

OTIS

Otis College of Art and Design

2012

OTIS REPORT

on the

CREATIVE ECONOMY

of the

LOS ANGELES REGION

*The
Fast Facts:*

*The 4th largest
industry cluster
out of 66 in
Los Angeles County*

*664,000 direct and
indirect jobs – one in
every eight in
the region*

*Total economic
output of \$230.7
billion in Los Angeles
and Orange Counties*

*Over \$3.3 billion
in state and local tax
revenues generated*

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Commissioned by Otis College of Art and Design

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MULTI-SECTOR COALITION FOR THE CREATIVE ECONOMY OF OUR REGION

The *2012 Otis Report on the Creative Economy of the Los Angeles Region* is the sixth edition of an annual report commissioned by Otis College of Art and Design to do the impossible: quantify creativity by analyzing the financial impact of creative industries and practitioners in the Los Angeles region. It puts real numbers to creativity.

The findings continue to astound. The economy driven by the arts, design, and entertainment again ranks 4th out of 66 industry clusters in L.A. County. Supporting one in eight jobs in the region in 2011, the creative economy had a total regional output of \$230 billion in revenues. The creative economy is undeniably powerful in Southern California. Like sunshine and diversity, creativity is a defining resource of our region.

And like sunshine and diversity, the creative economy appears to be naturally occurring here and thus has been largely taken for granted. The reality is that the current competitive advantage of our region cannot be assumed going forward. According to the Public Policy Institute of California, the State of California is not educating a sufficient supply of workers for an economy that is shifting toward higher-skill jobs and away from lower-skill jobs. In 2025, that gap could reach a million. In addition, global competition for creative innovation and services is fast emerging. Only consider how aggressive China and Singapore have been in developing digital effects services to understand the extent to which Southern California's dominance is being challenged in one creative field. Our dominance in other creative fields is being similarly challenged.

The conclusion to be drawn is clear. **We must invest—proactively invest—in the creative economy to assure our region's future, and we must do this in three main ways.**

First, we must invest in our place. Southern California is a high-cost, high-benefit destination. Even with a business climate that perennially ranks low in national studies, our regional economic performance is surprisingly strong. This fact has certainly contributed to a lack of proactive policies and support, but what is our opportunity cost? If the cost of doing business is lowered, if we actively incubate and support innovative enterprises, the sky is the limit for the Los Angeles region. Can we afford not to grow our creative sector as the region seeks economic wellbeing?

Second, we must invest in our people. We have entered an age of idea-making that emphasizes originality that cannot easily be outsourced, and we are in a new economy that demands a creative and skilled workforce. Education is key to our formula for success. In a region with a richly diverse population, education of a creative workforce is also a great social-economic equalizer, because through the development of their innate creativity, young people of modest and immigrant backgrounds can advance themselves and their families. At Otis, we know this for a fact because of the success of our alumni, many of whom were first-time college attendees in their families and now help the creative economy thrive.

Third, we must make these investments together, as a coalition of creative drivers. Who are the “We” that must make this investment? WE have to be all of us. WE have to be a coalition from across sectors because everyone's interest is at stake and everyone's investment counts. Companies want a first-rate workforce and an abundant supply of innovators. County and city governments desire more businesses and tourists, jobs, and revenues. Philanthropic foundations hope to see an increasingly equitable, sustainable and healthy society with full participation of all its people. Academia and other non-profits look to fulfill our educational and service mission along similar goals. Last but not least, independent entrepreneurs and creative professionals relish a supportive and fertile environment in which their ideas and practices can flourish.

Obviously, each sector has been doing great work to further our respective purposes and interests. Cross-sector dialogs and partnership for common regional interests, however, have been limited. As economic and social paradigms shift all around us, it is time for regional forces to unite in recognizing the ecological whole that we need to jointly foster if we are to succeed individually. There are encouraging models emerging:

- The Getty's Pacific Standard Time regional initiative, with the partnership of cultural organizations a multi-sector participation across Southern California, is a groundbreaking example. Its recent economic impact study reported an addition of \$280.5 million in revenues, a support of 2,490 jobs, and \$19.4 million in tax revenues for state and local governments.
- Google's YouTube Space L.A., where the 2012 Otis Report launch event takes place, will serve as a collaborative, creative facility for established and emerging YouTube channel partners. The Space, which exists in a 41,000 square foot former aircraft hangar, is a place where partners can collaborate with fellow creators, learn from industry experts, and access state-of-the-art equipment. It is a bold new type of industry space where a global company works to support local creative partners and foster a skilled creative community, with direct impact on economic revenues and innovative content. It is for certain that this single facility will be worth Google's investment while empowering numerous small business entrepreneurs.
- The formation of the five-sector Creative Economy Convergence Task Force in summer 2012 is yet another great example. The Task Force began with a private entrepreneur, Tyler Stonebreaker, inspired by the Otis Report, approaching the Los Angeles Mayor's Office about efforts to bring the private sector in dialog with other sectors to support the creative economy and to make it more accessible for diverse Angelenos. The self-organizing Task Force is now a regional project co-led by leaders from local government, academia, and private enterprise.

My hope is that these are just the beginnings of regional collaborations, some of which will be born through this year's Otis Report convening of forward-thinking leaders from the private sector, public offices, philanthropy arts and entertainment, academia, and non-profits. **The Otis Report provides the data. We drive the action.**

The 2012 Otis Report event* aims to stimulate a cross-sector dialog that inspires action following three presentations:

- Robert Kleinhenz, Chief Economist of the Los Angeles County Economic Development Corporation, will present the highlights from the 2012 Otis Report and discuss the five-year trends in our region.
- Ann Markusen, noted research economist and the author of the commissioned piece that accompanies the 2012 Otis Report, *City Creative Industry Strategies*, will present national models of city strategies to stimulate and support the creative sector.
- Mark Lacter, editor of *LA Biz Observed* and a contributor to *Los Angeles Magazine*, *Fast Company* and *Financial Times*, will present his reflections on our regional creative economy and moderate a conversation in the room.

It has often been said that Los Angeles is the American city of the future – a harbinger for the rest of the nation. Let us lead in finding ways to parlay the native strengths of our creative capital for the social and economic health of a region and further build our already vibrant creative economy for the good of all.

**Highlights from the 2012 Otis Report event can be viewed on the Otis Report website: www.otis.edu/econreport.*

Acknowledgements

I express heartfelt gratitude to the following supporters whose generous contributions have made possible the 2012 Otis Report and report event.

Our two lead sponsors, Google and Mattel, are joined by Boeing, Carol Anderson by Invitation (CABI), City National Bank, Coaster Fine Furniture, Department of Cultural Affairs of the City of Los Angeles, Disney, Hurley, The James Irvine Foundation, Miss Me, Nike, Ovation, the San Pedro Wholesale Mart, and Sony Pictures Entertainment.

This network of sponsors includes public, private, and philanthropic forces, as well as global corporations, smaller private entrepreneurial enterprises, and non-profits.

It is precisely this kind of coalition effort that is required to build the creative capital of the Los Angeles region in people, in communities and in industries. We are fortunate to have such enlightened leaders that understand and nourish the creative economy.

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

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

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The Creative Economy of the Los Angeles Region

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.

The creative economy also includes organizations that provide a venue for artists to share their work with the public such as museums, art galleries and theaters. 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, success in these three industries depends on good design.

The final piece of the creative economy consists of the support system that sustains creative activity: arts programs in K-12 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.

The creative economy is undeniably important to the region’s economic growth. Creativity is one of the Los Angeles region’s greatest economic assets. Having a creative edge supports economic prosperity. The market value of products and services is increasingly determined by a product’s uniqueness, performance and aesthetic appeal. More companies are seeking employees with creativity as well as problem solving and communications skills. Business location decisions are also influenced by factors such as the availability of a creative workforce and the quality of life available to employees. The talent that drives the creative economy provides a 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 encourage innovation which, in turn, fosters economic growth. Furthermore, the creative talent pool in the region is not as vulnerable to going “offshore.” Historically, the development of advanced technologies that increase productivity was seen as a pathway to better jobs, but that is no longer necessarily true. 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 so easily. Creativity also serves to build both brand awareness and an attractive living environment to entice talented people to a region.

When one thinks of Los Angeles, the signature industries that most frequently come to mind are tourism and entertainment. But what draws nearly 27 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. There are linkages between manufacturing, international trade, and even commercial real estate. Moreover, cultural spaces can become hubs for civic engagement. In this role cultural spaces can develop into a powerful community revitalization asset, especially in economically distressed neighborhoods.

About 664,000 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 \$120.9 billion in direct revenues during 2011, while Orange County accounted for an estimated \$14.5 billion. California and local governments received an estimated \$3.3 billion in taxes tied to these activities. When indirect revenues were added, the total economic output of the regional creative economy reached an estimate of \$230.7 billion.

With 304,000 direct employees in Los Angeles County, if creative industries were an industry cluster (rather than an amalgamation of industries across industry clusters), they would rank fourth out of 66 industry clusters, behind health services (385,400 jobs in 2011), local commercial services i.e. business to business services (358,100 jobs) and local hospitality establishments (311,400 jobs).

Because creativity is a dynamic function of humanity, the creative economy is a vibrant and vital force in society. Our intellect and aesthetic sensibilities lead us to express through the arts, problem solve through design, and seek out what is beautiful and original. 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 fundamental to economic growth and prosperity.

National & Global Economic Context

While this is a report about the creative economy of Los Angeles and Orange counties, the links that exist between the regional, national and global economies must be considered in this analysis; to do otherwise would leave the reader with an incomplete picture of the role played by the creative industries in the economy of the greater Los Angeles region.

Economic growth in the United States is expanding at a very moderate rate. Gross domestic product (GDP) expanded at an average rate of 1.8% during the first three quarters of this year. Annual GDP growth for 2012 should reach 2.0%. Growth will be slightly weaker in 2013 (1.9%), before rebounding to 2.8% in 2014.

The U.S. unemployment rate seems to be tethered at or near 8.0%. U.S. gross domestic product is expanding but not enough to create jobs and bring the unemployment rate down to the Federal Reserve's target rate of 6.0% (i.e. full employment) in a timely manner. The economy would need to grow at a rate of 3.0% to 4.0% in order to achieve full employment. This equates to a rate of job creation of 2.5% or about 350,000 jobs per month. Year-to-date, through October 2012, the economy has added an average of 157,000 jobs per month, a growth rate of 1.5%.

The two largest drivers of growth since the beginning of the recovery period, exports and business fixed investment, are no longer leading the recovery. A combination of slower growth around the world and a stronger U.S. dollar is dampening demand for U.S. exports. Business investment in capital equipment is slowing and leading indicators suggest the pace of spending on business structures will slow in 2013.

Vehicles and housing have become the new bright spots. Sales of motor vehicles reached a new post-recession peak in September and the housing recovery is finally underway. Household formation is reviving despite sluggish employment growth, and demand is spreading from rental units to owner-occupied housing. Inventories of unsold homes are falling, home prices are rising and housing permits and starts are trending up.

The headline rate of inflation was 0.6% in September (-0.1% less food and energy). Over the 12 months ending in September, inflation was up by 2.0%, well within the Federal Reserve's comfort zone. The low rate of inflation gives policy makers additional flexibility, but at this point, inflation remains a nonissue. Stronger consumer demand rather than looser monetary policy would do more to boost the economy, but both consumers and businesses are holding back on spending and investment. Uncertainty over the weak global economy, and domestic fiscal and monetary policy combined with this being an election year, are all contributing to this atmosphere of uncertainty.

