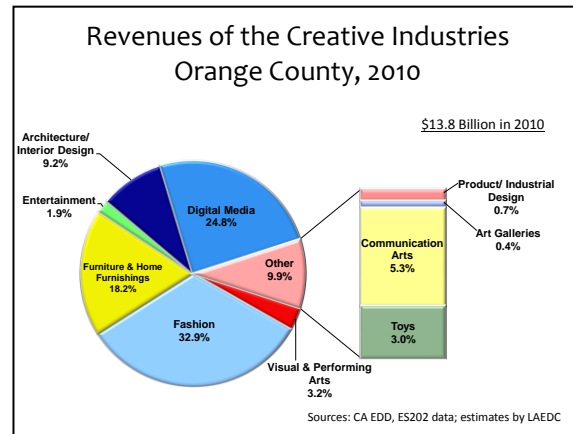
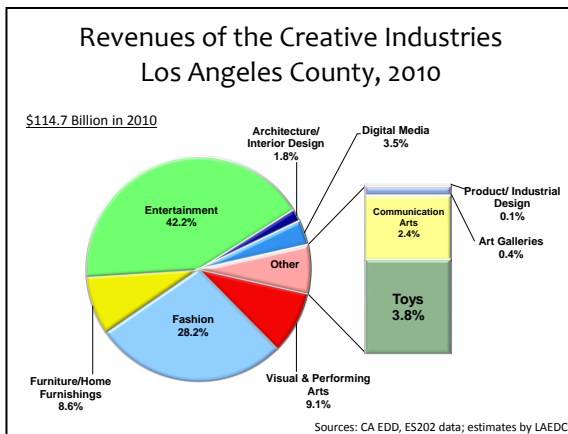
In Orange County, persons working in art galleries had the lowest average salary at \$31,139 in 2010. Individuals working in the visual and performing arts did a little better, earning an average salary of \$36,161 (Orange County’s visual & performing arts lack some of the Hollywood factor, i.e. stratospheric celebrity salaries). Persons employed in the furniture/home furnishings industry earned on average \$42,761. Fashion industry workers in Orange County were better paid than their counterparts to the north – they averaged \$47,391 – thanks to the area’s focus on fast-changing sportswear, specifically skate and surf wear. The highest average salaries in Orange County were paid to workers in digital media at \$144,389 and product/industrial design at \$90,984, followed by architecture & interior design at \$72,340 and toys at \$71,481.



Revenues

The revenues generated by the region’s creative industries are also impressive. In Los Angeles County, total revenues reached an estimated \$115.0 billion in 2010. The largest segments were entertainment at \$48.4 billion, followed by fashion at \$32.1 billion.

Revenues for some creative industries in Orange County are simply not available. This report assembles all of the revenue information available from official sources (see the methodology discussion on page 34). In Orange County revenues for some, but not all, of the creative industries totaled an estimated \$13.8 billion. Fashion was the largest segment at \$4.5 billion, followed by digital media at \$3.4 billion. Total (direct and indirect) regional output of the creative industries was estimated to be \$179.2 billion in Los Angeles County and \$21.9 billion in Orange County in 2010.



Tax Effects

Below are LAEDC's calculations of 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 other taxes -- such as corporate taxes and local property taxes -- were excluded.

In Los Angeles County, state/local personal income and sales taxes generated directly and indirectly by the creative industries were over \$2.8 billion in 2010. By sector, entertainment generated tax revenues of \$1.3 billion, followed by visual & performing arts at \$548 million and fashion at \$444 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 \$268 million in 2010 (based on available data). The largest amount, \$89 million, was generated by digital media, followed by furniture & home furnishings at \$41 million.

Table 2 summarizes the total economic impact of the creative industries in 2010. The creative industries of Los Angeles and Orange counties generated \$201.1 billion in direct and indirect output. They employed 642,300 workers. The direct and indirect workers paid more than \$3.1 billion in personal income and sales taxes to the California state and local governments.

Table 2 ♦ Economic Impact of the Creative Industries, 2010

Area	Direct Impact		Total (Direct +Indirect) Impact		
	Jobs	Nonemployer Establishments	Output (\$billions)	Direct & Indirect Jobs	Taxes ¹ (\$billions)
Los Angeles County	300,800	109,624	\$179.2	572,000	\$2.8
Orange County	37,200	18,126	\$21.9	70,300	\$0.3
Total	338,000	127,750	\$201.1	642,300	\$3.1

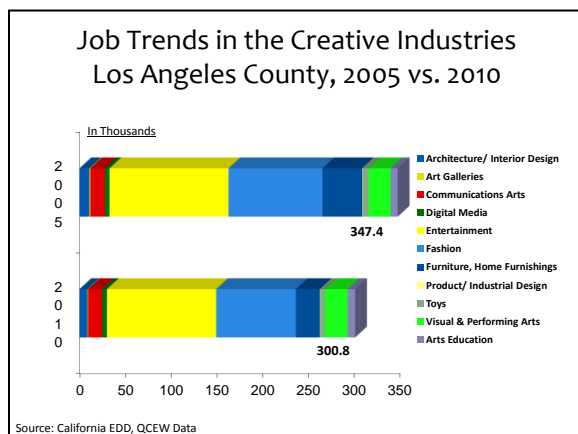
¹State/local personal income tax and sales tax generated by earnings and spending of the direct and indirect workers

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

Employment Trends

Direct employment in the creative industries has contracted significantly in recent years. The 2008-2009 recession explains most of the recent job losses and the modest pace of the recovery to date means fewer jobs have come back than might have been expected with a more robust recovery. While there are bright spots in the creative economy, a few sectors continued to shed jobs during the recovery period. Also, structural changes are working through the creative economy that are indicative of longer term trends that have not yet run their course. For example, industries such as fashion and furniture, which include a core manufacturing component, have been shedding low-skill jobs for a number of years due to the off-shoring of production activities. The recession may have exacerbated job losses in these industries, but it is doubtful that many of these manufacturing jobs will return once the economy returns to full employment.

As manufacturing jobs disappeared, sectors involving higher-skills and the exercise of originality generally grew. Examples are communication arts, digital media, product/industrial design and the visual & performing arts. During the recession even these sectors gave up jobs. Nevertheless, over the five year period 2005 to 2010, with the exception of communication arts, all of these sectors experienced positive job growth in spite of the downturn. The communication arts job losses were concentrated in graphic design. This may be due to an acceleration in the trend of firms contracting with outside graphic design services as opposed to keeping in-house staff².



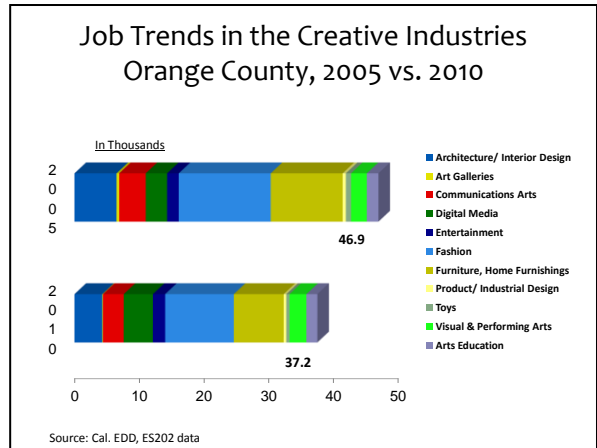
Of the sectors within the creative economy that experienced job losses over the past five years, the fashion, furniture & home furnishings and toy industries suffered the most significant declines. Total fashion employment in Los Angeles and Orange counties fell by 16.4%, with the heaviest job losses concentrated in apparel manufacturing (15,600 jobs) and textile mills manufacturing (3,800 jobs). Despite the decline in total employment, two sectors have added jobs: apparel wholesaling (2,800 jobs) and specialized design services (400 jobs). The Los Angeles-Orange County furniture & home furnishings industry experienced large job losses

across the board. During the last five years, 20,500 jobs have been eliminated. This represented an industry-wide contraction of 37.5%. Nearly three quarters of the jobs lost were in furniture manufacturing, with many of these jobs migrating to China and more recently (in response to rising Chinese wages) to other low-cost countries.

The largest component of the creative economy in Los Angeles County is the entertainment industry. In 2010, there were 119,200 entertainment jobs in Los Angeles County, down from 129,900 in 2005 but up from 118,700 in 2009. The largest number of jobs lost during this period was in motion picture/video production, which saw employment fall by 7.8% or over 8,500 jobs, which represented a far smaller drop than the previous five-year period. Motion picture/video production accounted for 85% of total employment in the entertainment industry in Los Angeles County in 2010. Two other areas of job losses in the entertainment area were sound recording (700 jobs lost) and cable broadcasting (1,900 jobs lost).

² For a study of Communication Arts employment that supplements this section, see *"An Analysis of Communication Arts Employment Across California's Industries"* that appears at the end of the 2011 Otis Report.

Nearly every sector of the creative economy in Orange County experienced a slump in employment from 2005 to 2010. The overall decline of 19.1% was primarily due to job losses in fashion and furniture & home furnishings. Fashion employment fell by 25.6% or by 3,600 jobs. Furniture & home furnishings employment fell by 30.9% or by 3,400 jobs. Some smaller industries that employ fewer people suffered even larger percentage declines: art galleries were down by 64.9% (or 300 jobs) while employment in architecture & interior design fell by 34.6% (or 2,300 jobs). The only sector that added jobs in Orange County over the last five years was digital media, which grew by 37.0% (or 1,200 jobs).



Another way to analyze employment trends in the creative economy is to examine industries based on the type of product they provide. For example, in Los Angeles County manufacturing industries gave up 34,100 jobs over the last five years (a decline of 29.3%), while in contrast, retail/wholesale contracted by just 2.9% (or 1,100 jobs). Employment in service based industries fell by 6,500 jobs (or 3.4%).

As more companies outsource production or services to lower cost regions, many have chosen to retain design and/or research and development units in Southern California. The region’s creative energy and renowned universities and colleges generate a large pool of highly educated workers, and provide Southern California with a competitive advantage in creativity. This is not something to take for granted. Global competitive pressures are acting on the creative process much as they do on manufacturing and back office functions. Even in the “creative capital of the world,” programs, policies and incentives must be created and reinforced to nurture and encourage innovative and original thinking.

Counting the Self-Employed

Many people in creative activities are self-employed and not counted in this report unless they also work for another firm. In the dry vernacular of government statisticians, these people are classified as “nonemployer firms” – that is, firms consisting of one person with revenues but no additional employees. Because they are independents, 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 2009. Note that some creative 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, this report treats the nonemployer data separately from the ES202 based data. [Note also that nonemployer data are not available for digital media and several other industries.]

In 2009, there were 109,624 nonemployer firms in the creative industries in Los Angeles County and 18,126 in Orange County. Between 2003 and 2007, there was steady growth in both counties, but in 2008 the recession exacted its toll and the numbers declined for the first time this decade. In 2009, with the economy still mired in recession during the first half of the year, the number of self-employed creative persons declined even further.

By far the largest number of nonemployer 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 the stage.

Revenues/receipts of creative nonemployer firms in Los Angeles County were \$4.9 billion in 2009, with 42.5% generated by independent artists, writers and performers. In Orange County, revenues/receipts were \$654 million with the largest share (37.8%) coming from communication arts.

While experiencing steady growth overall (apart from the impact of the recession and slow recovery), there has been a great deal of variation in the relative importance of these single-person entities among the different sectors of the creative economy. For example, in the visual and performing arts, there were nearly 2.0 self-employed persons in Los Angeles for every traditional (i.e. salaried) employee. In Orange County, the ratio was slightly higher at 2.2 to one. The communication arts (advertising and specialized design services) also have a high number of free-lancers relative to traditional salaried employees. In 2009, there were 1.1 self-employed persons in Los Angeles County for every salaried employee, while in Orange County, there were 1.8 single-person firms for each salaried worker in the communication arts. In contrast, individuals working in either Los Angeles or Orange counties in the fashion, furniture/home furnishings or toy industries were more likely to be employed by firms as salaried workers.

Growth rates of creative nonemployer firms versus employee firms also differed markedly by industry sector. It is interesting to note that in several sectors, nonemployer firm growth outstripped regular employment growth (or contracted less) in 2009. One reason is that many jobs lost during the recession failed to return as the economy began to expand again. Some laid-off workers, unable to find employment elsewhere, started their own businesses. This may be a cyclical effect that partially reverses itself as the labor markets return to a healthier rate of job creation. A structural component also impacts the growth of non-employer firms in the creative industries. There is an ongoing trend of firms concentrating resources on what they do best and outsourcing non-core tasks such as design services to independent contractors.

This trend was particularly evident in the entertainment sector between 2004 and 2009. In Los Angeles, traditional employment in the entertainment industry declined by 13.7%, while the number of nonemployer firms expanded by 6.1%. In Orange County, nonemployer firms in the entertainment sector grew by 10.9% as employment at traditional firms fell by 11.8%. Other sector results were mixed across the two counties. In Los Angeles, nonemployer firms in the communication arts increased by 9.4%, eclipsing growth by traditional firms which grew at a slower 6.1%. In Orange County, salaried employment in the visual & performing arts grew by 2.2%, but the number of nonemployer firms climbed by 10.3%.