Another roadblock is the looming "fiscal cliff" i.e. the end of the Bush-era tax cuts, the temporary payroll tax cut and the extension of unemployment benefits. There is also \$1.2 trillion in budget cuts set to go into effect over 2013-2021 (sequestration). Ending the tax credits and making budget cuts are inherently contractionary policies. The Fed is doing what it can to support the economy and has announced that it will keep the Federal Funds rate at near zero percent until mid-2015, but at this point it is questionable whether further easing of monetary policy will stimulate faster economic growth and job creation.

Looking abroad, although the Eurozone sovereign-debt crisis seems to be never ending, the recent decision by the European Central Bank to backstop Italian and Spanish bonds has significantly reduced the risk of a Greek exit and/or a Spanish request for a bail out from spiraling out of control and dragging down Italy and the rest of the Eurozone. Once the Greek and Spanish crises are resolved, the level of uncertainty in Europe will diminish.

In Asia, growth has slowed. China posted a relatively tepid growth rate of 7.4% in the third quarter. In response, many countries in Asia and Latin America have put additional monetary and fiscal stimulus programs into place. Another boost for many emerging markets that rely heavily on exports is the recent decline in their currencies relative to the U.S. Dollar.

The good news is that the underlying fundamentals of recovery are in place in many parts of the world. The most likely timing for a growth rebound is late 2013 and early 2014. At the global level, the balance of economic forces is beginning to move in a more positive direction.

In the pages that follow, the LAEDC documents the creative industries' progress through the recovery period and future prospects. Although a number of creative industries continue to struggle, growth is becoming broader based. The economy will return to center stage on page 20, 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 2016. A preview: the next five years look better with improving job trends expected in most sectors.

Employment

In 2011, there were 304,000 people in Los Angeles County who worked directly in the creative industries. By sector, the largest employment counts in 2011 were in entertainment (120,400 jobs); fashion (85,600 jobs); furniture/home furnishings (26,600 jobs) and visual and performing arts providers (26,200 jobs). Although the entertainment industry employed the greatest number of workers by far – nearly 40% of total employment¹, the creative economy is diversified in jobs distribution among many industries.

That may sound like a lot of jobs, but direct employment is only part of the story. Every job in the creative sector supports or sustains other indirect jobs in the region. Direct employees are those who actually work in the creative industries of Los Angeles and Orange counties. Indirect jobs are created when firms in these industries make purchases from their suppliers and vendors. Additional induced jobs are generated when the direct and indirect employees spend their wages on consumer goods and services.

Direct and indirect employment in the creative industries based in Los Angeles County totaled 589,600 jobs in 2011. This fact points to another aspect of the creative industries – they have a high multiplier effect. That is, each direct job supports roughly 0.94 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 employed 37,500 direct workers in 2011. In contrast to Los Angeles County, the largest employment sector was fashion with 10,200 jobs, followed by furniture and home furnishings with 7,600 jobs and digital media with 4,900 jobs.

Direct and indirect employment in the creative industries located in Orange County totaled an estimated 74,400 jobs. The multiplier effect was slightly higher than in Los Angeles County at 0.98 indirect jobs for every direct job.

There were more **direct** jobs in the creative industries in Los Angeles and Orange Counties than:

All 2011 nonfarm payroll in the Fresno Metro Area (279,900 jobs)

All 2011 nonfarm payroll in the state of Alaska (328,800 jobs)

◆ ◆ ◆

Direct and **indirect** jobs in the creative industries in Los Angeles and Orange counties accounted for 14.5% of total nonfarm employment in the two counties and was more than:

All 2011 nonfarm payroll in Alameda County, CA (537,500 jobs)

All 2011 nonfarm payroll in the state of New Hampshire (626,400 jobs)

Table 1: Employment Impact of the Creative Industries, 2011

Area	Direct Jobs (2011)	Total Jobs (2011)
Los Angeles County	304,000	589,600
Orange County	37,500	74,400
Total	341,500	664,000

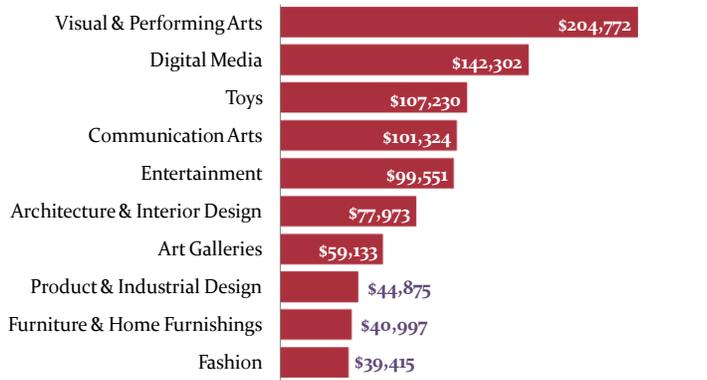
Sources: California EDD, QCEW data; overall impact calculated by LAEDC

¹ See Tables 24 and 25 on pages 41-42 for the sector details.

Salaries

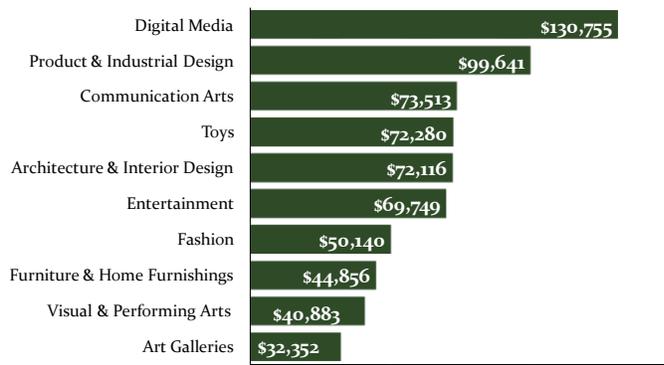
Creativity is a highly valued and recognized professional attribute. In a survey conducted by IBM of the employee attributes most sought after by CEOs, creativity was listed among the top three along with collaboration and communication.² The salaries received by many of the individuals working in the Los Angeles region’s creative industries bear this out.

Average Annual Salary of Creative Industries Los Angeles County, 2011



Source: California EDD, QCEW Data

Average Annual Salary of Creative Industries Orange County, 2011



Source: California EDD, QCEW Data

In Los Angeles County in 2011, visual and performing arts providers earned, on average, an annual salary of \$204,772. Salaries in this sector are boosted by independent artists (including “Hollywood” actors) and entertainment writers. At \$142,302 and \$107,230 respectively, the average annual salaries for workers in digital media and the toy industry were also quite high (although the toy industry employs relatively few people compared with other high-wage creative sectors). Entertainment followed close behind with an average annual salary of \$99,551. These salaries are significantly higher than the average wage for Los Angeles County across all industries of \$53,335.

At the other end of the spectrum, the fashion industry had the lowest average annual salary at \$39,415. This is mostly the result of the high number of manufacturing jobs relative to higher skilled design-related jobs. For example, the average annual wage for the 45,500 workers in the apparel manufacturing sector was just over \$34,000. In contrast, the 1,500 designers working in the fashion industry had an average annual salary of nearly \$86,000.

Jobs in the furniture and home furnishings industry also have a comparatively low average annual salary (\$40,997). Again, this sector employs a relatively large number of people in manufacturing jobs.

² Leading Through Connections: Insights from the Global Chief Executive Officer Study, IBM CEO C-Suite Studies (May 2012)

In Orange County, persons working in art galleries had the lowest average salary at \$32,352 in 2011. Individuals working in the visual and performing arts earned somewhat more at \$40,883. Persons employed in the furniture and home furnishings industry earned an average of \$44,856. Fashion industry workers in Orange County earned a higher salary on average than their counterparts in Los Angeles (\$50,140) thanks in part to the area's focus on high-end women's sportswear, and skate and surf fashions.

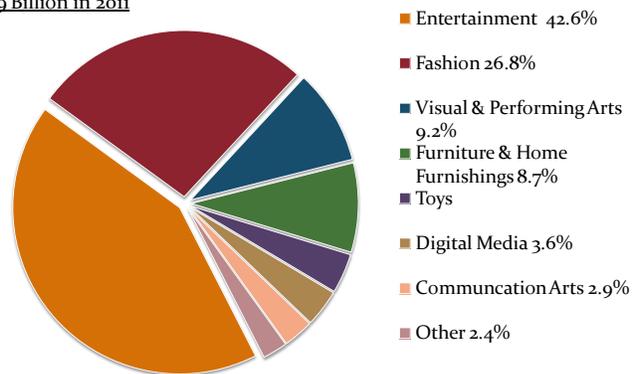
The highest average annual salaries in Orange County were paid to workers in digital media (\$130,755) and product and industrial design at \$99,641, followed by communication arts at \$73,513. By way of comparison, the average annual wage for all industries in Orange County in 2011 was \$53,360.

Revenues

The revenues generated by the region's creative industries are also impressive. In Los Angeles County, total revenues reached an estimated \$120.9 billion in 2011. The largest segments were entertainment at \$51.4 billion, followed by fashion at \$32.4 billion. Data for many creative industries in Orange County are simply not available from official sources or are suppressed for confidentiality reasons. Orange County revenues for the creative industries totaled an estimated \$14.5 billion. Fashion was the largest segment at \$4.6 billion, followed by digital media at \$3.8 billion. Total (direct and indirect) regional output of the creative industries was estimated to be \$206.0 billion in Los Angeles County and \$24.7 billion in Orange County in 2011.

Revenues of the Creative Industries Los Angeles County, 2011

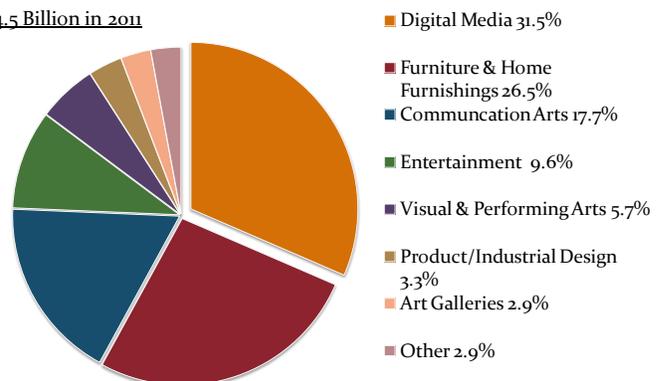
\$120.9 Billion in 2011



Sources: CA EDD, QCEW data; estimates by LAEDC

Revenues of the Creative Industries Orange County, 2011

\$14.5 Billion in 2011



Sources: CA EDD, QCEW data; estimates by LAEDC

Tax Effects

As activity in the creative sectors triggers jobs and spending, that activity also results in tax revenues for state and local government. As with jobs, there is a ripple effect with tax revenues, initially caused by direct effects, which give rise to indirect effects. The LAEDC calculated state and local income and sales tax revenues attributable directly and indirectly to the creative industries. Note that actual tax revenues are higher than the figures 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 \$3.0 billion in 2011. By sector, entertainment generated tax revenues of \$1.3 billion, followed by visual and performing arts at \$648 million and fashion at \$413 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 \$297 million in 2011 (based on available data): \$94.4 million was generated by digital media, followed by fashion at \$59.5 million.

Table 2 summarizes the total economic impact of the creative industries in 2011. The creative industries of Los Angeles and Orange counties generated \$230.7 billion in direct and indirect output. They employed 664,000 workers. The direct and indirect workers paid more than \$3.3 billion in personal income and sales taxes to California state and local governments.

Table 2: Economic Impact of the Creative Industries, 2011

Area	Direct Impact		Total (Direct + Indirect) Impact		
	Jobs	Nonemployer Establishments	Output (\$billions)	Direct & Indirect Jobs	Taxes ¹ (\$billions)
Los Angeles County	304,000	116,300	\$206.0	589,600	\$3.0
Orange County	37,500	18,800	\$24.7	74,400	\$0.3
Total	341,500	135,100	\$230.7	664,000	\$3.3

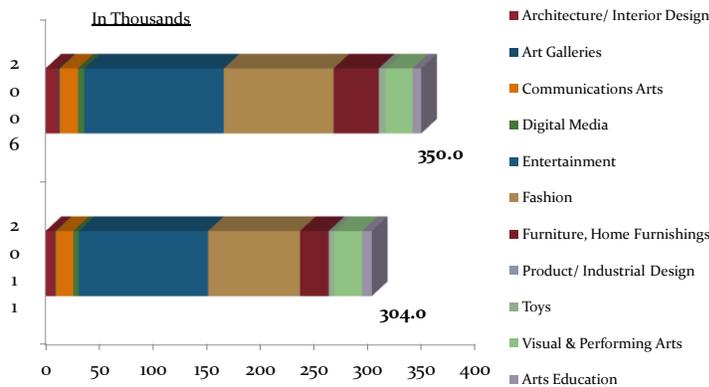
¹State/local personal income tax and sales tax generated by earnings and spending of the direct and indirect workers

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

Employment Trends

Direct employment in the creative industries peaked in 2006, contracted significantly during the recession in 2008-2009, and continued to fall during the early stages of the recovery in 2010. The recession accounts for most of the recent job losses while the modest pace of the recovery explains why jobs have been slow to return. The five-year (2006-2011) comparisons, which are the focus of this report, show a decline in creative industry jobs, but employment appears to have bottomed out for most sectors in 2010 and by 2011, many were adding jobs again.

Job Trends in the Creative Industries Los Angeles County, 2006 vs. 2011



Source: California EDD, QCEW Data

Despite the decline in total employment in the fashion industry, two subsectors added jobs: apparel wholesaling (2,200 jobs) and specialized design services (330 jobs).

The Los Angeles-Orange County furniture and home furnishings industry experienced large job losses across the board. In 2011, this sector employed 18,400 fewer workers compared with 2006. This represents an industry-wide contraction of 35.0%. Two-thirds of the jobs lost were in furniture manufacturing, with many of these jobs migrating to China and to other low-wage countries.

There are structural changes in parts of the creative economy that are indicative of long-term trends that have not yet run their course. As discussed in previous editions of this report, industries such as fashion and furniture, which both include a core manufacturing component, have been pruning low-skill jobs for a number of years due to increased automation and off-shoring of production activities. The recession exacerbated job losses in these industries, and it is doubtful many of these manufacturing jobs will return once the economy returns to full employment.

The decline in manufacturing jobs is part of a larger trend that has occurred across nearly all manufacturing sectors in the United States. In 2002, manufacturing's share of total creative industries employment was nearly 40%. By 2008, manufacturing's share had fallen to 29.6% and in 2011 to 27.1%. Conversely, employment in sectors that require higher skill levels and the exercise of originality, has expanded. Examples are communication arts, digital media, product/industrial design, and the visual and performing arts.

The largest component of the creative economy in Los Angeles County is the entertainment industry, which is not surprising considering the region's billing as "entertainment capital of the world". In 2011, there were 120,400 entertainment-related jobs in Los Angeles County, down from 129,900 in 2006, but up from 119,200 jobs in 2010.

The largest number of jobs lost during the period 2006 to 2011 was in motion picture and video production, which saw employment fall by 6.1% or 6,700 jobs. This was a far smaller drop than the previous five-year

Nevertheless, over the five-year period 2006 to 2011, jobs decreased in nearly all creative industry sectors. The exceptions were product/industrial design, and the visual and performing arts in Los Angeles County, and in Orange County, the only sector to add jobs over that period was digital media.

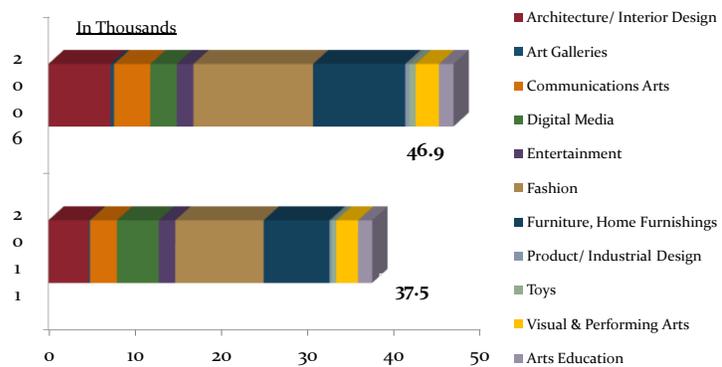
The largest jobs losses over the past five years were in fashion, and furniture and home furnishings. Total fashion employment in Los Angeles and Orange counties fell by 17.5% with the heaviest job losses concentrated in apparel manufacturing (17,000 jobs).

period (2005-2010) in which entertainment jobs declined by 8.2% or 10,700 jobs. This reflects the waning effects of the recession and the return of job growth during in the early stages of the recovery period.

Motion picture and video production accounted for 85% of total employment in the entertainment industry in Los Angeles County in 2011, a figure that has held up over the course of this report series. Job losses occurred throughout the entertainment industry with post-production services the only sector to see a small gain in employment from 2006 to 2011 of 200 jobs (2.0%).

One in five people employed in the creative economy in Orange County lost their job between 2006 and 2011. Nearly every sector experienced a dramatic slump in employment. The overall decline of 20.1% was primarily due to job losses in furniture and home furnishings, and fashion. Fashion employment fell by 26.1% or by 3,600 jobs. Furniture and home furnishings employment fell by 28.6% or by 3,100 jobs. Architecture and interior design also shed a significant number of jobs, with payrolls contracting by 2,500 workers or 35.1% of the workforce. The only sector that added jobs in Orange County over the last five years was digital media, which grew by 58.0% (or 1,800 jobs).

Job Trends in the Creative Industries Orange County, 2006 vs. 2011



Source: Cal. EDD, ES202 data

The creative economy is inclusive of a wide array of occupations and functions. Examining employment trends based on the type of product a particular industry provides is another way of analyzing employment trends in the creative economy. One approach is to compare employment growth in manufacturing versus service industries. For example, in Los Angeles County, manufacturing industries gave up 33,000 jobs over the last five years (a decline of 29.3%), while employment in retail and wholesale trade contracted by just 4.5% (or 1,700 jobs). Employment in service-based industries fell by 11,300 jobs (or 5.7%).

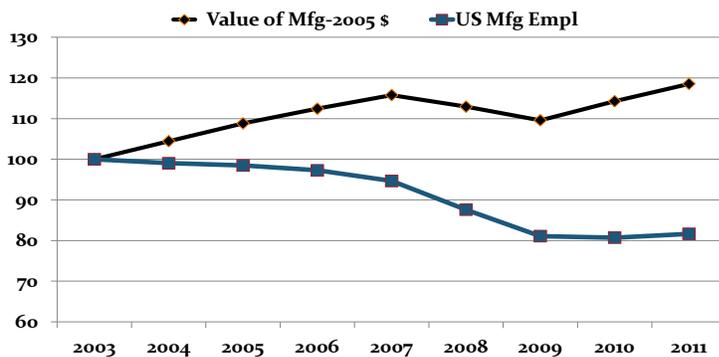
Recently, the idea of “re-sourcing” manufacturing jobs to the United States has received a lot of attention in the media. Favorable exchange rates and productivity gains in the U.S. due to the application of technology have encouraged the return of some manufacturing to U.S. shores. Unfortunately, in most cases the hype has outstripped reality. This is particularly true in the fashion industry. Consumers of high-end apparel can afford to pay the premium that comes with a “Made in America” label. Likewise, items that are time-sensitive (fast fashion) can also be manufactured locally, but for most apparel goods, cost is the overriding factor in determining where to produce.

The United States is still a manufacturing powerhouse, but the strength of American manufacturing is in sectors that are capital intensive and require highly skilled workers. Manufacturing activities that are more

labor intensive, such as the production of most apparel, furniture and toys will continue to be outsourced to lower cost regions. On the other hand, many U.S. firms choose to maintain domestic design and/or research and development facilities precisely because these are high value-added activities, less easily (though not impossible) replicated elsewhere.

Southern California is rich in creative energy. The region’s world-class universities and colleges graduate a large pool of highly educated workers and entrepreneurs, providing 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 developed and reinforced to nurture and encourage innovative and original thinking.

Manufacturing: Value of Production & Employment in U.S.



Source: BLS, U.S. Census Bureau

Counting the Self-Employed

Many people who make their living by engaging in creative activities are self-employed. Therefore, their contribution to the creative economy is not captured in traditional federal and state government employment data such as the ES202 reports used to develop the job numbers in this report. The government collects data separately on people who are classified as “nonemployer firms” – that is, firms consisting of one person with revenues but no additional employees. The latest nonemployer data come from the IRS and cover tax year 2010. Note that some self-employed 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.³

In 2010, there were 116,323 nonemployer firms in the creative industries in Los Angeles County and 18,760 in Orange County. From 2005 to 2007, there was steady growth in both counties, but in 2008, the recession exacted its toll from the self-employed as well as salaried workers. The number of nonemployer firms declined for the first time since 2002 when the LAEDC began tracking this data. In 2009, with the economy caught in the grip of recession during the first half of the year, the number of self-employed in the creative industries declined further in Los Angeles County, but stabilized in Orange County.⁴

In 2010, the numbers began to grow again, reaching 116,323 firms in Los Angeles County and 18,760 firms in Orange County. In both counties, the 2010 numbers were the highest level on record. Between 2005 and 2010, the number of self-employed people in the creative industries in Los Angeles grew by 10.4% (10,963 firms) and by 7.2% (1,252 firms) in Orange County.

Visual and performing arts providers are the largest number of nonemployer firms, particularly the subset of independent artists, writers and performers. Many of these people are involved in the entertainment industry as actors, screenwriters, set designers, etc. There is also a large number of independents working in the communication arts sector whether in the advertising industry or as graphic designers.

Revenues/receipts of creative nonemployer firms in Los Angeles County were \$5.3 billion in 2010, with 41.8% generated by independent artists, writers and performers. In Orange County, revenues/receipts were \$732.1 million with the largest share (38.9%) coming from the communication arts sector.

³ Nonemployer data are not available for digital media and several other industries.

⁴ The 2009 nonemployer statistics were revised and reissued by the U.S. Census Bureau on August 15, 2012 due to an inconsistency that was detected and corrected in their data source files.

Note: The LAEDC did not attempt to calculate any indirect economic contribution from nonemployer firms. The IMPLAN model used in this report to calculate economic contribution was not developed to handle nonemployer activity.

There is a great deal of variation in the concentration of these single-person entities among the different sectors of the creative economy. Certain activities are more successfully accomplished by an independent consultant, such as a screenwriter or graphic designer versus the mass production of toys or furniture.

Table 3 illustrates this. In the visual and performing arts, there were nearly 2.7 self-employed persons in Los Angeles for every traditional (i.e. salaried) employee. In Orange County, the ratio was even higher at 3.4 to one. The communication arts (advertising and graphic design) also have a high number of free-lancers relative to traditional salaried employees. In 2010, there were 1.2 self-employed persons in Los Angeles County for every salaried employee, while in Orange County there were 1.9 single-person firms for each salaried worker in the communication arts.

Growth rates of creative nonemployer firms versus salary employment also differed markedly by industry sector. It is interesting to note that nonemployer firm growth outstripped regular employment growth (or contracted less) over the 2005-2010 period. One reason is that many jobs lost during the recession failed to return as the economy transitioned from recession to recovery. Some laid-off workers, unable to find employment growth elsewhere, started their own business. This is a cyclical effect that may partially reverse itself as the labor markets return to a healthier rate of job creation.