The LAEDC did not try to calculate any indirect economic impacts from nonemployer firms, as the IMPLAN 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 (2009)
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	3,388	9,800	34.6%	1,200	4,500	26.7%
Art Galleries	610	900	67.8%	205	300	68.3%
Communication Arts	17,613	16,100	109.4%	5,731	3,200	179.1%
Digital Media	---	5,800	---	---	4,300	---
Entertainment	16,797	118,700	14.2%	1,273	1,800	70.7%
Fashion	6,069	87,000	7.0%	1,287	10,700	12.0%
Furniture & Home Furnishings	1,423	28,400	5.0%	450	8,600	5.2%
Product/Industrial Design	---	600	---	---	400	---
Toys	366	4,700	7.8%	117	500	23.4%
Visual & Performing Arts	63,358	32,300	196.2%	7,863	3,600	218.4%

Source: California EDD QCEW 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 2004-2009

Industry Sector	Los Angeles County		Orange County	
	Employment Growth 2004-2009	Nonemployers Growth 2004-2009	Employment Growth 2004-2009	Nonemployers Growth 2004-2009
Architecture & Interior Design	-1.0%	-15.8%	-29.4%	-7.1%
Art Galleries	-14.7%	-5.6%	-37.0%	-8.9%
Communication Arts	6.1%	9.4%	-32.6%	9.0%
Digital Media	14.5%	---	22.7%	---
Entertainment	-13.7%	6.1%	-11.8%	10.9%
Fashion	-18.9%	-10.7%	-29.5%	-8.2%
Furniture & Home Furnishings	-39.1%	-18.8%	-26.6%	-14.8%
Product/Industrial Design	26.2%	---	-1.2%	---
Toys	-21.2%	-24.8%	-25.5%	-25.5%
Visual & Performing Arts	15.5%	12.1%	2.2%	10.3%

Source: California EDD QCEW 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, 2004-2009; Number of Firms

Creative Industry	NAICS Code	Los Angeles County						Orange County					
		2004	2005	2006	2007	2008	2009	2004	2005	2006	2007	2008	2009
Architecture and Interior Design:		4,023	3,944	3,904	3,671	3,446	3,388	1,292	1,325	1,281	1,247	1,201	1,200
<i>Architectural Services</i>	54131	3,028	2,944	2,898	2,724	2,512	2,454	934	960	907	893	847	864
<i>Landscape Design</i>	54132	995	1,000	1,006	947	934	934	358	365	374	354	354	336
Art Galleries	45392	646	651	657	692	635	610	225	220	220	225	207	205
Communication Arts:		16,097	15,424	16,696	17,884	17,599	17,613	5,257	5,197	5,309	5,764	5,744	5,731
<i>Specialized Design Services</i>	5414	10,091	9,937	10,695	11,598	11,237	11,147	3,084	3,108	3,268	3,559	3,503	3,440
<i>Advertising Agencies</i>	5418	6,006	5,487	6,001	6,286	6,362	6,466	2,173	2,089	2,041	2,205	2,241	2,291
Entertainment:		15,833	16,109	17,375	17,640	17,781	16,797	1,148	1,159	1,226	1,267	1,293	1,273
<i>Sound Recording</i>	5122	2,305	2,329	2,510	2,512	2,548	2,430	223	217	228	223	230	247
<i>Broadcasting (except Internet)</i>	515	959	987	1,070	1,019	1,012	970	183	173	166	189	198	197
<i>Motion Picture/Video Production</i>	5121	12,569	12,793	13,795	14,109	14,221	13,397	742	769	832	855	865	829
Fashion:		6,793	6,803	6,627	6,653	6,251	6,069	1,402	1,400	1,304	1,355	1,272	1,287
<i>Textile Mills Manufacturing</i>	313	79	79	91	103	101	91	21	19	17	24	22	17
<i>Apparel Manufacturing</i>	315	2,381	2,277	2,115	2,167	2,039	1,963	504	461	430	442	416	422
<i>Apparel Wholesaling</i>	4243	2,683	2,662	2,645	2,645	2,424	2,401	595	599	564	590	568	540
<i>Footwear Manufacturing</i>	3162	n/d	63	59	56	53	49	n/d	6	7	9	n/d	5
<i>Other Leather and Allied Prods Mfg</i>	31699	99	107	106	123	122	105	25	22	21	20	15	16
<i>Jewelry Wholesaling</i>	42394	1,551	1,615	1,611	1,559	1,512	1,460	257	293	265	270	251	287
Furniture and Home Furnishings:		1,753	1,713	1,644	1,712	1,495	1,423	528	536	520	495	442	450
<i>Textile Product Mills</i>	314	131	116	114	153	142	127	26	33	33	29	29	25
<i>Furniture Manufacturing</i>	337	751	730	725	766	707	680	178	177	177	183	160	158
<i>Furniture Wholesaling</i>	4232	871	867	805	793	646	616	324	326	310	283	253	267
Toys:		487	444	429	390	380	366	157	143	134	122	117	117
<i>Toy Wholesaling</i>	42392	487	444	429	390	380	366	157	143	134	122	117	117
Visual and Performing Arts Providers:		56,536	60,272	61,873	64,962	64,880	63,358	7,130	7,528	7,561	8,170	8,054	7,863
<i>Performing Arts Cos.</i>	7111	2,376	2,516	2,787	3,331	3,380	3,371	336	315	402	521	528	565
<i>Agents & Managers of Artists, etc.</i>	71141	3,963	4,087	4,089	3,940	3,935	3,871	453	457	457	460	459	426
<i>Independent Artists, Writers, etc.</i>	71151	49,904	53,411	54,712	57,400	57,303	55,902	6,320	6,723	6,674	7,154	7,029	6,835
<i>Museums</i>	7121	293	258	285	291	262	214	21	33	28	35	38	37
Total Nonemployer Firms:		102,168	105,360	109,205	113,604	112,467	109,624	17,139	17,508	17,555	18,645	18,330	18,126

Source: U.S 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, 2004-2009;
Value of Shipments, Sales, or Receipts (\$billions)

Creative Industry	NAICS Code	Los Angeles County						Orange County					
		2004	2005	2006	2007	2008	2009	2004	2005	2006	2007	2008	2009
Architecture and Interior Design:		\$198.8	\$216.8	\$220.6	\$222.9	\$194.3	\$154.4	\$80.1	\$87.8	\$87.2	\$89.3	\$74.3	\$57.5
<i>Architectural Services</i>	54131	157.6	171.6	179.3	178.9	153.1	122.9	63.7	67.9	67.6	68.0	54.9	41.7
<i>Landscape Design</i>	54132	41.2	45.2	41.3	44.0	41.2	31.5	16.4	19.9	19.6	21.3	19.4	15.9
Art Galleries	45392	47.9	60.0	62.5	67.3	50.6	37.5	26.0	35.2	28.4	17.3	13.9	13.7
Communication Arts:		764.0	788.1	834.9	879.7	868.8	740.6	312.5	323.1	316.4	320.9	293.2	246.9
<i>Specialized Design Services</i>	5414	409.2	428.6	464.2	507.8	484.3	405.3	158.7	166.7	173.2	184.5	160.7	130.8
<i>Advertising Agencies</i>	5418	354.8	359.5	370.6	371.9	384.5	335.2	153.7	156.4	143.2	136.3	132.5	116.1
Entertainment:		779.2	807.5	827.4	847.4	873.4	754.7	46.2	48.3	47.5	53.7	50.2	46.7
<i>Sound Recording</i>	5122	110.7	104.9	109.7	112.1	123.1	96.9	7.0	9.5	7.9	9.7	7.2	5.7
<i>Broadcasting (except Internet)</i>	515	51.4	56.4	49.2	49.9	46.8	38.6	7.0	5.5	6.5	7.1	7.2	6.2
<i>Motion Picture/Video Production</i>	5121	617.0	646.2	668.4	685.4	703.4	619.3	32.2	33.2	33.2	36.9	35.8	34.8
Fashion:		750.9	768.7	742.8	695.5	686.4	596.2	111.5	109.2	104.4	112.1	99.2	83.3
<i>Textile Mills Manufacturing</i>	313	4.1	4.2	2.4	2.6	3.0	3.2	1.6	.3	.2	.5	.5	.4
<i>Apparel Manufacturing</i>	315	151.5	134.6	122.8	131.6	125.7	100.6	35.0	29.2	23.8	25.4	20.4	18.7
<i>Apparel Wholesaling</i>	4243	337.2	359.6	356.2	316.5	314.5	286.5	53.8	56.5	56.8	60.2	56.1	46.7
<i>Footwear Manufacturing</i>	3162	n/d	3.3	2.6	2.8	2.9	3.2	n/d	.2	.1	.3	n/d	.1
<i>Other Leather and Allied Prods Mfg</i>	31699	7.3	6.1	6.9	7.4	6.4	5.2	1.5	1.5	1.8	1.5	.9	.5
<i>Jewelry Wholesaling</i>	42394	250.8	261.0	251.8	234.6	233.9	197.4	19.6	21.5	21.6	24.3	21.3	16.8
Furniture and Home Furnishings:		140.0	145.3	131.5	140.7	115.3	105.2	51.6	52.8	51.4	47.1	39.8	34.2
<i>Textile Product Mills</i>	314	4.1	7.9	7.4	10.0	9.1	11.8	1.3	1.5	1.6	1.6	.9	1.3
<i>Furniture Manufacturing</i>	337	55.1	55.8	53.7	55.1	47.3	42.9	12.6	13.4	11.2	13.7	11.1	9.9
<i>Furniture Wholesaling</i>	4232	80.8	81.6	70.4	75.5	58.9	50.5	37.7	37.9	38.6	31.8	27.8	23.1
Toys:		50.7	44.6	41.8	36.8	33.9	30.5	12.5	11.4	9.1	9.5	6.9	8.2
<i>Toy Wholesaling</i>	42392	50.7	44.6	41.8	36.8	33.9	30.5	12.5	11.4	9.1	9.5	6.9	8.2
Visual and Performing Arts Providers:		2081.7	2298.9	2353.4	2609.1	2657.5	2451.5	157.2	168.1	171.8	195.3	181.7	163.3
<i>Performing Arts Cos.</i>	7111	136.5	142.7	160.9	181.1	194.6	165.1	8.8	10.1	14.1	23.6	14.1	12.7
<i>Agents & Managers of Artists, etc.</i>	71141	205.3	209.6	225.7	236.0	234.4	214.2	15.1	19.8	17.1	17.3	16.0	16.3
<i>Independent Artists, Writers, etc.</i>	71151	1735.0	1939.8	1959.5	2185.4	2222.6	2068.0	132.7	137.6	139.8	153.7	150.9	133.4
<i>Museums</i>	7121	4.9	6.7	7.3	6.5	5.8	4.2	.5	.6	.7	.7	.7	1.0
Total Shipments, Sales or Receipts:		\$4,813.1	\$5,130.0	\$5,214.8	\$5,499.3	\$5,480.2	\$4,870.5	\$797.7	\$836.0	\$816.1	\$845.1	\$759.2	\$653.9

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

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

Nonprofit Segment of the Creative Economy

Note: The 2010 Otis report began to include regional information on the nonprofit segment of the creative industries. Last year's report made use of results from the 2007 Economic Census. Because the U.S. Census conducts an economic census every five years, the next economic census will cover the year 2012, with results released in 2014. Thus, the following information on the nonprofit sector is unchanged from last year.

The U.S. Census Bureau's Economic Census identifies nonprofit organizations as "exempt from federal income tax." The nonprofit segment of the creative industries is concentrated in the visual and performing arts sector, specifically fine arts schools, performing arts organizations, and museums. Based on the 2007 Economic Census,



the Los Angeles-Orange County region hosted 291 nonprofit creative establishments in 2007, accounting for 18.3% of total creative establishments in these sectors. Performing arts organizations comprised the largest group of nonprofit establishments, with 125 organizations (or 43% of creative nonprofits) involved in theater, music, dance and other types of performance. Museums were the next largest group, with 87 institutions (30% of total nonprofits). In addition, there were 79 nonprofit visual and performing arts educational programs (27% of the total).

Los Angeles County had a total of 235 nonprofit creative establishments in 2007. Orange County had a total of 56 nonprofit creative establishments that year. Detailed data for each county are provided in tables 26, 26 and 27 on pages 39-41 in the Appendix.

Beyond the numbers of establishments, the Census Bureau's information about the nonprofit segment is incomplete, mostly due to the official policy of nondisclosure; the Bureau does not want to reveal key data for individual organizations. As a result of this policy, data are suppressed if they permit knowledgeable people to deduce the key figures for large institutions—like the Los Angeles Philharmonic or the Pacific Symphony of Orange County, for example—or if the segment has relatively few members. Below we summarize the limited information that is publically available for nonprofit organizations in the Los Angeles-Orange County region.

How many people work for the region's nonprofit creative institutions? Data are more transparent for some types of institutions and less about others. The total employment figure lies somewhere between 7,300 and 11,500 workers. The largest sector by employment appears to be performing arts companies, with between 3,500 and 7,500 workers, followed by museums (2,900 to 3,100 workers).

The Census was less forthcoming concerning nonprofit creative institutions' operating revenues. Here are the available details:

- Museums were the largest nonprofit creative sector in 2007 measured by revenues. In Los Angeles County alone, they took in \$497.2 million in receipts.