There is also a structural component affecting the growth of nonemployer firms in the creative industries. Increased competition from globalization and pressure to cut costs has resulted in a growing number of firms concentrating resources on what they do best and outsourcing non-core tasks to independent contractors.

This trend was particularly evident in the communication arts sector between 2005 and 2010. In Los Angeles County, traditional employment in communication arts declined by 2.9%, while the number of nonemployer firms expanded by 21.0%. In Orange County, nonemployer firms in the entertainment sector grew by 19.2% as employment at traditional firms dropped by 21.6%.

Support for the Individual Enterprises

Creative industries are driven by talented and creative individuals, many of whom are self-employed, freelancers, or employed by businesses with five employees or fewer (microenterprises). Although most of the employment growth in the U.S. economy comes from small enterprises, including the self-employed, they are typically missing from employment data bases. Furthermore, standard economic analysis may miss the growth and dynamism of new uniquely structured industries.

Thriving small businesses in the creative industries are an important part of the regional economy. Local government can support small businesses by utilizing existing state incentives, tapping university systems, developing virtual networks and supporting entrepreneurial collaboration. These programs may provide a helpful boost to self-employed individuals or small businesses. Additional support for small businesses could also be provided through infrastructure improvements such as expanded availability of broadband.

Incubators for arts businesses are one example. Arts incubators serve as development hubs for start-up cultural businesses and arts organizations. They typically provide business services, low-cost rent and technical assistance in areas such as planning and marketing. Programs in other states have found that the

needs and concerns of artist-entrepreneurs are similar to those of “regular” businesses. Those needs include starting their business, the fundamentals of accounting, and marketing and developing new products and services to grow their enterprises. Local government can play an important role in connecting arts enterprises and entrepreneurs through the development of networks and partnerships that promote education, collaboration and resource sharing.

Arts & the Economy: Using Arts and Culture to Stimulate State Economic Development; NGA Center for Best Practices

Table 3: Ratio of Nonemployers to Employees by Sector (2010)

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	3,651	8,600	0.4	1,295	4,300	0.3
Art Galleries	627	700	0.9	209	150	1.4
Communication Arts	18,663	15,400	1.2	6,194	3,200	1.9
Digital Media	---	5,300	---	---	4,500	---
Entertainment	17,852	119,200	0.1	1,027	1,800	0.6
Fashion	6,365	87,000	0.1	1,301	10,600	0.1
Furniture & Home Furnishings	1,432	26,500	0.1	442	7,700	0.1
Product/Industrial Design	---	700	---	---	400	---
Toys	355	4,500	0.1	107	500	0.2
Visual & Performing Arts	67,378	24,700	2.7	8,185	2,400	3.4

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

Industry Sector	Los Angeles County		Orange County	
	Employment Growth	Nonemployers Growth	Employment Growth	Nonemployers Growth
	2005-2010	2005-2010	2005-2010	2005-2010
Architecture & Interior Design	-20.4%	-7.4%	-34.6%	-2.3%
Art Galleries	-31.8%	-3.7%	-64.9%	-5.0%
Communication Arts	-2.9%	21.0%	-21.6%	19.2%
Digital Media	2.2%	---	37.0%	---
Entertainment	-8.2%	10.8%	0.4%	-11.4%
Fashion	-15.2%	-6.4%	-25.6%	-7.1%
Furniture & Home Furnishings	-39.3%	-16.4%	-30.9%	-17.5%
Product/Industrial Design	16.2%	---	-17.4%	---
Toys	-27.2%	-20.0%	-30.8%	-25.2%
Visual & Performing Arts	2.9%	11.8%	-7.0%	8.7%

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, 2005-2010; Number of Firms

Creative Industry	NAICS Code	Los Angeles County						Orange County					
		2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010
Architecture and Interior Design:		3,944	3,904	3,671	3,446	3,419	3,651	1,325	1,281	1,247	1,201	1,213	1,295
<i>Architectural Services</i>	54131	2,944	2,898	2,724	2,512	2,480	2,630	960	907	893	847	877	940
<i>Landscape Design</i>	54132	1,000	1,006	947	934	939	1,021	365	374	354	354	336	355
Art Galleries	45392	651	657	692	635	623	627	220	220	225	207	208	209
Communication Arts:		15,424	16,696	17,884	17,599	17,852	18,663	5,197	5,309	5,764	5,744	5,814	6,194
<i>Specialized Design Services</i>	5414	9,937	10,695	11,598	11,237	11,262	11,623	3,108	3,268	3,559	3,503	3,475	3,652
<i>Advertising Agencies</i>	5418	5,487	6,001	6,286	6,362	6,590	7,040	2,089	2,041	2,205	2,241	2,339	2,542
Entertainment:		16,109	17,375	17,640	17,781	17,240	17,852	1,159	1,226	1,267	1,293	1,290	1,297
<i>Sound Recording</i>	5122	2,329	2,510	2,512	2,548	2,504	2,557	217	228	223	230	252	243
<i>Broadcasting (except Internet)</i>	515	987	1,070	1,019	1,012	992	989	173	166	189	198	197	197
<i>Motion Picture/Video Production</i>	5121	12,793	13,795	14,109	14,221	13,744	14,306	769	832	855	865	841	857
Fashion:		6,803	6,627	6,653	6,251	6,220	6,365	1,400	1,304	1,355	1,272	1,326	1,301
<i>Textile Mills Manufacturing</i>	313	79	91	103	101	92	106	19	17	24	22	17	24
<i>Apparel Manufacturing</i>	315	2,277	2,115	2,167	2,039	2,025	2,022	461	430	442	416	443	443
<i>Apparel Wholesaling</i>	4243	2,662	2,645	2,645	2,424	2,460	2,559	599	564	590	568	555	521
<i>Footwear Manufacturing</i>	3162	63	59	56	53	50	51	6	7	9	n/d	5	3
<i>Other Leather and Allied Prods Mfg</i>	31699	107	106	123	122	106	110	22	21	20	15	17	13
<i>Jewelry Wholesaling</i>	42394	1,615	1,611	1,559	1,512	1,487	1,517	293	265	270	251	289	297
Furniture and Home Furnishings:		1,713	1,644	1,712	1,495	1,441	1,432	536	520	495	442	464	442
<i>Textile Product Mills</i>	314	116	114	153	142	127	124	33	33	29	29	26	28
<i>Furniture Manufacturing</i>	337	730	725	766	707	690	700	177	177	183	160	164	171
<i>Furniture Wholesaling</i>	4232	867	805	793	646	624	608	326	310	283	253	274	243
Toys:		444	429	390	380	379	355	143	134	122	117	117	107
<i>Toy Wholesaling</i>	42392	444	429	390	380	379	355	143	134	122	117	117	107
Visual and Performing Arts Providers:		60,272	61,873	64,962	64,880	64,140	67,378	7,528	7,561	8,170	8,054	7,911	8,185
<i>Performing Arts Cos.</i>	7111	2,516	2,787	3,331	3,380	3,517	3,729	315	402	521	528	576	611
<i>Agents & Managers of Artists, etc.</i>	71141	4,087	4,089	3,940	3,935	3,950	4,231	457	457	460	459	432	470
<i>Independent Artists, Writers, etc.</i>	71151	53,411	54,712	57,400	57,303	56,455	59,220	6,723	6,674	7,154	7,029	6,866	7,071
<i>Museums</i>	7121	258	285	291	262	218	198	33	28	35	38	37	33
Total Nonemployer Firms:		105,360	109,205	113,604	112,467	111,314	116,323	17,508	17,555	18,645	18,330	18,343	19,030

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, 2005-2010

Value of Shipments, Sales, or Receipts (\$billions)

Creative Industry	NAICS Code	Los Angeles County						Orange County					
		2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010
Architecture and Interior Design:		\$216.8	\$220.6	\$222.9	\$194.3	\$157.6	\$165.1	\$87.8	\$87.2	\$89.3	\$74.3	\$59.3	\$68.6
<i>Architectural Services</i>	54131	171.6	179.3	178.9	153.1	126.0	131.1	67.9	67.6	68.0	54.9	43.5	52.2
<i>Landscape Design</i>	54132	45.2	41.3	44.0	41.2	31.6	34.1	19.9	19.6	21.3	19.4	15.7	16.4
Art Galleries	45392	60.0	62.5	67.3	50.6	38.7	42.0	35.2	28.4	17.3	13.9	13.9	11.6
Communication Arts:		788.1	834.9	879.7	868.8	771.9	848.9	323.1	316.4	320.9	293.2	257.2	284.7
<i>Specialized Design Services</i>	5414	428.6	464.2	507.8	484.3	417.3	460.1	166.7	173.2	184.5	160.7	133.8	140.5
<i>Advertising Agencies</i>	5418	359.5	370.6	371.9	384.5	354.6	388.8	156.4	143.2	136.3	132.5	123.4	144.1
Entertainment:		807.5	827.4	847.4	873.4	805.1	825.2	48.3	47.5	53.7	50.2	47.5	51.4
<i>Sound Recording</i>	5122	104.9	109.7	112.1	123.1	103.7	104.5	9.5	7.9	9.7	7.2	5.9	6.9
<i>Broadcasting (except Internet)</i>	515	56.4	49.2	49.9	46.8	41.9	43.6	5.5	6.5	7.1	7.2	6.2	10.2
<i>Motion Picture/Video Production</i>	5121	646.2	668.4	685.4	703.4	659.5	677.1	33.2	33.2	36.9	35.8	35.3	34.4
Fashion:		768.7	742.8	695.5	686.4	618.8	655.4	109.2	104.4	112.1	99.2	89.7	93.7
<i>Textile Mills Manufacturing</i>	313	4.2	2.4	2.6	3.0	3.3	.0	.3	.2	.5	.5	.4	.8
<i>Apparel Manufacturing</i>	315	134.6	122.8	131.6	125.7	110.8	118.7	29.2	23.8	25.4	20.4	21.0	23.5
<i>Apparel Wholesaling</i>	4243	359.6	356.2	316.5	314.5	293.3	324.2	56.5	56.8	60.2	56.1	50.0	46.2
<i>Footwear Manufacturing</i>	3162	3.3	2.6	2.8	2.9	3.3	3.2	.2	.1	.3	n/d	.1	.1
<i>Other Leather and Allied Prods Mfg</i>	31699	6.1	6.9	7.4	6.4	5.3	6.0	1.5	1.8	1.5	.9	.5	.8
<i>Jewelry Wholesaling</i>	42394	261.0	251.8	234.6	233.9	202.8	203.4	21.5	21.6	24.3	21.3	17.6	22.4
Furniture and Home Furnishings:		145.3	131.5	140.7	115.3	107.1	99.2	52.8	51.4	47.1	39.8	37.1	35.0
<i>Textile Product Mills</i>	314	7.9	7.4	10.0	9.1	11.7	11.7	1.5	1.6	1.6	.9	1.4	1.1
<i>Furniture Manufacturing</i>	337	55.8	53.7	55.1	47.3	44.0	41.3	13.4	11.2	13.7	11.1	11.1	11.3
<i>Furniture Wholesaling</i>	4232	81.6	70.4	75.5	58.9	51.3	46.2	37.9	38.6	31.8	27.8	24.6	22.6
Toys:		44.6	41.8	36.8	33.9	32.0	34.5	11.4	9.1	9.5	6.9	7.3	8.5
<i>Toy Wholesaling</i>	42392	44.6	41.8	36.8	33.9	32.0	34.5	11.4	9.1	9.5	6.9	7.3	8.5
Visual and Performing Arts Providers:		2298.9	2353.4	2609.1	2657.5	2569.6	2672.3	168.1	171.8	195.3	181.7	166.0	178.6
<i>Performing Arts Cos.</i>	7111	142.7	160.9	181.1	194.6	181.3	196.4	10.1	14.1	23.6	14.1	13.6	15.1
<i>Agents & Managers of Artists, etc.</i>	71141	209.6	225.7	236.0	234.4	224.7	235.6	19.8	17.1	17.3	16.0	16.4	18.4
<i>Independent Artists, Writers, etc.</i>	71151	1939.8	1959.5	2185.4	2222.6	2158.8	2236.4	137.6	139.8	153.7	150.9	135.0	143.4
<i>Museums</i>	7121	6.7	7.3	6.5	5.8	4.8	3.9	.6	.7	.7	.7	1.0	1.7
Total Shipments, Sales or Receipts:		\$5,130.0	\$5,214.8	\$5,499.3	\$5,480.2	\$5,100.7	\$5,342.7	\$836.0	\$816.1	\$845.1	\$759.2	\$678.0	\$732.1

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

The importance of the arts and culture to economic development is well established. Many arts organizations are nonprofit, and to leave them out of this analysis would underestimate the footprint of the creative sector on the regional economy. For that reason, a study of the creative economy must account for not-for-profit organizations.