- Theater companies in Los Angeles and Orange counties garnered \$255.8 million that year.
- Nonprofit visual & fine arts schools in the region received \$76.8 million.
- No revenue information was available for music, dance and other performing arts organizations or for Orange County museums.

A final perspective on this segment: the number of nonprofit creative organizations in the region declined by 0.3% from 2002 to 2007. Declines occurred in two creative sectors: performing arts organizations, which decreased from 132 institutions in 2002 to 125 institutions five years later, and visual & fine arts schools (down from 88 to 79 schools). However, the number of nonprofit museums climbed from 72 to 87 institutions (a 20.8% increase) over the same period. While fewer in number, it appears that nonprofit creative institutions grew in size between 2002 and 2007, as revenues and employment levels both increased. Interestingly, total revenues of Los Angeles County museums grew by 90%, though total employment dropped by 4%.

Table 7: Los Angeles-Orange County Region Nonprofit Creative Sector, 2007

Area	Establishments	Jobs	Payroll (\$millions)	Receipts (\$millions)
Los Angeles County	235	5,900 - 8,400	---	---
Orange County	56	1,400 - 3,100	---	---
Total	291	7,300 - 11,500	---	---

Industry	Establishments	Jobs	Payroll (\$millions)	Receipts (\$millions)
Visual & Performing Arts Schools	79	900	\$21.80	\$76.80
Performing Arts Companies	125	3,500-7,500	---	---
Museums	87	2,900-3,100	97.3	497.2
Total	291	7,300 - 11,500	---	---

Source: U.S. Department of Commerce, Census Bureau, 2007 Economic Census

Where Do We Go from Here? The Creative Economy in 2015

In the preceding pages of this report we reviewed the performance of the creative economy of Los Angeles and Orange counties in 2010, which still reflected the impacts of the 2008-2009 recession. In this section, we make a preliminary projection of 2015 creative industry employment levels in Los Angeles and Orange County. We expect that 2015 will be far removed from the current economic situation. What will the creative sectors look like by then?

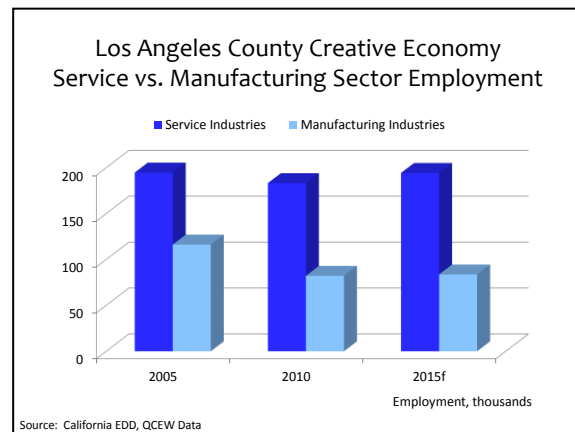
The first step in making such a projection is to consider how the overall economy will perform between 2010 and 2015. On this score, there is reason to be optimistic, as the U.S. economy will most likely *grow* during the entire five-year period. Measured by Gross Domestic Product (GDP), the rate of economic growth will be modest in 2011 (below 2%). And then pick up the pace: to around 2% in 2012, 2.5%-3% in 2013, and to the 3.5% range in 2014 and 2015.

Using this projection, GDP should exceed its pre-recession peak by early 2012. Sectors leading the economy up will be consumer spending, business purchases of equipment and software, and exports. However, housing and commercial construction are still in the doldrums. Their recovery will likely be slow during the next few years but should pick up speed by 2014/2015. Also state and local government spending will continue to lag behind due to budget problems created during the recession.

Labor markets are taking somewhat longer to get going than the overall economy. The unemployment rate in 2011 is below 2010, but remains high. Employment is growing in 2011 (at least in the private sector) after hitting bottom in early 2010, but the amount of net job creation thus far is disappointing. While this pattern of listless improvement may continue a few more months, both measures should get moving again (joblessness downward and job counts upward) later in 2012. Improvement will become more noticeable during the next three years. As for the local area, total nonfarm employment in the Los Angeles-Orange County area is projected to increase by 5.6% between 2010 and 2015.

What does this economic outlook imply for the area's creative industries? The LAEDC projects that given the trends visible today, creative industry employment in Los Angeles and Orange counties will total 352,300 jobs during 2015, up by 4.2%, or 14,300 jobs, from 2010 levels. Note that total creative employment in the two-county area declined by considerably more than this between 2005 and 2010, by 56,300 jobs or 14.3%.

Why is total creative employment in the area expected to grow less than the overall economy? One part of the answer is the creative manufacturing and retail/wholesale sectors, which are expected to add 2,200 creative industry jobs by 2015, will grow by just 1.6% over the next five years. Longer term 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 and other nations in Southeast Asia and Latin America. Also, the delayed upturn in housing and commercial construction means that demand for locally manufactured furniture and lighting fixtures and architectural design services remains stagnant. In addition, severe budget constraints and slow/no growth in the school-age population together imply that public funding for arts and arts education will be unchanged *at best* and may well decline during the forecast period.



Total creative industry employment in Los Angeles County during 2015 will be 313,900 jobs, up by 4.3% or 13,100 jobs, from 2010. This will be a much better performance than the previous five-year period, when total creative industry employment dropped by 46,600 jobs or 13.4%. The projected increase in total creative industry jobs will be dampened by slow growth in architecture and interior design and the creative manufacturing sectors and no job growth in public arts education. **Excluding manufacturing, employment in Los Angeles County's creative industries is projected to grow by 11,600 jobs, or 5.3%, by 2015.**

Table 8 on page 19 presents the 2015 projection for each sector of the creative economy in Los Angeles County. **The digital media sector is expected to grow the fastest between 2010 and 2015, with employment rising by about 10%.** This sector's employment record during the current recession--job counts were relatively stable between 2008 and 2010--is a good reason to expect a healthy rate of growth to 2015. More than video games are involved in this projection. Demand is quite strong for all types of consumer handheld devices, and interest in new applications for them is very high.

Employment in a smaller creative sector, industrial design, is expected to post growth in the 7% to 8% range between 2010 and 2015. 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.

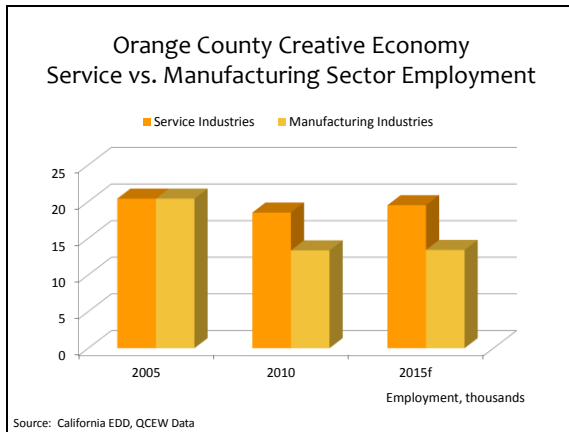
Growth will be almost as fast in the entertainment sector, with employment expected to increase by 6.6%. Much of this improvement is already visible in the county's signature motion picture production industry, as production activity and job counts have increased markedly in 2010 and 2011. The projection, then, amounts to an expectation that the current level of activity will persist through 2015. Among the other entertainment related industries, post production activity also is seen as growing, though this sector too is globalizing.

Moderately good employment growth, in the 4.5% to 5% range, is projected for art galleries, the communication arts sector³, and for visual and performing arts. Art galleries are projected to grow in numbers and staffing as a result of the economic recovery and expansion. The job-growth projection for communication arts combines a moderate recovery in employment at advertising agencies with healthy job growth in the graphic design industry. Graphic designers are employed by a large cross section of industries, more of which will be needing design services over the next several years now that the recession has ended. Jobs for graphic designers are projected to increase especially rapidly in computer systems design and in management, scientific & technical consulting services. Among the visual and performing arts industries, employment is expected to grow most rapidly, by 8%, among independent artists, writers and actors and their agents and managers. While arts education jobs at public schools, colleges and universities will show no change *at best*, employment is likely to grow somewhat at the area's privately funded creative education and training institutions. Modest employment growth 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.

Moderate employment growth, about 3%, also is projected for the fashion and architecture and interior design sectors. Employment in the architecture and interior design sector fell sharply during the recession— a casualty of the collapse in residential and commercial construction activity. However, demand for design services is expected to improve when construction activity resumes—now projected for 2013. In the fashion sector, job counts in textiles, apparel, footwear, handbag and jewelry manufacturing and wholesale are projected to remain stable or increase a bit. **The one fashion activity that will enjoy employment growth is “other specialized design services.”** This group includes fashion designers and is expected to expand rather rapidly.

³ For a study of Communication Arts employment that supplements this section, see *“An Analysis of Communication Arts Employment Across California's Industries”* that appears at the end of the 2011 Otis Report.

The two remaining sectors are heavily dependent on manufacturing activities and likely will experience no growth or declines in employment over the coming years. The trend toward retaining local design and quality control while outsourcing production overseas is well entrenched in these sectors and will continue over the next five years. This is certainly the story in the toy industry, as most toys are now designed locally and produced in China. As the economic recovery finally takes hold, demand for locally produced products will increase as well as those made abroad. Still, the furniture and home furnishings sector will continue to lose workers on net as the number of furniture retailers shrinks and production continues to move offshore. Furniture manufacturing and textile product mills are expected to report a net decline in employment by 2015, while job counts at electric lighting manufacturers will remain stable.



Employment projections for Orange County will follow a trajectory similar to that of Los Angeles over the forecast period. Table 9 on page 19 presents the 2015 forecast for each sector of the creative economy in Orange County. Total creative industry employment in the county during 2015 will be 38,400 jobs, up by 3.3% or 1,200 jobs, from 2010. This will be a better performance than the previous five-year period, when total creative industry employment dropped by 9,700 jobs or 20.6%. Here too, the projected increase in total creative industry employment will be dampened by slow growth in the creative manufacturing sectors and no job growth in public arts education.

Excluding manufacturing, employment in Orange County’s creative industries is projected to grow by 1,100 jobs, or 4.8%, by 2015.

The digital media sector is expected to exhibit the largest growth rate between 2010 and 2015, increasing by 10% and adding 500 jobs. Orange County is home to a number of digital media firms with a significant presence in computer gaming. Retail sales of computer games fell during the recession, but picked up again relatively quickly. The recession was a speed bump for digital media, but it did not impair the future development of this sector. Online gaming is growing rapidly.

Although employment in product-industrial design is small (about 400 jobs total), this sector will also exhibit strong growth, increasing by 7.5% over the next five years. Most other sectors in Orange County will grow at a more moderate pace between 2010 and 2015. Art galleries, communications arts, architecture and interior design and entertainment all will grow in the 4.0% to 5.0% range, adding approximately 500 jobs in total. Some sectors, however, display mixed results. For example, graphic design, which falls under communication arts will jump by 7.5%, while jobs at advertising agencies, also part of the communication arts sector, will increase by 4.0%. The fashion industry is expected to grow by 3.2% and to add 300 jobs. Both apparel manufacturing (!) and wholesaling will add jobs, while fashion designers will increase their ranks by 7.5%. Offsetting some of these gains will be a decline (2.5%) in textile products manufacturing.

In the visual and performing arts, independent artists and their managers will expand by 5.0%, while performing arts groups will grow by 2.0% to 3.0%. Private post-secondary visual and performing arts education employment will rise by 3.0%, reflecting limited population growth of college age young people. Employment for educators at public K-12 schools, colleges and universities will remain flat due to limited state government funding.

Furniture and home furnishings, one of the largest creative sectors in Orange County in terms of employment, is projected to contract between 2010 and 2015. The job losses in this industry are the result of a decline in the

number of manufacturing jobs. A large number of furniture manufacturing jobs have gone overseas. The delay in recovery of the housing market is contributing to the problem. Wholesaling will add a few jobs, but not enough to offset the coming declines in manufacturing. Overall growth in the toy industry, one of the county's smaller creative sectors, will be flat.

More rapid growth in creative sector employment will require a significant rebound in the regional labor market. A stronger employment outlook will help spur recovery in the housing and construction industries, which in turn will translate into increased demand for architects and interior/landscape designers. As consumers begin to feel better about job security and gain confidence in the durability of the recovery, they will channel a greater share of discretionary income to the arts and entertainment. In similar fashion, businesses will increase investment in new products and their design.