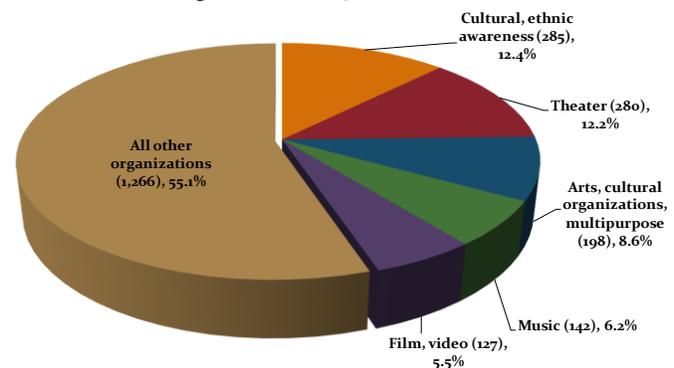
These organizations include a wide variety of performing arts groups, educational institutions, museums, performing arts centers, professional associations and various media outlets. Nonprofits are important because they help to attract creative people to the region. The educational and outreach services provided by nonprofit arts organizations play an important role in training creative individuals and serve as incubators for enterprises that make up the creative economy.

The 2010 Otis report was the first to include regional information on the nonprofit segment of the creative industries. The 2010 and 2011 report made use of the results from the 2007 Economic Census. Because the U.S. Census Bureau conducts an economic census only every five years, the next economic census will cover the year 2012, with results released in 2014. Therefore, to avoid simply repeating the same information published in the last two reports, the LAEDC sought additional resources for the 2012 report. As such, the data below are not comparable to previous reports.

The data that follows were obtained from the IRS's Statistics of Income (SOI) database for tax-exempt organizations. IRS databases offer the most comprehensive and standardized data on tax-exempt organizations but have significant limitations. The SOI files are compiled annually by using information from organizations' Form 990. The SOI files include all 501(c)(3) organizations with \$30 million or more in assets (\$10 million in earlier years) and all organizations filing under sections 501(c)(4) through 501(c)(9) with \$10 million or more in assets, and a sample of a few thousand smaller organizations per year that are selected to represent the entire universe of nonprofit organizations.

Largest Arts Nonprofit Sectors in Los Angeles by Number of Organizations

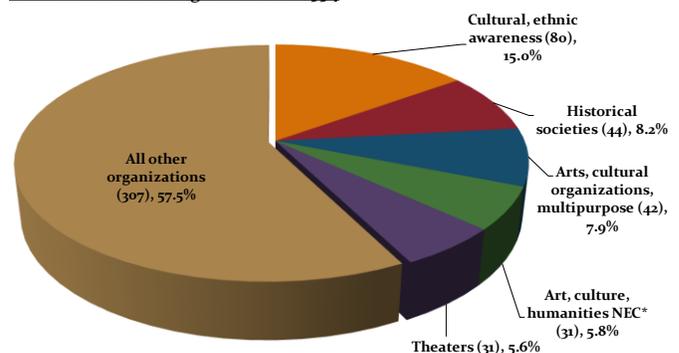
Total Number of Organizations: 2,298



Source: IRS, SOI Statistics

Largest Arts Nonprofit Sectors in Orange County by Number of Organizations

Total Number of Organizations: 534



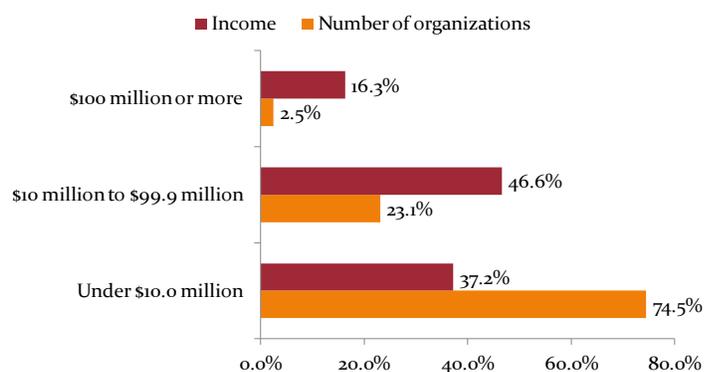
Source: IRS, SOI Statistics

*Not elsewhere classified

The SOI data are cumulative and are the most recent information the IRS has on file for exempt organizations. The year designation on SOI files is based on the starting year for the an organization’s tax return which is not necessarily its fiscal year. Therefore, this data does not cover a discrete calendar year (e.g. 2011) but provides a snapshot of the region’s nonprofit arts sector at the time in which it is pulled from the IRS. Additionally, the SOI data do not contain information pertaining to employment.

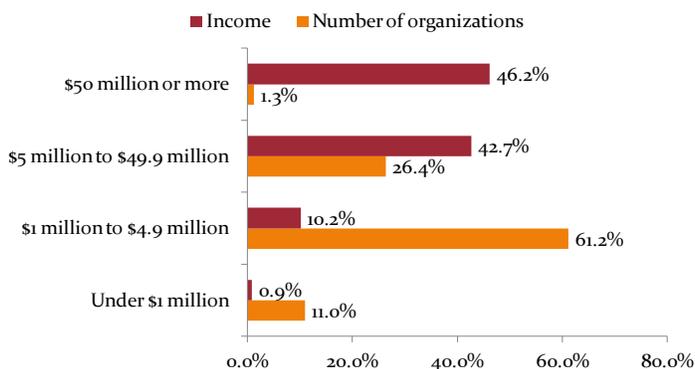
There are a total of 161,240 nonprofit organizations in California currently registered with the IRS. Of those, 8,256 (5.1%) are classified as arts, culture and humanities organizations, and over one third of those are located in Los Angeles and Orange counties. Los Angeles County has a total of 2,298 nonprofit arts-related establishments and Orange County is home to 534.

Number & Income of Nonprofit Arts Organizations – Los Angeles County



Source: IRS, SOI Statistics

Number & Income of Nonprofit Arts Organizations – Orange County



Source: IRS, SOI Statistics

In Los Angeles County, the nonprofit segment of the creative industries is diffused across a wide variety of organizations, but the largest number are concentrated in organizations that promote cultural and ethnic awareness (285), theater (280), multipurpose arts organizations (198), music (142), and film and video (127). The profile in Orange County is similar: cultural and ethnic awareness (80), historical societies (44), multipurpose arts organizations (42), art culture, humanities, misc (31) and theaters (31).

Arts Education institutions, while not among the largest sectors in terms of the number of organizations, still have a significant presence in the region. There are 97 arts education organizations in Los Angeles County (4.2% of the total) and in Orange County there are 15 (2.8% of the total).

The total income reported by nonprofits in Los Angeles County amounted to \$2.3 billion. History museums earned 23.8% of nonprofit income in the county. Arts education organizations had 13.7% of the total, followed by art museums (12.6%), symphony orchestras (5.9%) and performing arts schools (4.9%).

The nonprofit sector in Los Angeles County is dominated by organizations that have an annual income of less than \$10.0 million. This includes 74.5% of all nonprofits in the county and as a group, they earned 27.2% of total nonprofit income. Organizations with reported incomes of \$10 million to \$99.9 million (23.1%) earned 46.6% of the total. At the top, were nonprofits (2.5% of the total number) reporting incomes of more than \$100 million. These organizations took in 16.3% of total income generated by the nonprofit sector in Los Angeles.

In Orange County, reported nonprofit income as of September 2012 was \$347.2 million. Performing arts centers earned 46.2% of total arts-related nonprofit income; with symphony orchestras at 9.2% , followed by multipurpose arts organizations (9.0%), museums (7.2%) and theaters, 6.4%.

Another way to measure the importance of the nonprofit sector is to look at the collective value of the assets owned by nonprofit organizations in the region. As of September 2012, nonprofits in Los Angeles reported to the IRS assets valued at \$5.7 billion. The largest share of assets was concentrated in museums. This is not surprising considering the worth of the region's collections and the value of the real estate in which they are housed. Art museums hold 28.9% of the region's nonprofit assets, followed by history museums with 15.9%. Arts education and performing arts schools also hold significant asset shares, with 4.3% and 6.1% respectively.

In Orange County, nonprofits reported a total of \$872 million in assets with by far the largest share held by performing arts centers (53.6%), followed by multipurpose arts organizations (10.0%), theaters (8.0%), museums (6.1%) and symphony orchestras (3.9%).

Looking Ahead: The Creative Economy in 2016

More than three years have passed since the end of the 2008-2009 recession and a number of sectors of the creative economy of Los Angeles and Orange counties are growing again. The effects of the recession are readily apparent when comparing employment levels in 2011 versus 2006, the year employment in the creative industries reached its pre-recession peak. The good news is that in 2010, jobs losses in most sectors hit bottom and in 2011, payrolls began to grow again.

This section looks ahead to 2016 with employment projections for Los Angeles and Orange counties. Five years down the road takes the economy some distance from the recession. 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 2011 and 2016. The U.S. economy is projected to grow throughout this five year period, but will experience subpar growth in 2012 (2.0%) and 2013 (1.9%) before picking up momentum in 2014 to range between 2.9% and 3.4% through 2016. Sectors leading the economy will be consumer spending and housing. Exports, a leading sector during the first years of the recovery slowed in 2012, but will pick up again as Europe sorts out its problems and Asia gets back on track. Another early growth sector, business spending on equipment and software also stalled this year but will resume expansion as domestic growth gathers momentum and consumer demand strengthens.

In contrast, not much improvement will be seen in the public sector. State and local governments will continue to struggle with budget shortfalls, but are expected to turn up again after 2013, while declines in federal government expenditures will continue to be a drag on growth through the forecast period.

The labor markets are taking longer to heal than the overall economy. The national unemployment rate this year remains high (7.9% as of October) but is down from 2011 where it hovered around 9.0% for most of the year. Employment is growing (at least in the private sector), but the pace of job creation thus far has been disappointing. Improvement will continue to be painfully slow, with the unemployment rate projected to fall to 6.4% by 2016. As for the local area, total nonfarm employment in the Los Angeles-Orange County area is projected to increase by 5.6% between 2011 and 2016.

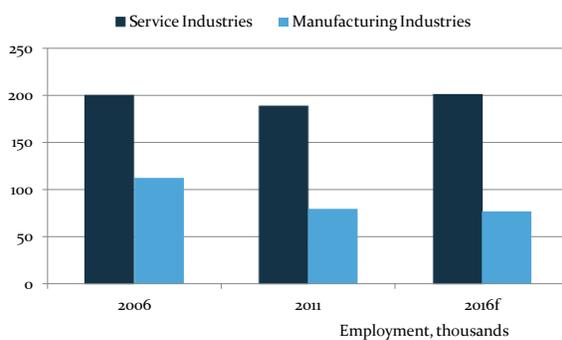
What does this economic outlook imply for the area's creative industries? The LAEDC projects that given the trends visible today, creative industry employment in Los Angeles and Orange counties will total 355,500 jobs by 2016, up by 4.1% or 14,000 jobs, from 2011 levels. This stands in stark contrast to the 14.0% decline in creative employment (55,400 jobs) that the region suffered between 2006 and 2011.