Table 8: Los Angeles County Employment Forecast 2010-2015

Creative Industry	Number of Jobs (thousands)		2010-2015 Change	
	2010	2015	Number	Percent
Architecture & Interior Design	8.6	8.8	0.3	3.0%
Art Galleries	0.7	0.8	0.0	5.0%
Communication Arts	15.4	16.1	0.8	4.9%
Digital Media	5.3	5.8	0.5	10.4%
Entertainment	119.2	127.0	7.8	6.6%
Fashion	87	89.5	2.5	2.9%
Furniture & Home Furnishings	26.5	26.0	-0.5	-1.7%
Product/Industrial Design	0.7	0.8	0.1	7.5%
Toys	4.5	4.5	0.0	0.0%
Visual & Performing Arts Providers	24.7	26.1	1.4	5.8%
Arts Education	8.3	8.4	0.1	1.2%
Totals:	300.8	313.9	13.1	4.3%

Source: California EDD, ES202 Series; forecasts by LAEDC

Table 9: Orange County Employment Forecast 2010-2015

Creative Industry	Number of Jobs (thousands)		2010-2015 Change	
	2010	2015	Number	Percent
Architecture & Interior Design	4.3	4.5	0.2	5.0%
Art Galleries	0.1	0.2	0.0	5.0%
Communication Arts	3.2	3.3	0.1	4.1%
Digital Media	4.5	4.9	0.5	10.4%
Entertainment	1.9	2.0	0.1	5.4%
Fashion	10.6	10.9	0.3	3.2%
Furniture & Home Furnishings	7.7	7.5	-0.2	-2.0%
Product/Industrial Design	0.4	0.4	0.0	7.5%
Toys	0.5	0.5	0.0	0.0%
Visual & Performing Arts Providers	2.4	2.5	0.1	3.0%
Arts Education	1.8	1.8	0.0	1.5%
Totals:	37.2	38.4	1.2	3.3%

Source: California EDD, ES202 Series; forecasts by LAEDC

Industry Snapshots

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 8,600 direct jobs in 2010. Direct revenues were estimated to be \$2.1 billion (with \$1.4 billion from architecture). Los Angeles is the home of several high-profile architects, including Frank Gehry, Thom Mayne, Michael Maltzan, Eric Owen Moss, Brenda Levin, 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 15,800 jobs and \$3.8 billion in economic output.

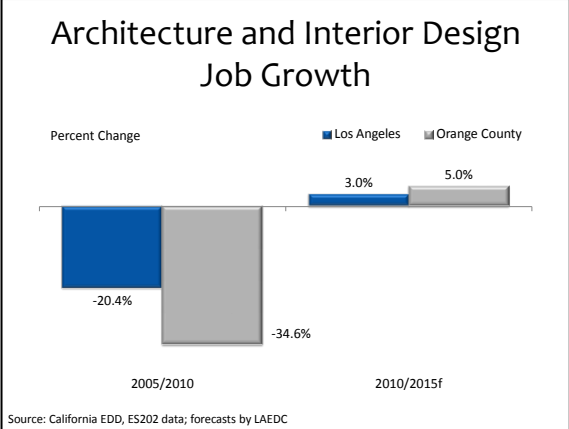
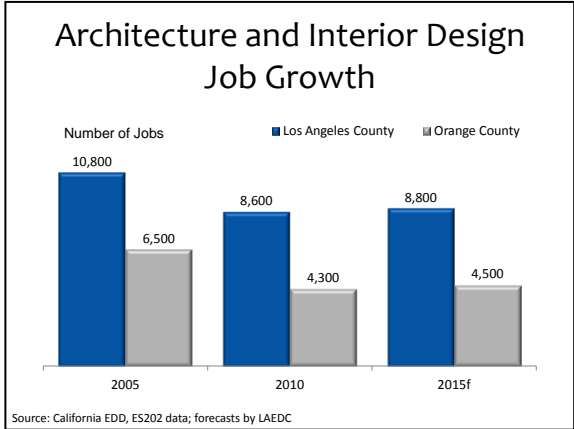
Orange County has a lot of activity in this sector as well, with 4,300 direct jobs in 2010 and estimated direct revenues of \$1.3 billion. The total economic impact included 7,500 direct and indirect jobs and output of \$2.2 billion.

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	1,598	8,600	\$666.3	3,388	\$3.8	15,800	\$74.0
Orange County	744	4,300	307.7	1,200	2.2	7,500	32.6
Total	2,342	12,900	\$974.0	4,588	\$6.1	23,300	\$106.5

Notes:

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

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



Art Galleries

There were 210 art galleries with 700 employees in Los Angeles County during 2010. Direct sales volume was estimated to be \$399 million. The total economic impact was 900 jobs and output of \$639 million. In addition, 610 “art dealers” were found in the nonemployer data for L.A. County, with sales of \$37.5 million during 2009 (latest data available). Some of these could be operating out of their homes.

In Orange County, there were 48 galleries in 2010 with estimated direct sales of \$55.3 million. The total impact of this segment of the creative industries was 200 total jobs and output of \$85 million. Also, there were 205 nonemployer art dealers in 2009, who reported sales of \$13.7 million.

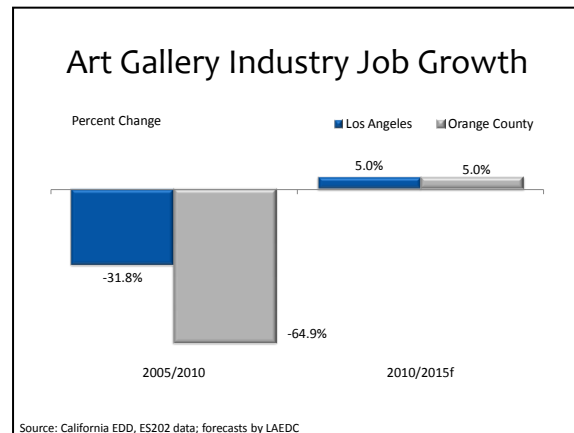
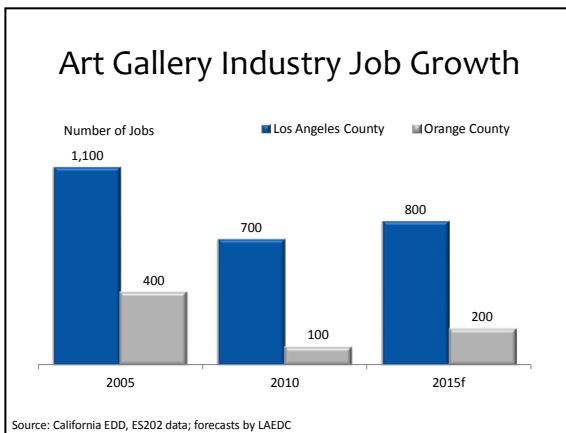
Table 11 ♦ Economic Impact of Art Galleries, 2010

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	210	700	\$39.4	610	\$0.6	900	\$3.9
Orange County	48	100	4.6	205	0.1	200	0.8
Total	258	800	\$44.0	815	\$0.7	1,100	\$4.7

Notes:

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

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



Communication Arts

Throughout the course of our day, most of us experience a continual stream of advertisements on the web, on the sides of buses, billboards and now in plastic shoe bins as we move barefoot through airport security. We carry mobile devices in cases that are bedazzled with rhinestones or covered in edgy graphics; we are persuaded to buy an energy drink because the logo catches our eye. All of these things communicate something to us or about us and were designed by someone working in the communication arts.

This diverse sector is dominated by advertising agencies and firms specializing in graphic design services⁴. Advertising agencies are the largest sector in this group. Advertising firms employ creative staff to design the content and visual elements of client ad campaigns. Employment in this sector can be volatile because layoffs commonly occur when accounts are lost, major clients cut advertising budgets or agencies merge.

Graphic arts designers are the next largest sector. Graphic designers (or graphic artists) create “visual solutions to communications problems” using both digital and print media. Graphic designers are involved in the production of magazines, newspapers, corporate reports and other publications. They also design packaging, brochures and logos for products and businesses. An increasing number of graphic designers are involved in developing material for the Internet, interactive media and multimedia projects. Within graphic design services, two of the fastest growing sectors are website design and animation.

During 2010 there were 15,400 people working directly in this sector in Los Angeles County (with 11,300 employed in advertising agencies), and direct revenues were about \$2.1 billion. The total economic impact was sizeable: 26,300 direct and indirect jobs and output of \$5.1 billion.

In Orange County, there were 3,200 people working directly in these activities, with business revenues of \$795 million. The total economic impact included 4,800 jobs and output of \$1.3 billion.

Table 12 ♦ Economic Impact of the Communication Arts Industry, 2010

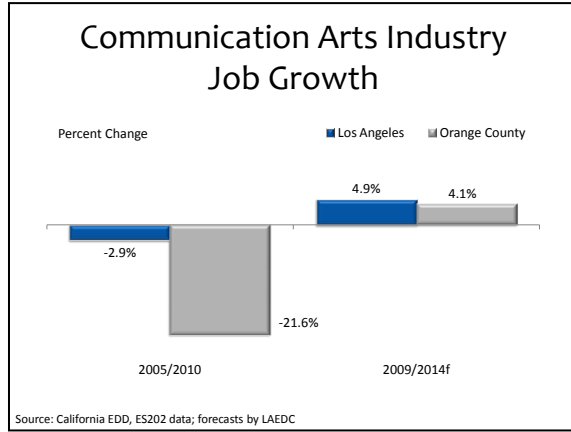
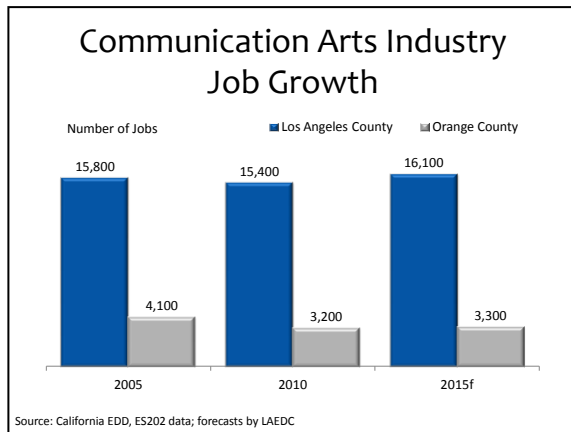
Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	1,549	15,400	\$1,504.6	17,613	\$5.1	26,300	\$165.8
Orange County	557	3,200	222.7	5,731	1.3	4,800	23.4
Total	2,106	18,600	\$1,727.3	23,344	\$6.3	31,100	\$189.3

Notes:

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

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

⁴ For a study of Communication Arts employment that supplements this section, see “An Analysis of Communication Arts Employment Across California’s Industries” that appears at the end of the 2011 Otis Report.



Digital Media

Data for employment in the digital media industry are incomplete, which is unfortunate given its potential to impact all sectors of the creative economy. A large number of software programmers (perhaps as high as 70%) are independent contractors who are not captured by the traditional data sources. Many also work for firms in other industries. This report selected software publishers as the industry that best fits this activity and identified 53 major video game producers in Los Angeles and Orange counties (see table on page 25).

Individuals working in digital media may also be employed by architectural firms creating 3D images of building designs or in the fashion industry engaged in high-tech printing of digital designs on fabrics. Others work for advertising agencies and computer systems design firms and independent specialized design companies. Additionally, with the growth of digital media in entertainment, more and more of digital artists are moving onto the payrolls of the film studios⁵.

In Los Angeles County, there were 5,300 persons directly engaged in software publishing during 2010, and sector revenues were \$4.1 billion. The total economic impact proved to be impressive: 18,900 total jobs and total economic output of \$6.8 billion.

Orange County had 4,500 people working directly in this sector in 2010, and sales of \$3.4 billion. Again, the total economic impact was large: 16,900 total jobs and economic output of \$5.6 billion.

As the demand for Internet advertising and interactive media increases, so will the demand for graphic designers, fine artists, art directors and animators. A surge in demand for multimedia artists, animators, and illustrators – especially those who are computer- and technology-savvy – is projected for 2018, due to companies' demand for advertising in online and digital formats.

-NEA Artist Employment Projection through 2018, June 2011

⁵ For a study of Digital media employment that supplements this section, see "An Analysis of Multimedia Artist and Animator Employment Across California's Industries" that appeared at the end of the 2009 Otis Report.

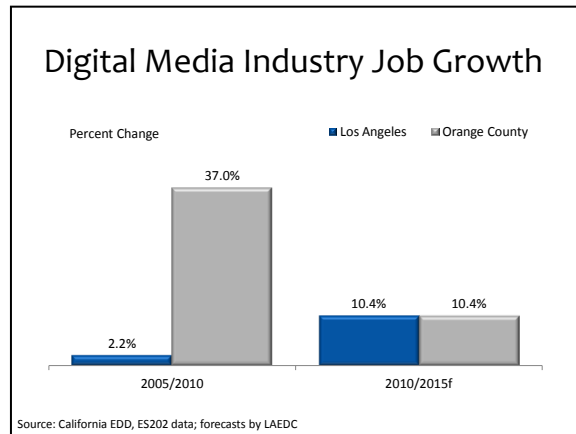
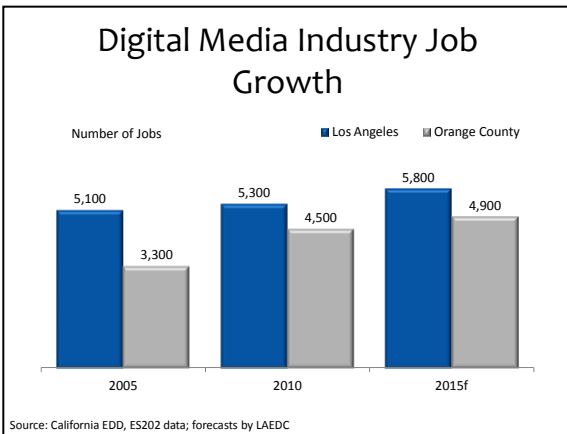
Table 13 ♦ Economic Impact of the Digital Media Industry, 2010

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	162	5,300	\$685.6	n/a	\$6.8	18,900	\$103.0
Orange County	106	4,500	643.4	n/a	5.6	16,900	89.4
Total	268	9,800	\$1,329.0	n/a	\$12.4	35,800	\$192.4

Notes:

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

Sources: California EDD, QCEW 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 this list of firms in Los Angeles and Orange counties was compiled using sources deemed reliable. Note 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)

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 (the music industry), motion picture and TV production, and cable TV broadcasting (cable networks are increasingly producing more of their own content). 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 visual and performing arts sector.