One detail that may have caught the reader's attention is that employment in the creative sectors is expected to grow at a somewhat slower rate than the overall economy. The reason for this can be found in the wholesale/retail and manufacturing sectors of the creative economy. The wholesale/retail sector will expanded by a modest 1.9% over the next five years, adding just 770 jobs, while the manufacturing sector will contract by 3.1%, shedding nearly 2,900 jobs. Longer term structural changes in the creative

manufacturing sectors – especially apparel and textiles, footwear, furniture and toys – are shifting factory production away from the U.S. to regions with lower labor costs, like China and other nations in Southeast Asia and Latin America.

However, if one factors out manufacturing, employment in the remaining sectors of the creative economy will grow by 5.7%, slightly ahead of employment growth in the overall economy. The emerging recovery in the housing market will increase demand for architectural services, and interior and landscape designers. Spending on furniture, home furnishings and lighting fixtures will boost employment in the design, retail and wholesale segments of these industries. Additionally, as the labor markets and incomes continue to improve, consumers will spend more on apparel, toys, and video games. Households will also have more discretionary income to spend on attending the theater, concerts and dance performances.

**Los Angeles County Creative Economy
Service vs. Manufacturing Sector Employment**



Source: California EDD, QCEW Data

Los Angeles County: Total creative industry employment in Los Angeles County in 2016 will rise to about 316,600 jobs, a 4.2% increase (12,600 jobs) from 2011. This represents a significant improvement over the previous five-year period during which employment dropped by 46,000 jobs (13.2%). Excluding manufacturing, employment in Los Angeles County’s creative industries is projected to grow by 12,675 jobs, or 5.6% by 2016.

- **Digital media** is expected to grow the fastest between 2011 and 2015 with employment rising by 11.3%. Considering the strong demand for video games, smartphones and tablet computers there is good reason to expect a healthy rate of growth over the next five years.
- **Product/Industrial Design** is a relatively small sector in terms of total employment, but is forecast to grow by 7.6%. Consumers are increasingly demanding products that are unique and well designed. Employment in most design-related industries is expected to show a strong growth trend.
- **Entertainment** will also post robust growth (6.7%). Much of this improvement flows from the county’s signature motion picture production industry. Among other entertainment related industries, postproduction activity will also expand.
- **Architecture/Interior Design** employment will increase by 6.2% as a direct result of growth in residential and nonresidential construction, as well as improvement in the labor markets and personal income growth.

More moderate growth is projected for visual and performing arts providers (6.0%), communication arts (5.7%) and art galleries (4.4%). The performing arts and art galleries will benefit from higher levels of discretionary income that will result as more people re-enter the workforce. Among the visual and

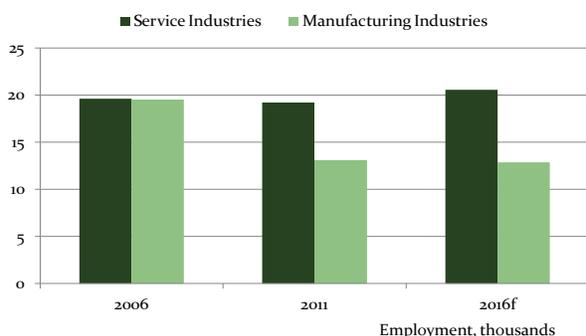
performing arts industries, employment is expected to grow most rapidly among independent artists, writers and actors (7.6%), and their managers (6.4%).

The job-growth projection for communication arts combines a moderate jump in employment at advertising agencies with robust gains in the graphic design industry. Graphic designers are employed by a large cross section of industries. Jobs for graphic designers are projected to increase especially rapidly in computer systems design and in management, scientific and technical consulting services.

While arts education jobs at public schools, colleges and universities will show no change *at best*, given the strained finances of local governments, employment is likely to grow moderately 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 move past the lingering effects of the recession.

The three remaining sectors, fashion, furniture/home furnishings and toys are heavily dependent on manufacturing activities and will likely experience slow 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.

**Orange County Creative Economy
Service vs. Manufacturing Sector Employment**



Source: California EDD, QCEW Data

Orange County: Employment projections for Orange County will follow a trajectory that mirrors that of Los Angeles with a few standout exceptions. Total creative industry employment in the county during 2016 will be 38,900 jobs, up by 3.7% or 1,600 jobs, from 2011. This will be a better performance than the previous five-year period when total creative industry employment dropped by 9,400 jobs or 20.1%. Here too, the projected increase in total creative industry employment will be held back by jobs losses in creative manufacturing sectors. Excluding manufacturing, employment in Orange County’s creative industries is projected to grow by 1,500 jobs, or 6.2% by 2016.

- **Digital Media** is expected to exhibit the largest growth rate between 2011 and 2016, increasing by 11.7% and adding 570 jobs. Orange County is home to a number of digital media firms with a significant presence in computer gaming.
- **Architecture and Interior Design** will also show robust growth, rising by 7.5% or 350 jobs.
- The **Entertainment** sector in Orange County is much smaller than in Los Angeles, but will expand at a similar pace (6.6%), with **visual and performing arts** following close behind at 6.1%.

Although employment in product/industrial design is small, this sector will grow by about 6.8% over the next five years. Similarly, art galleries will expand payrolls by about 6.9%. Most other sectors in Orange

County will also grow at a fairly rapid pace, all beneficiaries of stronger economic growth, improving labor markets, the long awaited turn-round in housing and higher levels of consumer confidence. The communication arts sector will grow by nearly 7.0% adding over 200 advertising and graphic design jobs. The fashion industry is not expected to generate any net new jobs – gains in apparel wholesaling will be offset by jobs losses in apparel manufacturing. Employment in furniture and home furnishings (one of Orange County’s largest creative sectors) will contract, while employment in the toy industry will hold steady over the next five years.

Table 8: Los Angeles County Employment Forecast 2011-2016

Creative Industry	Number of Jobs (thousands)		2011-2016 Change	
	2011	2016	Number	Percent
Architecture & Interior Design	8.6	9.1	0.5	6.2%
Art Galleries	0.7	0.8	0.1	4.4%
Communication Arts	16.6	17.5	0.9	5.7%
Digital Media	5.1	5.7	0.6	11.3%
Entertainment	120.4	128.5	8.1	6.7%
Fashion	85.6	87.0	1.1	1.3%
Furniture & Home Furnishings	26.6	26.2	-0.4	-1.5%
Product/Industrial Design	0.8	0.9	0.1	7.6%
Toys	4.3	4.3	0.0	0.0%
Visual & Performing Arts Providers	26.2	27.8	1.8	6.0%
Arts Education	8.9	9.1	0.2	2.0%
Totals:	304.0	316.6	12.6	4.2%

Source: California EDD LMID, QCEW data; forecasts by LAEDC

Table 9: Orange County Employment Forecast 2011-2016

Creative Industry	Number of Jobs (thousands)		2011-2016 Change	
	2011	2016	Number	Percent
Architecture & Interior Design	4.5	5.0	0.4	7.5%
Art Galleries	0.1	0.2	0.1	6.9%
Communication Arts	3.1	3.3	0.2	6.9%
Digital Media	4.9	5.4	0.6	11.7%
Entertainment	1.9	2.0	0.1	6.6%
Fashion	10.2	10.2	0.0	0.1%
Furniture & Home Furnishings	7.6	7.5	-0.1	-1.5%
Product/Industrial Design	0.3	0.3	0.0	6.8%
Toys	0.5	0.5	0.0	0.0%
Visual & Performing Arts Providers	2.5	2.7	0.2	6.1%
Arts Education	1.6	1.7	0.1	2.8%
Totals:	37.5	38.9	1.6	3.7%

Source: California EDD LMID, QCEW data; forecasts by LAEDC

Industry Snapshots

Architecture and Interior Design

This sector includes firms that specialize in architectural services, landscape architecture and interior design. Current demographic trends are driving demand for architects:

- Aging university and K-14 campus buildings will need to be renovated or replaced; increasing student populations will require more housing
- Growing population of sunbelt states will need places to live and work
- As baby boomers retire, the region will need more health care facilities, nursing homes and retirement facilities

Interior designers make interior spaces functional, safe and beautiful for almost any type of building including homes, offices, restaurants, shopping malls and airports. Over the next decade employment prospects at the national level for interior designers is forecast to grow by 19%. The outlook is brightest for designers who are knowledgeable about green and sustainable design.

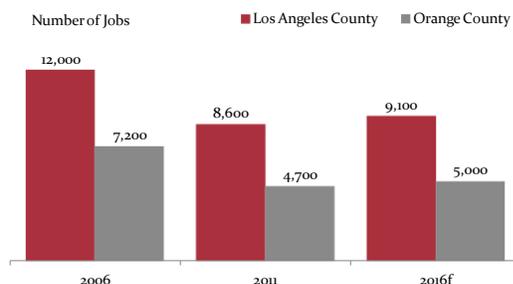
Los Angeles is the home of several high-profile architects, including Frank Gehry, Thom Mayne, Michael Maltzan, Eric Owen Moss, Brenda Levin, Fred Fisher, Steven Ehrlich, Kulapat Yantrasast, and long-time local stalwart A.C. Martin Partners.

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab. (2010)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	1,520	8,600	\$671.3	3,651	\$4.1	16,900	\$71.6
Orange County	685	4,700	337.1	1,295	2.6	8,500	36.8
Total	2,205	13,300	\$1,008.3	4,946	\$6.7	25,400	\$108.4

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

Architecture and Interior Design Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Architecture and Interior Design Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Art Galleries

Los Angeles is home to numerous galleries featuring contemporary art and traditional fine art, paintings, glass art, sculpture, fine art photography and other types of visual art.

There were 202 art galleries with 700 employees in Los Angeles County during 2011. Direct sales volume was estimated to be \$475 million. The total economic impact was 950 jobs and output of \$821 million. In addition, 627 “art dealers” were found in the nonemployer data for L.A. County, with sales of \$42.0 million during 2010 (latest data available).

Gallery Row, located in the heart of downtown L.A. at Main and Spring is home to over 45 art galleries and museums

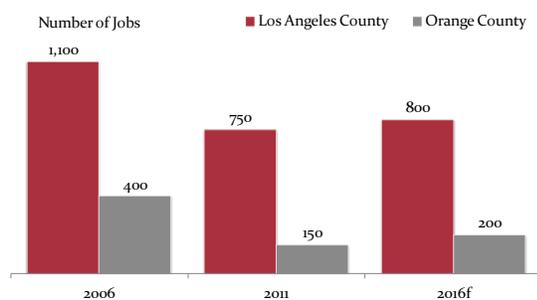
In Orange County, there were 41 galleries in 2010 with estimated direct sales of \$58.7 million. The total impact of this segment of the creative industries was 200 total jobs and output of \$100.6 million. Also, there were 209 nonemployer art dealers in 2010, who reported sales of \$11.6 million.

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab. (2010)	Total (Direct + Indirect) Impact Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	202	700	\$44.2	627	\$0.8	950	\$5.0
Orange County	41	100	4.7	209	0.1	200	0.5
Total	243	800	\$48.9	836	\$0.9	1,200	\$5.5

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 Gallery Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Art Gallery Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Communication Arts

Communication designers (also known as graphic designers) combine art and technology to communicate ideas through images. Working with both text and images, graphic designers create visual concepts, by hand or using computer software, to communicate ideas that inspire, inform, or captivate consumers. They help to make an organization recognizable by selecting color, images, or logo designs that represent a particular idea or identity to be used in advertising and promotions.

This diverse sector is dominated by advertising agencies and firms that specialize in graphic design.. 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 is expect to grow by 13% between 2010 and 2020 at the national level, about on par with the average for all occupations.

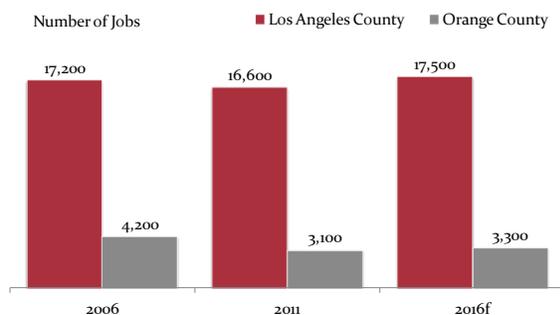
Graphic arts designers are the next largest sector. Graphic designers (or graphic artists) create “visual solutions to communications problems” using both digital and print media. Graphic designers are involved in the production of magazines, newspapers, corporate reports and other publications. They 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 sub-sectors are website design and animation.

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab. (2010)	Total (Direct + Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	1,520	16,600	\$1,677.6	18,663	\$5.6	27,500	\$172.5
Orange County	516	3,100	229.4	6,194	1.3	4,800	24.0
Total	2,036	19,700	\$1,907.1	24,857	\$6.9	32,300	\$196.5

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

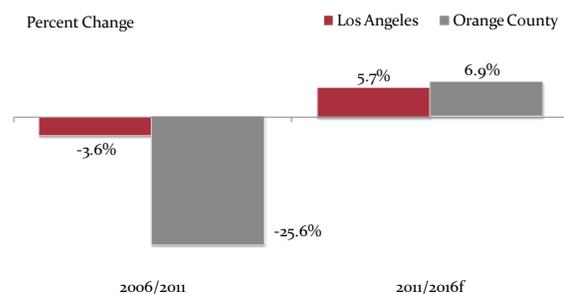
Sources: California EDD, QCEW data, Bureau of the Census; indirect impacts estimated by LAEDC

Communication Arts Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Communication Arts Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Digital Media

The prominence of the digital media industry in Southern California is closely related to the region's importance as the center of the nation's entertainment industry. The actual size of the multimedia industry is difficult to calculate. There is still no precise definition of the industry nor is there a way to distinguish it from related sectors such as motion picture production, publishing or software design.

It is unfortunate that data for employment in the digital media industry are incomplete 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 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 28).

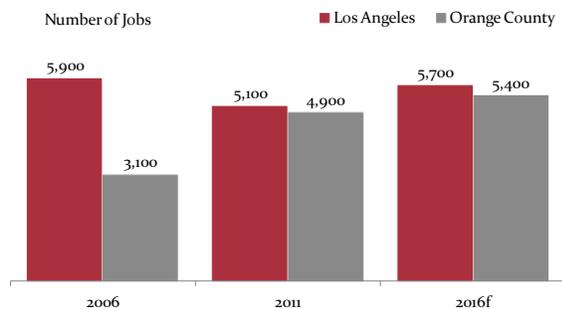
Individuals working in digital media may also be employed by architectural firms creating 3D images of building designs or in the fashion industry engaged in high-tech printing of digital designs on fabrics. Others work for advertising agencies and computer systems design firms and independent specialized 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 studios.

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab. (2010)	Total (Direct + Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	159	5,100	\$729.0	na	\$7.2	20,800	\$115.5
Orange County	109	4,900	634.8	na	6.3	19,800	94.4
Total	268	10,000	\$1,363.8	na	\$13.5	40,600	\$209.9

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

Digital Media Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Digital Media Industry Job Growth



Source: California EDD, ES202 data; forecasts 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

The Southern California entertainment industry, of which motion picture and TV production is a large part, plays a major role in the regional economy. 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 floral design. L.A.'s billing as entertainment capital of the world also draws millions of tourists to the region each year.

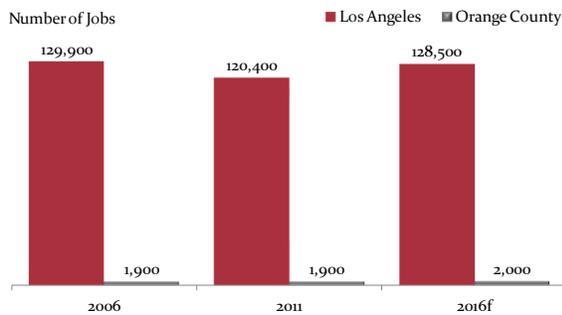
When people think of creativity and Los Angeles, this sector is often the focus of their thoughts. Several activities are included here: sound recording, motion picture and TV production, and cable TV broadcasting (cable networks are increasingly producing more of their own content). Musicians might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

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab. (2010)	Total (Direct + Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	5,340	120,400	\$11,990.2	17,852	\$79.9	252,200	\$1,314.3
Orange County	173	1,900	132.5	1,027	1.3	3,700	18.3
Total	5,513	122,300	\$12,122.7	18,879	\$81.2	255,900	\$1,332.6

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

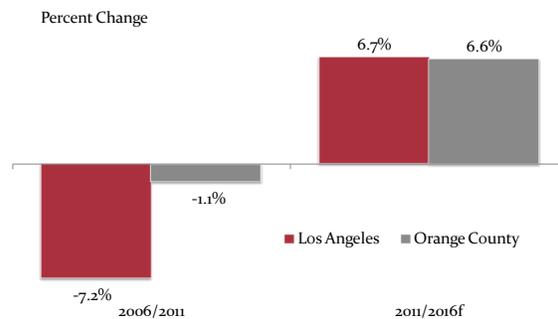
Sources: California EDD, QCEW data, Bureau of the Census; indirect impacts estimated by LAEDC

Entertainment Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Entertainment Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Fashion

The apparel design and manufacturing industry makes a significant contribution to the Southern California economy, particularly in Los Angeles County. The fashion industry in Orange County is smaller but manages to be quite diversified. Orange County is best known for women’s sportswear and fashions inspired by the region’s surf and skate culture, while Los Angeles is a global capital for premium denim. This is one of the few segments of fashion that remains largely American-made. 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.

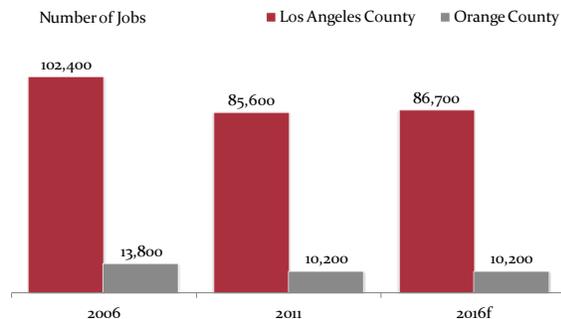
The fashion sector includes apparel, textile and jewelry manufacturing, wholesale apparel and jewelry, as well as footwear, handbag and cosmetics production. Although Los Angeles County’s fashion industry employs the greatest number of apparel workers in the U.S. (ahead of New York), the fashion industry continues to downsize local apparel manufacturing employment. Labor-intensive production of apparel has largely shifted to lower wage countries in Latin America and Asia. On the other hand, design-related activity is helping the apparel industry retain a strong presence in Southern California. Additionally, there is a healthy demand for the “Made in Los Angeles” label both in the U.S. and abroad although this applies almost exclusively to higher-end items.

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab. (2010)	Total (Direct + Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	6,313	85,600	\$3,374.6	6,365	\$50.8	150,900	\$413.3
Orange County	649	10,200	513.0	1,301	7.4	17,500	59.5
Total	6,962	95,800	\$3,887.6	7,666	\$58.2	168,400	\$472.8

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

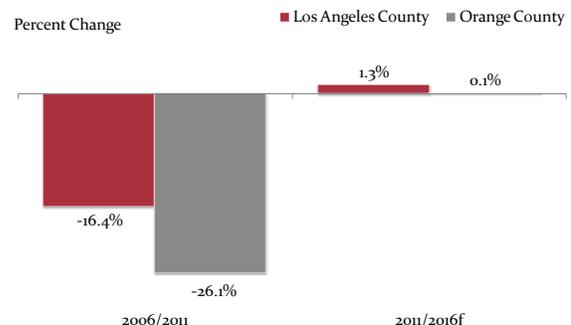
Sources: California EDD, QCEW data, Bureau of the Census; indirect impacts estimated by LAEDC

Fashion Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Fashion Industry Job Growth



Source: California EDD, ES202 data; forecasts 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.

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab. (2010)	Total (Direct + Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	1,596	26,600	\$1,090.4	1,432	\$16.2	43,900	\$131.2
Orange County	479	7,600	342.1	442	3.9	12,500	39.3
Total	2,075	34,200	\$1,432.5	1,874	\$20.1	56,400	\$170.5

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

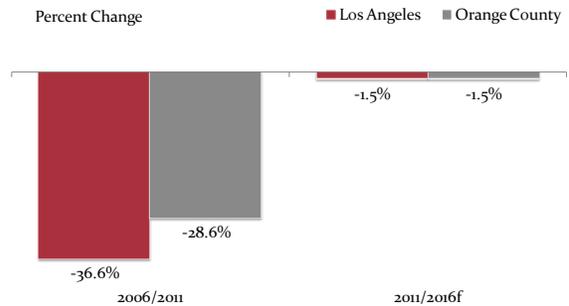
Sources: California EDD, QCEW data, Bureau of the Census; indirect impacts estimated by LAEDC

Furniture and Home Furnishings Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Furniture and Home Furnishings Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Product and Industrial Design

Industrial designers develop the concepts for manufactured products, such as cars, home appliances, and mobile devices. They combine art, business, and engineering skills to make products that people use every day. A product designer focuses on the user experience in creating style and function for a particular gadget or appliance. Most specialize in a particular product category such as medical equipment or consumer electronics products. Other product designers may develop ideas for furniture, snowboards or lifestyle accessories.

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 manufacturing 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.

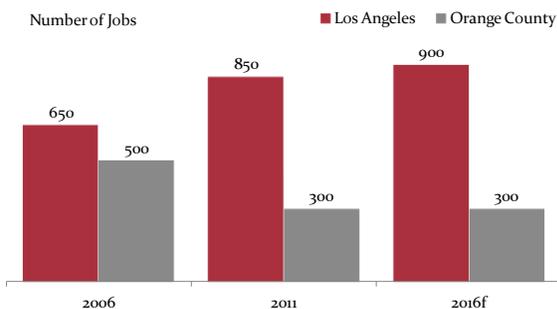
Though it is difficult to quantify, the real design base in the area is much, much larger than shown. A large number of designers work at the 22 automotive advanced concept studios located in Southern California and are classified as “automotive industry employees.” Another example is WET Design, located 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”.

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab. (2010)	Total (Direct + Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	114	800	\$38.0	na	\$0.2	1,300	\$4.0
Orange County	47	300	29.4	na	0.2	500	2.9
Total	161	1100	\$67.4	na	\$0.4	1,800	\$6.9

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

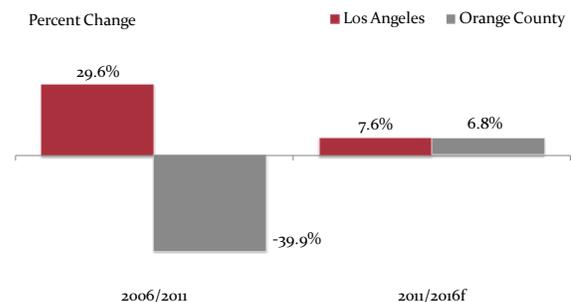
Sources: California EDD, QCEW data, Bureau of the Census; indirect impacts estimated by LAEDC

Product and Industrial Design Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Product and Industrial Design Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Toys

The toy industry in the United States is very concentrated. The top 50 toy companies in the nation generate 75% of the industry’s revenue. Similar to what is happening in so many industries, technology and innovation are reshaping toy manufacturing. Children are mastering technology faster and at younger ages. One growing trend is children are moving away from “traditional” toys and are embracing video games and other electronic devices. In order to stay competitive, many toy companies are integrating computers into traditional 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, Imperial Toys and Bandai. 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.