In Los Angeles County, there were 119,200 people working directly in the entertainment industry during 2010. The estimated direct sales numbers were huge, \$48.4 billion in 2010, most of which came from the film production industry. The total economic impact was 250,700 direct and indirect jobs (a high multiplier) and estimated total output of over \$71.1 billion. State and local taxes generated directly and indirectly by this sector totaled \$1.3 billion in 2010 (a reminder of why other states are trying to lure film production away).

The entertainment sector in Orange County is smaller, with 1,900 direct jobs in 2010 and estimated total revenue of \$259 million. The total economic impact was 3,700 total jobs. State and local taxes generated directly and indirectly by this sector totaled \$14.9 million in 2010.

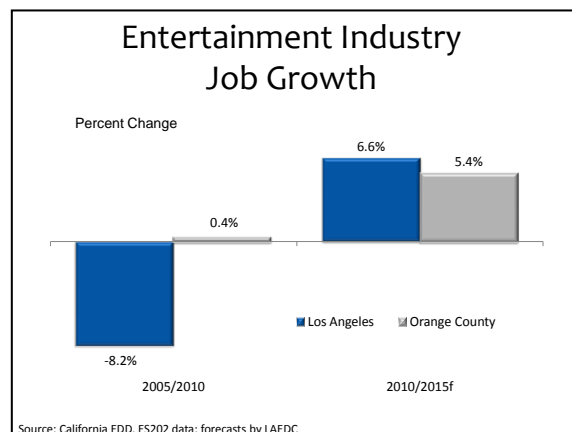
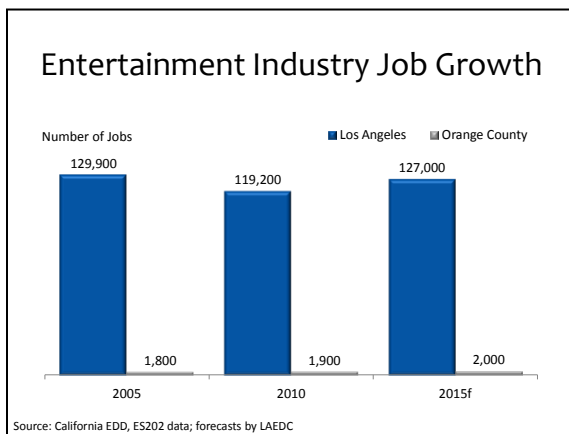
Table 14 ♦ Economic Impact of the Entertainment Industry, 2010

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	5,411	119,200	\$11,988.7	16,797	\$71.1	250,700	\$1,301.8
Orange County	177	1,900	126.5	1,273	0.4	3,700	14.9
Total	5,588	121,100	\$12,115.3	18,070	\$71.5	254,400	\$1,316.7

Notes:

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

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



Fashion

This sector includes apparel, textile and jewelry manufacturing, wholesale apparel and jewelry; as well as footwear, handbag and cosmetics production. In Southern California, the apparel industry is organized around local fashion designers whose creations are produced in Asia or Central America, and then shipped back to the U.S. through the ports of Los Angeles and Long Beach. Upon return from the manufacturer, additional processing such as quality inspections and affixing labels, takes place locally. There is also a vigorous local business in “Fast-Fashion” apparel production – a term used to describe clothing incorporating the most recent fashion trends that go from the runway to store shelves in as little as four weeks. What’s more, Los Angeles has become the global capital of premium denim (priced jeans that may sell for \$200). This is one of the few segments of fashion that remains largely American-made.

In 2010, there were 6,625 fashion related businesses in Los Angeles County, with 87,000 direct employees. Direct sales were \$32.1 billion, including \$17.2 billion from apparel wholesaling and \$5.0 billion from apparel manufacturing. The total (direct and indirect) economic impact was substantial: 149,100 direct and indirect jobs and total output of \$51.4 billion. State and local personal income and sales taxes generated directly and indirectly by this sector totaled \$443.7 million.

The fashion industry in Orange County is smaller, but manages to be quite diversified. Orange County’s best known labels include the refined designs of St. John Knits, surf- and skate- inspired sportswear makers Quiksilver, Roxy and Hurley, and swimwear maker Lunada Bay. In 2010, there were 684 fashion-related businesses with 10,600 direct employees in Orange County. State and local personal income and sales taxes generated directly and indirectly by this sector were \$40.9 million.

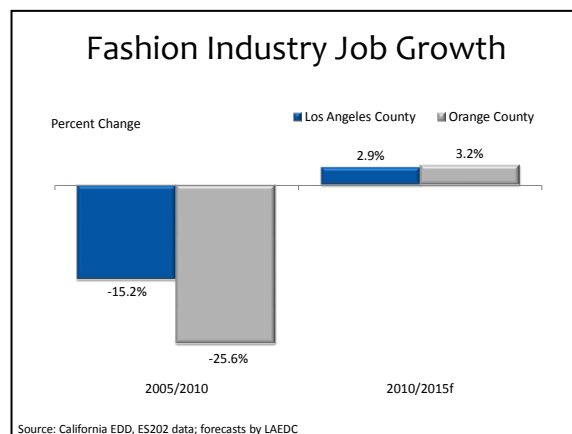
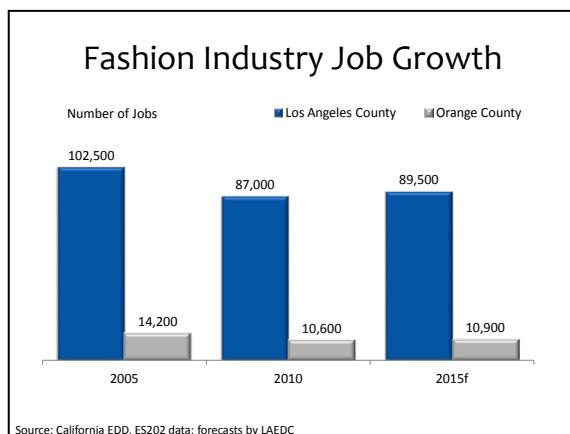
Table 15 ♦ Economic Impact of the Fashion Industry, 2010

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	6,625	87,000	\$3,514.3	6,069	\$51.4	149,100	\$443.7
Orange County	684	10,600	500.1	1,287	7.0	17,700	40.9
Total	7,309	97,600	\$4,014.4	7,356	\$58.5	166,800	\$484.6

Notes:

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

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



Furniture and Home Furnishings

This group includes firms that manufacture, warehouse, import and export furniture, the furniture “marts”, such as the Pacific Design Center and the L.A. Mart, textile products mills (e.g. sheets, towels and fabric window treatments), and china and pottery producers. Like apparel, these items are frequently designed locally, produced in Asia and shipped back to the U.S. for domestic distribution. The furniture marts have annual shows where manufacturers exhibit their products to wholesale buyers from around the nation.

In Los Angeles County, this segment had 26,500 direct employees during 2010 and estimated sales of \$9.7 billion. Furniture wholesaling (which includes import/export and warehousing as well as wholesale distribution) accounted for \$5.5 billion, and furniture manufacturing for \$2.5 billion. The total economic impact was approximately 43,700 direct and indirect jobs and output of \$15.2 billion. State and local tax revenues generated directly and indirectly by this sector were \$125.9 million.

Orange County had 7,700 people working directly in this industry during 2010 with estimated sector revenues totaling \$2.5 billion. The total economic impact was 12,400 jobs. State and local tax revenues generated directly and indirectly by the sector were \$41.2 million.

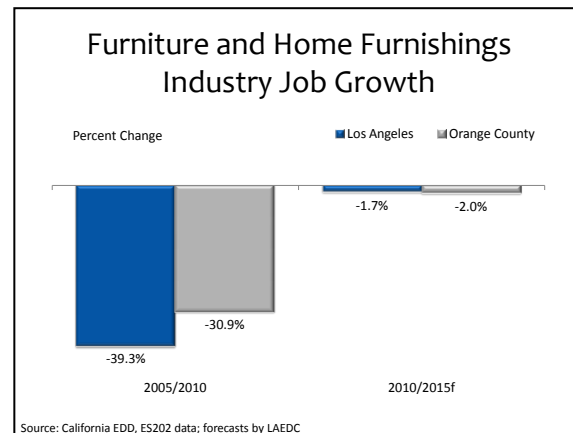
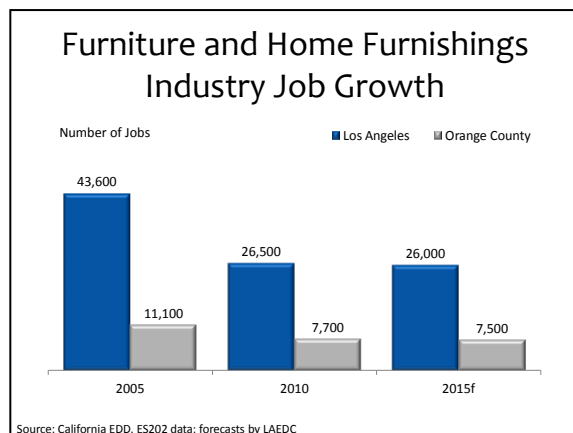
Table 16 ♦ Economic Impact of the Furniture and Home Furnishings Industry, 2010

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	1,706	26,500	\$1,053.7	1,423	\$15.2	43,700	\$125.9
Orange County	512	7,700	327.9	450	3.7	12,400	41.2
Total	2,218	34,200	\$1,381.6	1,873	\$18.9	56,100	\$167.1

Notes:

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

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



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 17 below reflect only specialized design firms that serve as outside contractors or independent consultants to manufacturers and construction firms.

Though it is difficult to quantify, the real design base in the area is much, much larger than shown⁶. A large number of designers work at the 22 automotive advanced concept studios 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. Yet, this firm is classified as a “manufacturer of other fabricated metal products”.

In Los Angeles County during 2010, there were 700 direct workers in the independent product and industrial design industry, and revenues for this activity were \$97 million. The total economic impact yielded 1,200 jobs and economic output of \$160 million. Orange County has some heft in this sector, with 400 direct jobs in 2010, and revenues of \$95 million. The total economic impact was 600 total jobs and output of \$151 million.

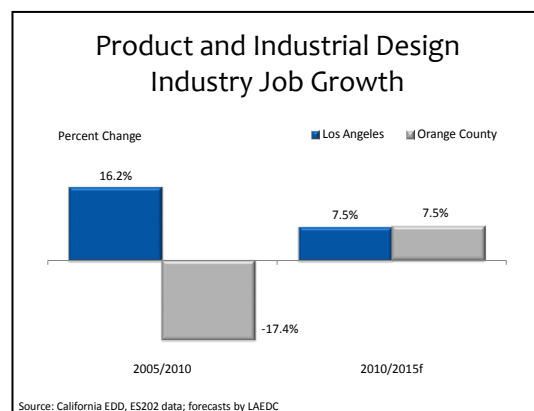
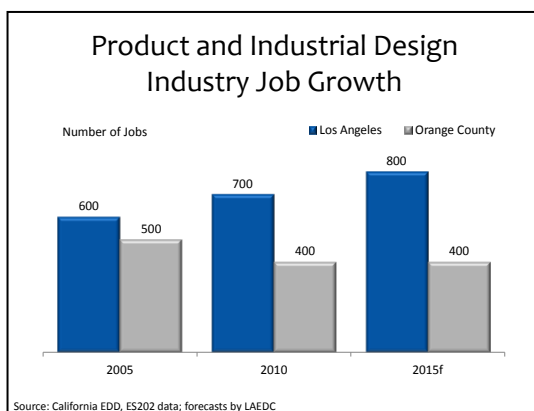
Table 17 ♦ Economic Impact of the Product/Industrial Design Industry, 2010

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	117	700	\$40.3	n/a	\$0.2	1,200	\$4.5
Orange County	55	400	35.4	n/a	0.2	600	1.7
Total	172	1,100	\$75.7	n/a	\$0.3	1,800	\$6.2

Notes:

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

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



⁶ For a study of Product and Industrial Design employment that supplements this section, see “An Analysis of Product Design Employment Across California’s Industries” that appeared at the end of the 2010 Otis Report.

Toys

While the job numbers may look modest, Southern California is a major force in the toy industry, having introduced a number of “firsts” to toy boxes the world over – including names like Barbie and Hot Wheels that have remained popular across multiple generations. The business names include Mattel (the world’s largest toy maker), Spinmaster, Jakks Pacific, Funrise, Mega Toys and Imperial Toys. Even east coast based Hasbro employs designers in Southern California. Much of the actual manufacturing takes place in Asia, but most design and marketing functions have been retained in the Los Angeles region because of the local creative talent pool and supportive training programs. The Southern California toy industry also benefits from its close ties to the area’s entertainment industry through licensing agreements with the major film studios.

In Los Angeles County, there were 4,500 direct jobs in toy manufacturing and wholesaling during 2010, while sales totaled \$4.4 billion. The total (direct and indirect) economic impact of the toy industry was 8,900 direct & indirect jobs and economic output of \$7.2 billion. Taxes associated with this industry were nearly \$47.4 million.

Toys had a much lower profile in Orange County, where there were 500 direct jobs in 2010, generating 1,000 jobs in total. State and local personal income and sales taxes generated directly and indirectly by this sector totaled \$4.8 million.

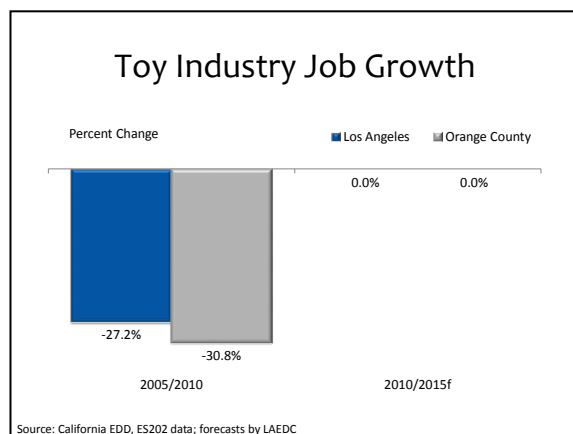
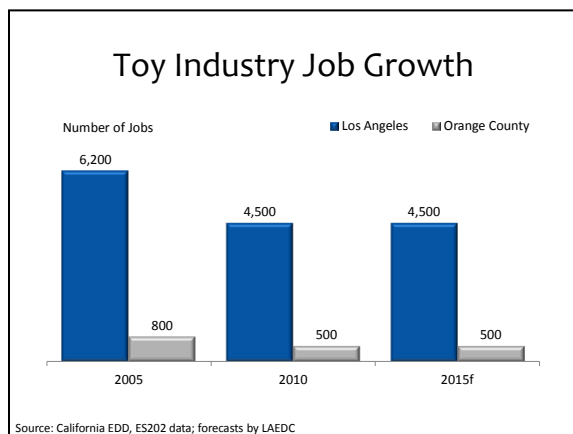
Table 18 ♦ Economic Impact of the Toy Industry, 2010

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	237	4,500	\$426.2	366	\$7.2	8,900	\$47.4
Orange County	46	500	37.7	117	0.7	1,000	4.8
Total	283	5,000	\$463.9	483	\$7.8	9,900	\$52.2

Notes:

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

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



Visual and Performing Arts

Activities in this group include theater and dance companies, musical groups, other performing arts companies and museums, as well as independent artists, writers, entertainers and their agents and managers. Many of these firms are non-profit organizations.

There were 24,700 direct jobs in this sector in Los Angeles County during 2010 and estimated revenues totaled \$10.2 billion (with \$6.3 billion earned by independent artists). The total economic impact included 45,000 direct and indirect jobs and output of \$17.4 billion. State and local tax revenues generated directly and indirectly by this sector came to \$526.4 million in 2010.

In Orange County, the visual and performing arts industry had 2,400 direct jobs with total revenues of \$448.0 million. The total direct and indirect economic impact of this industry was 3,200 jobs and output of \$800 million. The tax revenues generated directly and indirectly by this sector came to \$7.6 million in 2010.

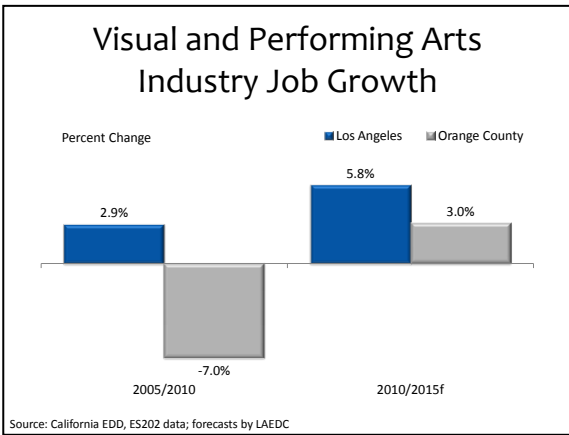
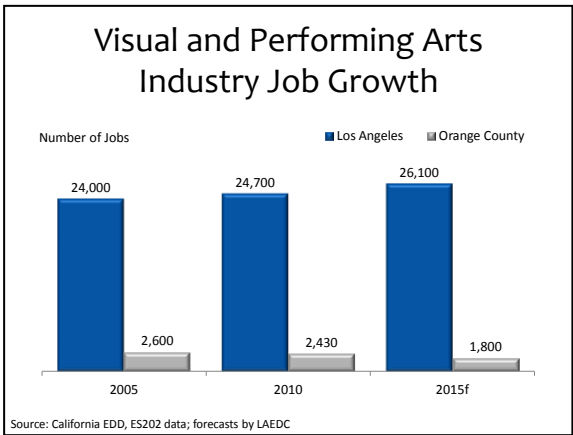
Table 19 ♦ Economic Impact of the Visual and Performing Arts Industry, 2010

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	7,686	24,700	\$4,915.1	63,358	\$17.4	45,000	\$526.4
Orange County	275	2,400	87.9	7,863	0.8	3,200	7.6
Total	7,961	27,100	\$5,002.9	71,221	\$18.2	48,200	\$533.9

Notes:

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

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



Arts Education: K-12 and Post-Secondary

The federal “No Child Left Behind Act” considers the visual and performing arts a core academic subject. Arts courses are included in the State of California’s curriculum for grades K-12. The state’s Visual and Performing Arts Content Standards were adopted in 2001. Standards incorporate both traditional means of artistic expression and newer media such as cinematography, video, and computer-generated art. In 2004, the Standards were supplemented by the Visual and Performing Arts Framework. The Framework defines the four arts components (visual arts, theater, music, dance) and provides guidelines for planning, delivering and assessing a comprehensive arts education program for all students Pre-K-12. The Framework also provides connections between the arts and other core subjects to create an integrated curriculum. While the arts are an optional high school graduation requirement in California, high school students who wish to attend the University of California or a California State University are required to complete a one year-long course in dance, music, theater or visual arts.

U.S. Employers rate creativity and innovation among the top five skills that will increase in importance over the next five years. Stimulating innovation and creativity and enabling entrepreneurship are among the top ten challenges of U.S. CEOs.

-U.S. Conference Board,
CEO Challenge Report,
2011

Arts Education at the K-12 level is obviously very important for both social and economic reasons. This year, information regarding K-12 arts educators is included in the Creative Economy Report. This information comes from the California Department of Education, and the most current data published are for the academic year 2005-6 and about public school educators only. These numbers are somewhat dated, but they do give an indication of the resources devoted to K-12 arts education just prior to the recession. At that time there were 1,972 full time equivalent (FTE) fine arts teachers in Los Angeles County or 2.5% of the total number of FTE teachers. In Orange County, the ratio was slightly higher with 629 arts educators or 3.0% of the total.

Note: These numbers include only the visual arts, theater, music and dance. The LAEDC is not able to count public education jobs in Career Technical Education (CTE) due to a lack of published data. Many CTE sectors have their roots in the arts and include courses such as video game design.

The Los Angeles-Orange County region is fortunate in the unusual richness and caliber of higher education programs available in the arts. The number of persons employed in post-secondary arts education is difficult to pin down. Individuals who work at fine and performing arts schools are reported in the EDD employment data (NAICS #61161). However, arts educators at colleges and universities and technical schools that offer degree programs in the visual and performing arts are not separated in the employment data. In 2008, the LAEDC conducted a survey of these institutions to determine the number of post-secondary arts educators (see table 21 below). Also see table 28, page 42 for a list of educational programs.

Table 20 ♦ K-12 Arts Educators, 2005-2006

Area	Visual Arts Teachers	Dance Teachers	Drama Teachers	Music Teachers	Total Arts Teachers	Total All Teachers	%Arts Teachers
Los Angeles County	1,006	63	220	683	1,972	79,424	2.5%
Orange County	294	17	82	236	629	22,090	2.8%
Total	1,300	100	302	919	2,601	101,500	5.3%

Source: California Department of Education; staff demographics data files; full-time equivalent teachers by subject area and county

Table 21 ♦ Post-Secondary Arts Educators

Area	Fine & Performing Arts Schools*	Programs at Colleges & Universities**	Programs at Technical & Trade Schools**	Total Educators
Los Angeles County	3,300	3,000	70	6,370
Orange County	900	200	---	1,100
Total	4,200	3,200	70	7,470

*Source: California EDD, QCEW Series

**LAEDC's survey of degree programs offered by visual and performing arts schools and departments in colleges/universities

Statistical Appendix

Notes on Methodology

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 fifth in the annual series. The "creative" economy examined in our reports encompasses the following ten areas: architecture and interior design, art galleries, arts education (new to the 2011 report), communication arts, digital media, entertainment, fashion, furniture and home furnishings, product and industrial design, toys, and visual and performing arts.

The 2011 report revises and updates the research carried out from 2007 through 2010. Data were collected on employment, payrolls, and revenues/shipments for all the creative economy's component sectors in Los Angeles and Orange counties. Our sources are the U.S. Bureau of the Census, the Bureau of Labor Statistics and the California Employment Development Department. Calculations were made of indirect employment⁷ and the overall economic impact of these industries using specific sector inputs from the IMPLAN model for local level economic impact analysis. State and local tax revenues generated by the creative economy were estimated by the LAEDC. An employment forecast was added to the report in 2009 and updated in 2010 and 2011. The numbers were truly impressive.

The data in the 2011 report reflect an evolutionary process over several years.

- The 2005 figures cited in the initial 2007 report for employment and payrolls were collected by the U.S. Census Bureau and were partially based on samples. The 2010 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. Because the coverage is so comprehensive, these data are the best available for this type of information.
- In addition to using employment data from the EDD, the LAEDC surveyed local universities and colleges and trade and technical schools in 2008 to learn how many faculty and staff were involved in their visual and performing arts programs. LAEDC included these people in subsequent reports. In the 2011 report, K-12 arts educators were added. However, historical comparisons based on total creative industries employment totals exclude K-12 and post-secondary educators.
- The S/S/R (sales/shipments/receipts) estimates are based on data from the 2002 and 2007 Economic Censuses. For years between the Censuses (like 2005), LAEDC adjusted the Los Angeles County and Orange County industry shares as indicated by the two censuses and increased or decreased regional sales based on the S/S/R of the various industries at the national level. For years after 2008 (such 2010), LAEDC assumed the regional creative industries' shares were maintained at the 2007 level.

⁷ 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.

- 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 in particular, and also the large motion picture industry in both counties. Because dollar numbers for some creative sectors are simply not available, all of the statements about receipts in Orange County should be considered on the low side. The actual figures are surely higher than shown.

The 2011 report also incorporates a number of changes to the LAEDC's internal methodology as regards industry definitions and economic impact analysis. These changes affect the LAEDC's economic analysis of all sectors, including the creative industries. Two different methodological changes are important in this report.

- LAEDC economists in the Kyser Center for Economic Research and Economic Policy and Analysis Group jointly undertook a painstaking research effort to identify and define 66 industry clusters that collectively cover the entire economy. The newly defined clusters were then characterized as export-oriented (customers are mostly outside Los Angeles County or Orange County), population-serving (customers are mostly businesses or residents of Los Angeles or Orange County), or resource based (reliant on natural resources of the local area).
 - The new definitions are now consistent with recent developments in cluster theory and application and are based on generally accepted practice by members of the economic research and development community.
 - Among the creative industries, entertainment and fashion are export-oriented sectors, while arts education and architecture and interior design are population-serving.
- Separately, the LAEDC Economic Policy and Analysis Group has improved its economic impact methodology, moving from government-supplied RIMS multipliers to a more sophisticated, integrated model of the Los Angeles regional economy supplied by IMPLAN. The new model has produced estimates of *total (i.e., direct and indirect)* employment tied to the creative sector in Los Angeles and Orange counties that are lower than those used in the 2010 report.

Table 22: Economic Impact of the Creative Industries, 2010

Los Angeles County Industry	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct + Indirect) Impact		
					Output (\$billions)	Jobs	Taxes* (\$millions)
Architecture/Interior Design	1,598	8,600	666.3	3,388	3.8	15,800	74.0
Art Galleries	210	700	39.4	610	0.6	900	3.9
Communication Arts	1,549	15,400	1,504.6	17,613	5.1	26,300	165.8
Digital Media	162	5,300	685.6	---	6.8	18,900	103.0
Entertainment	5,411	119,200	11,988.7	16,797	71.1	250,700	1,301.8
Fashion	6,625	87,000	3,514.3	6,069	51.4	149,100	443.7
Furniture/Home Furnishings	1,706	26,500	1,053.7	1,423	15.2	43,700	125.9
Product/Industrial Design	117	700	40.3	---	0.2	1,200	4.5
Toys	237	4,500	426.2	366	7.2	8,900	47.4
Visual and Performing Arts	7,686	24,700	4,915.1	63,358	17.4	45,200	526.4
Arts Education	387	8,300	104.7	---	0.4	11,300	21.4
Total	25,688	300,800	24,938.9	109,624	179.2	572,000	2,817.9

Orange County Industry	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2009)	Total (Direct + Indirect) Impact		
					Output (\$billions)	Jobs	Taxes* (\$millions)
Architecture/Interior Design	744	4,300	307.7	1,200	2.2	7,500	32.6
Art Galleries	48	100	4.6	205	0.1	200	0.8
Communication Arts	557	3,200	222.7	5,731	1.3	4,800	23.4
Digital Media	106	4,500	643.4	---	5.6	16,900	89.4
Entertainment	177	1,900	126.5	1,273	0.4	3,700	14.9
Fashion	684	10,600	500.1	1,287	7.0	17,700	40.9
Furniture/Home Furnishings	512	7,700	327.9	450	3.7	12,400	41.2
Product/Industrial Design	55	400	35.4	---	0.2	600	1.7
Toys	46	500	37.7	117	0.7	1,000	4.8
Visual and Performing Arts	275	2,400	87.9	7,863	0.8	3,170	7.6
Arts Education	116	1,800	16.5	---	---	2,300	10.3
Total	3,320	37,200	2,310.4	18,126	21.9	70,300	267.6

Notes:

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

Details may not add to totals due to rounding

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

Table 23: Number of Jobs in the Creative Industries of Los Angeles County, 2005 vs. 2010

Creative Industry	NAICS Code	Avg. Number of Jobs (1,000s)		2005-2010 Change	
		2005	2010	Number	Percent
Architecture and Interior Design:		10.8	8.6	-2.2	-20.4%
<i>Architectural Services</i>	54131	7.7	6.3	-1.4	-18.2%
<i>Landscape Design</i>	54132	1.2	0.8	-0.4	-32.5%
<i>Interior Design</i>	54141	1.8	1.5	-0.4	-21.0%
Art Galleries	45392	1.1	0.7	-0.3	-31.8%
Communication Arts:		15.8	15.4	-0.5	-2.9%
<i>Graphic Design</i>	54143	5.1	4.1	-1.1	-20.8%
<i>Advertising Agencies</i>	54181	10.7	11.3	0.6	5.6%
Digital Media:		5.1	5.3	0.1	2.2%
<i>Software Publishers</i>	5112	5.1	5.3	0.1	2.2%
Entertainment:		129.9	119.2	-10.7	-8.2%
<i>Sound Recording</i>	5122	3.7	3.0	-0.7	-18.1%
<i>Cable Broadcasting</i>	5152	6.1	4.3	-1.9	-30.7%
<i>Motion Picture/Video Production</i>	51211	109.3	100.8	-8.5	-7.8%
<i>Motion Picture Distribution</i>	51212	2.0	2.3	0.3	12.7%
<i>Post Production Services</i>	51219	8.8	8.9	0.1	1.7%
Fashion:		102.5	87.0	-15.5	-15.2%
<i>Textile Mills Manufacturing</i>	313	10.5	7.2	-3.3	-31.4%
<i>Apparel Manufacturing</i>	315	60.2	47.7	-12.5	-20.7%
<i>Apparel Wholesaling</i>	4243	18.2	20.5	2.3	12.5%
<i>Footwear Manufacturing</i>	3162	0.9	0.5	-0.3	-37.7%
<i>Footwear Wholesaling</i>	42434	3.0	2.6	-0.4	-12.8%
<i>Women's Handbag Manufacturing</i>	316992	0.0	0.0	0.0	-63.4%
<i>Cosmetics Manufacturing</i>	32562	4.7	4.2	-0.6	-11.7%
<i>Jewelry Manufacturing</i>	33991	2.6	1.5	-1.1	-42.3%
<i>Jewelry Wholesaling</i>	42394	4.3	3.9	-0.4	-9.5%
<i>Other Specialized Design Svc</i>	54149	1.1	1.4	0.4	32.8%
Furniture and Home Furnishings:		43.6	26.5	-17.1	-39.3%
<i>Textile Product Mills</i>	314	6.7	4.1	-2.6	-38.2%
<i>Furniture Manufacturing</i>	337	25.4	12.9	-12.5	-49.4%
<i>Furniture Wholesaling</i>	4232	9.0	7.2	-1.8	-19.7%
<i>Electric Lighting Fixtures</i>	33512	2.5	2.3	-0.3	-10.3%
Product/Industrial Design	54142	0.6	0.7	0.1	16.2%
Toys:		6.2	4.5	-1.7	-27.2%
<i>Toy Manufacturing</i>	33993	2.3	1.4	-0.9	-37.7%
<i>Toy Wholesaling</i>	42392	3.9	3.1	-0.8	-21.0%
Visual and Performing Arts Providers:		24.0	24.7	0.7	2.9%
<i>Theater Companies</i>	71111	1.4	2.0	0.6	41.4%
<i>Dance Companies</i>	71112	0.1	0.1	0.0	-17.8%
<i>Musical Groups</i>	71113	4.2	2.7	-1.6	-36.9%
<i>Other Performing Arts Cos.</i>	71119	0.0	0.1	0.1	156.3%
<i>Agents & Managers of Artists, etc.</i>	71141	4.6	6.4	1.8	39.3%
<i>Independent Artists, Writers, etc.</i>	71151	9.6	9.5	-0.1	-1.5%
<i>Museums</i>	71211	3.6	3.6	0.0	0.3%
<i>Musical Instrument Manufacturing</i>	339992	0.4	0.3	-0.1	-12.8%
Arts Education: K-12 and Post-Secondary		7.8	8.3	0.5	6.5%
<i>K-12 Arts Education †</i>	6111	2.0	2.0	---	---
<i>Fine and Performing Arts Schools</i>	61161	2.8	3.3	0.5	18.4%
<i>Programs at colleges and universities*</i>	6113	3.0	3.0	---	---
<i>Programs at technical and trade schools*</i>	6115	0.1	0.1	---	---
TOTAL		347.4	300.8	-46.6	-13.4%

† California Dept. of Education; we assume no change between 2005-2010; see methodology section for more information

* LAEDC's survey of degree programs offered by visual and performing arts schools/department in colleges/universities, trade and technical schools in Los Angeles County; we assume no change between 2005-2010; see methodology section for more information.

Source: All other employment data California EDD, Labor Market Information Division, ES202 data.

Table 24: Number of Jobs in the Creative Industries of Orange County, 2005 vs. 2010

Creative Industry	NAICS Code	Avg. Number of Jobs (1,000s)		2005-2010 Change	
		2005	2010	Number	Percent
Architecture and Interior Design:		6.5	4.3	-2.3	-34.6%
<i>Architectural Services</i>	54131	4.1	2.7	-1.4	-34.5%
<i>Landscape Design</i>	54132	1.4	0.9	-0.5	-37.6%
<i>Interior Design</i>	54141	1.0	0.7	-0.3	-31.2%
Art Galleries	45392	0.4	0.1	-0.3	-64.9%
Communication Arts:		4.1	3.2	-0.9	-21.6%
<i>Graphic Design</i>	54143	1.2	1.0	-0.2	-18.9%
<i>Advertising Agencies</i>	54181	2.8	2.2	-0.6	-22.8%
Digital Media:		3.3	4.5	1.2	37.0%
<i>Software Publishers</i>	5112	3.3	4.5	1.2	37.0%
Entertainment:		1.8	1.9	0.0	0.4%
<i>Sound Recording</i>	5122	0.1	0.1	-0.1	-36.1%
<i>Cable Broadcasting</i>	5152	1.1	1.1	0.0	3.7%
<i>Motion Picture/Video Production</i>	51211	0.6	0.6	0.0	3.4%
<i>Post-Production Services</i>	51219	0.1	0.1	0.0	0.0%
Fashion:		14.2	10.6	-3.6	-25.6%
<i>Textile Mills Manufacturing</i>	313	1.2	0.7	-0.5	-43.3%
<i>Apparel Manufacturing</i>	315	9.0	5.9	-3.1	-34.4%
<i>Apparel Wholesaling</i>	4243	2.6	3.1	0.5	21.0%
<i>Footwear Wholesaling</i>	42434	0.5	0.7	0.1	23.7%
<i>Cosmetics Manufacturing</i>	32562	0.4	0.2	-0.1	-35.1%
<i>Jewelry Manufacturing</i>	33991	0.2	0.1	-0.1	-55.6%
<i>Jewelry Wholesaling</i>	42394	0.6	0.2	-0.4	-62.2%
<i>Other Specialized Design Svc</i>	54149	0.2	0.3	0.1	52.6%
Furniture and Home Furnishings:		11.1	7.7	-3.4	-30.9%
<i>Textile Product Mills</i>	314	2.2	1.6	-0.6	-26.2%
<i>Furniture Manufacturing</i>	337	5.8	3.6	-2.2	-37.6%
<i>Furniture Wholesaling</i>	4232	1.9	1.5	-0.5	-23.8%
<i>Electric Lighting Fixtures</i>	33512	1.1	0.9	-0.2	-17.4%
Product/Industrial Design	54142	0.5	0.4	-0.1	-17.4%
Toys:		0.8	0.5	-0.2	-30.8%
<i>Toy Manufacturing</i>	33993	0.2	0.1	-0.1	-63.6%
<i>Toy Wholesaling</i>	42392	0.5	0.4	-0.1	-17.1%
Visual and Performing Arts Providers:		2.6	2.430	-0.2	-7.0%
<i>Theater Companies</i>	71111	0.8	0.7	-0.1	-10.8%
<i>Musical Groups</i>	71113	0.2	0.3	0.0	12.6%
<i>Dance & Other Performing Arts Companies</i>	71112,9	0.1	0.1	0.0	0.0%
<i>Agents & Managers of Artists, etc.</i>	71141	0.1	0.1	-0.1	-52.4%
<i>Independent Artists, Writers, etc.</i>	71151	0.8	0.7	0.0	-4.9%
<i>Museums</i>	71211	0.3	0.4	0.1	14.5%
<i>Musical Instrument Manufacturing</i>	33992	0.2	0.1	-0.1	-33.2%
Visual and Performing Arts Providers:		1.7	1.8	0.1	4.5%
<i>K-12 Arts Educators †</i>	6111	0.7	0.7	---	---
<i>Fine and Performing Arts Schools</i>	61161	0.8	0.9	0.1	9.6%
<i>Programs at colleges and universities*</i>	6113	0.2	0.2	---	---
TOTAL		46.9	37.2	-9.7	-20.6%

†California Dept. of Education; we assume no change between 2005-2010; see methodology section for more information

* LAEDC's survey of degree programs offered by visual and performing arts schools/department in colleges/universities, trade and technical schools in Los Angeles County; we assume no change between 2005-2010; see methodology section for more information.

Source: All other employment data California EDD, Labor Market Information Division, ES202 data.

Table 25: Los Angeles County Nonprofit Segment

	NAICS Code	Establishments	S/S/R (\$millions)	Annual Payroll (\$millions)	Jobs
2007					
Visual & Performing Arts Schools	61161	62	\$70.2	\$19.3	771
Performing Arts Companies	7111	105	---	---	2,500-4,999
<i>Theater Companies & Dinner Theaters</i>	71111	57	160.6	52.0	1,887
<i>Musical Groups & Artists</i>	71113	36	---	---	1,000-2,499
<i>Other</i>	71112, 71119	12	---	---	---
Museums	71211	68	497.2	97.3	2,608
Totals:		235	---	---	5,900 - 8,400
2002					
Visual & Performing Arts Schools	61161	73	\$35.0	\$10.6	607
Performing Arts Companies	7111	116	218.3	71.0	2,419
<i>Theater Companies & Dinner Theaters</i>	71111	55	121.6	37.4	1,539
<i>Musical Groups & Artists</i>	71113	48	---	---	500-999
<i>Other</i>	71112, 71119	13	---	---	---
Museums	71211	55	262.1	96.3	2,711
Totals:		244	\$515.4	\$177.9	5,737
% Change 2002 vs. 2007					
Visual & Performing Arts Schools	61161	-15.1%	100.6%	83.2%	27.0%
Performing Arts Companies	7111	-9.5%	---	---	---
<i>Theater Companies & Dinner Theaters</i>	71111	3.6%	32.0%	38.8%	22.6%
<i>Musical Groups & Artists</i>	71113	-25.0%	---	---	---
<i>Other</i>	71112, 71119	-7.7%	---	---	---
Museums	71211	23.6%	89.7%	1.0%	-3.8%
Totals:		-3.7%	---	---	---

Source: U.S. Department of Commerce, Census Bureau, 2002 and 2007 Economic Census

Table 26: Orange County Nonprofit Segment

	NAICS Code	Establishments	S/S/R (\$millions)	Annual Payroll (\$millions)	Jobs
2007					
Visual & Performing Arts Schools	61161	17	\$6.6	\$2.4	148
Performing Arts Companies	7111	20	---	---	1,000-2,499
<i>Theater Companies & Dinner Theaters</i>	71111	13	95.2	20.8	905
<i>Musical Groups & Artists</i>	71113	4	---	---	100-249
<i>Other</i>	71112, 71119	3	---	---	---
Museums	71211	19	---	---	250-499
Totals:		56	---	---	1,400 - 3,100
2002					
Visual & Performing Arts Schools	61161	15	---	---	---
Performing Arts Companies	7111	16	\$85.9	\$23.3	1,443
<i>Theater Companies & Dinner Theaters</i>	71111	7	---	---	1,000-2,499
<i>Musical Groups & Artists</i>	71113	5	---	---	100-249
<i>Other</i>	71112, 71119	4	---	---	---
Museums	71211	17	---	---	250-499
Totals:		48	---	---	1700 - 1,900
% Change 2002 vs. 2007					
Visual & Performing Arts Schools	61161	13.3%	---	---	---
Performing Arts Companies	7111	25.0%	---	---	---
<i>Theater Companies & Dinner Theaters</i>	71111	85.7%	---	---	---
<i>Musical Groups & Artists</i>	71113	-20.0%	---	---	---
<i>Other</i>	71112, 71119	-25.0%	---	---	---
Museums	71211	11.8%	---	---	---
Totals:		16.7%	---	---	---

Source: U.S. Department of Commerce, Census Bureau, 2002 and 2007 Economic Census

Table 27: Los Angeles-Orange County Region Nonprofit Segment

	NAICS Code	Establishments	S/S/R (\$millions)	Annual Payroll (\$millions)	Jobs
<u>2007</u>					
Visual & Performing Arts Schools	61161	79	\$76.8	\$21.8	919
Performing Arts Companies	7111	125	---	---	3,500-7,499
<i>Theater Companies & Dinner Theaters</i>	71111	70	255.8	72.7	2,792
<i>Musical Groups & Artists</i>	71113	40	---	---	1,100-2,749
<i>Other</i>	71112, 71119	15	---	---	---
Museums	71211	87	497.2	97.3	2,900-3,100
Totals:		291	---	---	7,300 - 11,500
<u>2002</u>					
Visual & Performing Arts Schools	61161	88	\$35.0	\$10.6	607
Performing Arts Companies	7111	132	304.2	94.4	3,862
<i>Theater Companies & Dinner Theaters</i>	71111	62	121.6	37.4	2,539-4,038
<i>Musical Groups & Artists</i>	71113	53	---	---	600-1,249
<i>Other</i>	71112, 71119	17	---	---	---
Museums	71211	72	262.1	96.3	2,961-3,210
Totals:		292	\$601.3	\$201.2	7,400-7,700
<u>% Change 2002 vs. 2007</u>					
Visual & Performing Arts Schools	61161	-10.2%	119.4%	106.3%	51.4%
Performing Arts Companies	7111	-5.3%	---	---	---
<i>Theater Companies & Dinner Theaters</i>	71111	12.9%	110.3%	94.3%	---
<i>Musical Groups & Artists</i>	71113	-24.5%	---	---	---
<i>Other</i>	71112, 71119	-11.8%	---	---	---
Museums	71211	20.8%	89.7%	1.0%	---
Totals:		-0.3%	---	---	---

Source: U.S. Department of Commerce, Census Bureau, 2002 and 2007 Economic Census

Table 28: Universities, Colleges, Trade & Technical Schools in L.A. & Orange Counties Offering Degree Programs in the Creative Industries, 2010 (includes non-profit & for-profit institutions)

Independent Visual and Performing Arts Colleges	
Art Center College of Design	Laguna College of Art and Design
California Institute of the Arts	New York Film Academy, Los Angeles
The Colburn School	Otis College of Art and Design
Columbia College Hollywood	Southern Calif. Institute of Architecture
L.A. Film School	
Colleges and Universities	
American Film Institute	Mount St. Mary's College
Azusa Pacific University	Occidental College
Biola University	Pepperdine University
Calif. State Polytechnic University, Pomona	Pitzer College
Calif. State University, Dominguez Hills	Pomona College
Calif. State University, Fullerton	Scripps College
Calif. State University, Long Beach	University of California, Irvine
Calif. State University, Los Angeles	University of California, Los Angeles
Calif. State University, Northridge	University of LaVerne
Chapman University	University of Redlands
Claremont Graduate University	University of Southern California
Claremont McKenna College	Vanguard University of So. California
Concordia University, Irvine	Whittier College
Loyola Marymount University	Woodbury University
Community Colleges	
Cerritos College	Los Angeles Harbor College
Citrus College	Los Angeles Mission College
Coastline Community College	Los Angeles Pierce College
College of the Canyons	Los Angeles Southwest College
Cypress College	Los Angeles Trade & Technical College
East Los Angeles College	Los Angeles Valley College
El Camino College	Moorpark College
Fashion Institute of Design and Merchandising, Los Angeles	Orange Coast College
Fashion Institute of Design and Merchandising, Orange County	Pasadena City College
Fullerton College	Rio Hondo College
Glendale Community College	Saddleback College
Golden West College	Santa Ana College
Irvine Valley College	Santa Monica College
Los Angeles City College	Santiago Canyon College
	West Los Angeles College

OPPORTUNITIES IN THE ARTS ARE LARGER THAN THEY APPEAR: AN ANALYSIS OF COMMUNICATION ARTS EMPLOYMENT ACROSS CALIFORNIA'S INDUSTRIES



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November 2011

This is third in a series of special studies on creative economy occupations commissioned by Otis College of Art and Design (www.otis.edu) to accompany the annual *Otis Report on the Creative Economy of the Los Angeles Region*. The inaugural study in 2009 covered digital artists and animators. In 2010, the study focused on product design.

Anita Baldwin (name invented) is 17 and in her last semester of her junior year in high school. When she tells her parents that she wants to attend an art school to major in Communication Arts, her dad says skeptically “What will you do for a living with a degree in Communication Arts? Go to business school like I did!” and he turns back to his *Los Angeles Times*. Her mom shrugs and opens her to her favorite website, and Anita goes upstairs to decide which T-shirt and sneakers to wear to school. She turns on the TV in her room and sings along with her favorite commercial, grabs her cell phone with its funky cover, shoots a glance at the band poster on the back of the door, and heads out for the public bus (which is wrapped in an ad for a new TV show). Along the way, Anita watches the billboards touting the upcoming movies and that cool new energy drink with the great looking logo. Her parents will experience the same kinds of visual input during their day as well because everything we see or touch has a designer behind it.

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 2011 Otis Report on the Creative Economy of the Los Angeles Region. They use two industries for Communications Arts: Advertising Agencies and Specialized Design Services.

The purpose of this analysis is to look at how artists and designers within the broad scope of Communication Arts are employed across industry sectors in various occupational categories with a specific emphasis on graphic designers.

Fortunately, the government also tracks employment by occupation regardless of industry. The U.S. Department of Labor Bureau of Labor Statistics lists at least seven specific occupations within communication arts; Graphic Designers, Art Directors, Illustrators, Advertising Managers, Photographers, Multimedia Artists, and Set and Exhibit Designers. In addition, they have two broad occupations called “Designers, All Other” and “Artists and Related Workers - Other.”

*Graphic designers—or graphic artists—plan, analyze, and create visual solutions to communications problems. They find the most effective way to get messages across in print and electronic media using color, type, illustration, photography, animation, and various print and layout techniques. Graphic designers develop the overall layout and production design of magazines, newspapers, journals, corporate reports, and other publications. They also produce promotional displays, packaging, and marketing brochures for products and services, design distinctive logos for products and businesses, and develop signs and signage systems—called environmental graphics—for business and government. An increasing number of graphic designers also develop material for Internet Web pages, interactive media, and multimedia projects. Graphic designers also may produce the credits that appear before and after television programs and movies.*⁸

Although overall unemployment is high (in California it stood at 12.1% in September 2011 and 9.1% nationally) the job prospects for Communication Arts professionals continue to be excellent.

⁸ Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook, 2010-11 Edition*, Graphic Designers, on the Internet at <http://www.bls.gov/oco/ocos090.htm>.

Nationally, total employment of graphic designers stands at 192,000 as of May 2010. The U. S. Bureau of Labor Statistics projects a 13% growth between 2008 and 2018. The California Labor Market Information Division reports that graphic designers in California are expected to grow by 7.7% during the same time period. California currently employs about 14% of all the graphic designers in the United States or 26,390. New York is second with 18,970 graphic design employees. However, keep in mind that nearly 27% of graphic designers are self-employed and therefore they are not included in the direct employment figures. As the LAEDC 2011 Creative Economy Report states: “In the dry vernacular of government statisticians, these people are classified as ‘nonemployer firms’ – that is, firms consisting of one person with revenues but no additional employees.” Their research shows over 17,000 of these non-employer firms in Communication Arts industries in Los Angeles County alone. Using their ratio of 109.4%, we are estimating the total number of graphic designers currently working in California at over 55,000.

Projections of job growth provide valuable insight into future employment opportunities because each new job created is an opening for a worker entering an occupation. However, opportunities also arise when workers leave their occupations and need to be replaced. In most occupations, replacement needs provide many more job openings than employment growth does.

Occupation	2008 Employment	Projected 2018 (percent change)	Average Annual Openings (due to growth and replacements)
Art Directors	84,200	94,000 (11.6%)	2,870
Graphic Designers	286,100	323,100 (12.9%)	12,400
Set and Exhibit Designers	10,900	12,700 (16.5%)	510

Source: BLS National Employment Matrix; Occupational Supply Demand System, Georgia State University for the Department of Labor

Are our educational institutions training enough workers to fill the expected demand? The answer appears to be “not quite.” According to the National Center for Educational Statistics, the total number of graduates in graphic design and illustration with bachelor degrees and above for the 2008-09 year amounted to just under 9,000 nationally.

Another positive element is that graphic designers are well paid across the state. The median annual wage is \$52,672, with the highest wages in San Francisco and the Silicon Valley (approximately \$71,000). Los Angeles comes in at \$51,900 and Orange County is at \$52,924. Such figures compare well to the median annual wage for all California payroll workers which is \$50,132. From 2005 to 2010, graphic designers’ median annual wages went up 21% compared to 19% for all workers in California. The Consumer Price Index went up 16% during that same period.

Graphic Designers are employed in 19 broad industry sectors and just over 300 different industries. Nearly every industry produces some type of print, web, television, outdoor, location-based advertising or visual communication. Clothing, footwear and furniture all have graphic designers somewhere in the production pipeline.

An example of the pervasive nature of graphic design can be found in their industry awards. Every year since 1920, the Art Directors Club Annual Awards identifies and honors the best work of the year in visual communications. ADC's first call for entries in 1920 included just three categories—black and white illustration and design, paintings and drawings in color, and posters of all sizes. Today, there are 220 categories spanning all areas in print and broadcast advertising, interactive media, graphic design, publication design, packaging, photography and illustration.

Another example is the employment of alumni from the Otis College of Art and Design. A recent review of the occupations of our alumni reveal a wide variety of graphic design employment for art museums, transit agencies, banks, universities, skin care lines, apparel companies, and major sports teams. Otis graduates work as packaging and web designers for retailers, broadcasting companies, and hospitals. They also teach at all levels and use art in therapeutic environments.

The chart below covers industries with the highest levels of graphic designer employment:

Industry	Employment	Percent of industry employment	Hourly mean wage	Annual mean wage ⁹
Specialized Design Services	25,360	22.23	\$24.18	\$50,300
Newspaper, Periodical, Book, & Directory Publishers	24,920	4.94	\$20.28	\$42,180
Advertising, Public Relations, and Related Services	21,410	5.24	\$23.63	\$49,150
Printing and Related Support Activities	16,180	3.27	\$19.24	\$40,010
Computer Systems Design and Related Services	8,570	0.60	\$26.92	\$56,000

⁹ Annual wages have been calculated by multiplying the hourly mean wage by a "year-round, full-time" hours figure of 2,080 hours; for those occupations where there is not an hourly mean wage published, the annual wage has been directly calculated from the reported survey data.

Industries with the highest concentration of graphic designers:

Industry	Employment	Percent of industry employment	Hourly mean wage	Annual mean wage
Specialized Design Services	25,360	22.23	\$24.18	\$50,300
Advertising, Public Relations, and Related Services	21,410	5.24	\$23.63	\$49,150
Newspaper, Periodical, Book, and Directory Publishers	24,920	4.94	\$20.28	\$42,180
Printing and Related Support Activities	16,180	3.27	\$19.24	\$40,010
Other Miscellaneous Manufacturing	6,510	2.45	\$18.93	\$39,370

Top paying industries for graphic designers:

Industry	Employment	Percent of industry employment	Hourly mean wage	Annual mean wage
Federal Executive Branch (OES Designation)	1,680	0.08	\$36.45	\$75,810
Amusement Parks and Arcades	70	0.04	\$31.68	\$65,890
Computer and Peripheral Equipment Manufacturing	230	0.15	\$30.81	\$64,080
Natural Gas Distribution	40	0.04	\$30.78	\$64,020
Monetary Authorities-Central Bank	40	0.19	\$30.32	\$63,060

Except for specialized design services and advertising agencies, these industry sectors are not covered in the 2011 Report on the Creative Economy because their end products are not part of a defined “creative sector.” It is particularly interesting to note the large increase in specialized design services. One explanation might be that companies may be reducing or eliminating in-house design staff in favor of smaller specialized firms that only do design. These firms will provide design services for many different clients – perhaps in many different industry sectors.

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 LAEDC Report is that while manufacturing is experiencing continued decreases in employment, companies are retaining design and/or research and development units in Southern California. They further cite that the region has a competitive advantage in creativity.

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. These industries all rely on a continuous supply of innovation, inspiration and new ideas. An important concern is ensuring that our young people are provided with a robust and well-supported arts education throughout their K-12 years. With the proper care and feeding, Southern California should be able to continue its prominence in this field.