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab. (2010)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	232	4,300	\$464.6	355	\$7.3	8,600	\$49.4
Orange County	44	500	35.3	107	0.7	900	3.7
Total	276	4,800	\$500.0	462	\$8.0	9,500	\$53.1

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

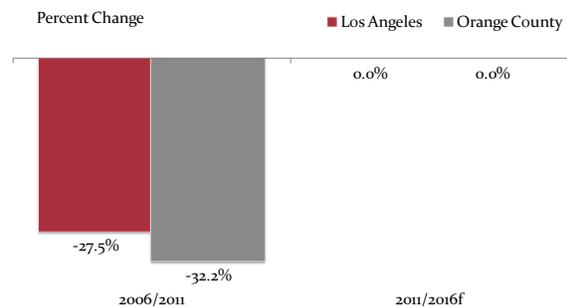
Sources: California EDD, QCEW data, Bureau of the Census; indirect impacts estimated by LAEDC

Toy Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Toy Industry Job Growth



Source: California EDD, ES202 data; forecasts 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.

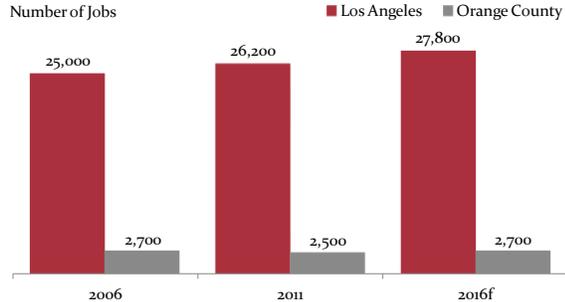
Surveys of people’s attitudes toward the performing arts have shown that the arts are viewed as improving the quality of life in a neighborhood or city and are a source of community pride. People who visit museums and attend dance, music or theatrical performances say the arts promote understanding of other people, help to preserve and share cultural heritage and contribute to lifelong learning in adults, and that the arts contribute to the education and development of children. Significantly, even people who do not attend performing arts exhibitions share this view.⁵

There is no question the visual and performing arts make our communities more desirable places to live. From an economic stand point, quality of life is critical to attracting an educated and productive workforce. In today’s global economy the cities and regions that attract and retain talent are the regions that will grow and prosper.

Area	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab. (2009)	Total (Direct +Indirect) Impact		
					Output (\$billions)	Jobs	Taxes ¹ (\$millions)
Los Angeles County	7,685	26,200	\$5,363.4	67,378	\$21.1	53,400	\$648.2
Orange County	276	2,500	103.3	8,185	0.8	3,900	13.0
Total	7,961	28,700	\$5,466.7	75,563	\$21.9	57,300	\$661.2

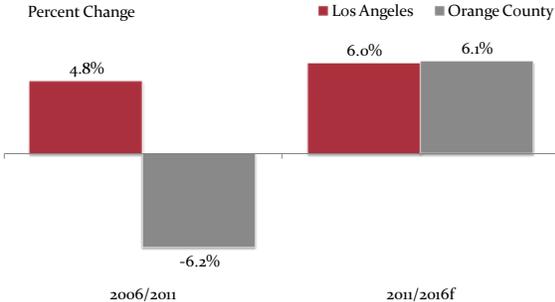
¹State/local personal income tax and sales tax generated by earnings and spending of the direct and indirect workers
 Sources: California EDD, QCEW data, Bureau of the Census; indirect impacts estimated by LAEDC

Visual and Performing Arts Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

Visual and Performing Arts Industry Job Growth



Source: California EDD, ES202 data; forecasts by LAEDC

⁵ The Value of Performing Arts in Five Communities 2; Urban Institutes (January 2004)

Arts Education: K-12 and Post-Secondary

Education in the arts is a necessary part of preparing students to meet the demands of the 21st century workforce. Arts education fosters creativity, critical thinking, problem solving and collaboration. These skills help workers “future-proof” themselves. Technological innovation is racing ahead so rapidly that many companies simply cannot envision what functional capabilities they will need from their employees just two or three years down the road. Instead, they are looking for people who have the ability to reinvent and adapt themselves to a dynamic industry and economic environment.

Globalization and increased connectedness have changed how the world works. Society has entered a new era of openness. To succeed in this environment, companies have had to adapt. As a result, the workplace is also changing. Tightly controlled and hierarchical organizations are giving way to environments defined by individual empowerment, transparency, communication and collaboration. In this new kind of workplace, the intangible skills described above are moving to the forefront of competencies employers are seeking in job applicants.

“Logic will get you from A to B. Imagination will take you everywhere.”

-Albert Einstein

Few would argue the important role arts education plays in developing these skills, and yet the value of arts education relative to so called “core subjects” has been questioned in recent years. Schools are under tremendous pressure from federal mandates to spend more time on reading and math, and to prepare students to perform well on standardized tests. Inadequate funding has also forced schools to narrow curricula, reducing the time and resources available for art, drama and music education.

While no one questions the necessity of mastering reading, math and science skills, a singular focus on these subjects ignores the needs of students whose talents run in a different direction. Marginalizing the arts risks these young people becoming frustrated and dropping out of school. When this happens, a young person may never grow to realize her potential. Society also loses out in terms of lost wages, taxes and productivity over the lifetime of a person who does not complete high school.

Extensive research has demonstrated that arts education engages students in learning and reduces truancy and dropout rates. Student involvement in the arts is linked to higher academic performance, increased standardized test scores and greater involvement in community service. Studies have shown students who attend schools where the arts are integrated into the classroom curriculum outperform their peers in math and reading who did not have an arts integrated curriculum.

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. These standards incorporate 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 dance, music, theater or visual arts course.

Arts Education at the K-12 level is obviously very important for both social and economic reasons. The California Department of Education tracks student enrollment, number of classes, average class size and the number teachers by subject area. It is encouraging to report that in an era of declining funding for arts education, several of these metrics have shown improvement.

In Los Angeles County, K-12 student enrollment in arts classes during 2010-11 academic year (AY) was up by 4.8% compared with 2008-09 AY⁶, while the number of teachers employed (full-time equivalent) in arts education increased by 5.1%. A lot of jobs were saved by federal fiscal stimulus actions in 2009 and 2010. Whether this pattern continues in 2011-12 and 2012-13 depends on state and local budgets.

The share of students taking arts classes relative to the entire student population also increased. During 2010-11 AY, 7.5% of the K-12 population was enrolled in an arts education class compared with 7.1% during 2008-09 AY. The share of arts teachers also rose over the same period from 6.7% to 6.9%.

The results for Orange County were similar. Enrollment in arts classes during the academic year 2010-11 was up by 5.1% compared with the 2008-09 academic year, while the number of teachers employed in arts education increased by 2.9%. The share of students taking arts classes relative to the entire student population fell in Orange County. During 2010-11 AY, 7.8% of the K-12 student body was enrolled in an arts education class compared with 8.0% during 2008-09 AY. The share of arts teachers also fell over the same period, edging down from 7.8% to 7.3%.

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.⁷

⁶ The California Department of Education did not post results for academic year 2009-10.

⁷ In 2008, the LAEDC conducted a survey of these institutions to determine the number of post-secondary arts educators (see table 22 below). Also, see table 31, page 48 for a list of educational programs.

Table 20: Los Angeles County K-12 Arts Education

Academic Year	2005-06	2006-07	2007-08	2008-09	2010-11
Arts Enrollment	316,962	319,782	322,270	309,456	324,351
Total Enrollment	4,542,704	4,524,151	4,419,494	4,377,083	4,343,329
Arts Enrollment as % of Total	7.0%	7.1%	7.3%	7.1%	7.5%
Arts FTE Teachers	1,941	1,954	2,031	1,957	2,057
Total FTE Teachers	28,937	29,031	29,378	29,217	29,940
FTE Teachers as % of Total	6.7%	6.7%	6.9%	6.7%	6.9%

Source: California Department of Education, Education Demographics Office

Table 21: Orange County K-12 Arts Education

Academic Year	2005-06	2006-07	2007-08	2008-09	2010-11
Arts Enrollment	112,604	122,572	105,231	104,357	107,712
Total Enrollment	1,306,731	1,341,958	1,304,028	1,297,570	1,385,243
Arts Enrollment as % of Total	8.6%	9.1%	8.1%	8.0%	7.8%
Arts FTE Teachers	616	668	585	597	576
Total FTE Teachers	7,606	7,905	7,527	7,692	7,912
FTE Teachers as % of Total	8.1%	8.5%	7.8%	7.8%	7.3%

Source: California Department of Education, Education Demographics Office

Table 22: Post Secondary Arts Educators

Area	Fine & Performing Arts Schools*	Programs at Colleges & Universities	Programs at Technical & Trade Schools	Total Educators
Los Angeles County	3,500	3,300	100	6,900
Orange County	900	200	---	1,100
Totals:	4,400	3,500	100	8,000

*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 sixth in the annual series. The "creative" economy examined in these 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 2012 report revises and updates the research carried out from 2007 through 2011. 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, the California Employment Development Department, the California Department of Education, the National Center for Charitable Statistics and the IRS. Calculations were made of indirect employment⁸ 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. The numbers were truly impressive.

The data in the 2012 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 2012 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, this source is 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

⁸ 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.

- level. For years after 2008 (such 2010), LAEDC assumed the regional creative industries' shares were maintained at the 2007 level.
- 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.

Starting with the 2011 report, a number of changes were made to the LAEDC's internal methodology as regards to industry definitions and economic impact analysis. These changes affect the LAEDC's economic analysis of all sectors, including the creative industries.

- 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 not directly comparable to figures included in reports prior to 2011.

Table 23: Economic Impact of the Creative Industries, 2011

Los Angeles County Industry					Total (Direct + Indirect) Impact		
	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2010)	Output (\$billions)	Jobs	Taxes* (\$millions)
Architecture/Interior Design	1,502	8,600	671.3	3,651	4.1	16,900	71.6
Art Galleries	202	700	44.2	627	0.8	950	5.0
Communication Arts	1,520	16,600	1,677.6	18,663	5.6	27,500	172.5
Digital Media	159	5,100	729.0	---	7.2	20,800	115.5
Entertainment	5,340	120,400	11,990.2	17,852	79.9	252,200	1,314.3
Fashion	6,313	85,600	3,374.6	6,365	50.8	150,900	413.3
Furniture/Home Furnishings	1,596	26,600	1,090.4	1,432	16.2	43,900	131.2
Product/Industrial Design	114	800	38.0	---	0.2	1,300	4.0
Toys	232	4,300	464.6	355	7.3	8,600	49.4
Visual and Performing Arts	7,685	26,200	5,363.4	67,378	21.1	53,400	648.2
Arts Education	377	8,900	125.1	---	12.7	13,200	47.1
Total	25,040	304,000	25,568.3	116,323	206.0	580,600	2,972.1

Orange County Industry					Total (Direct + Indirect) Impact		
	Establishments	Jobs	Payroll (\$millions)	Nonemployer Estab (2010)	Output (\$billions)	Jobs	Taxes* (\$millions)
Architecture/Interior Design	685	4,700	337.1	1,295	2.6	8,500	36.8
Art Galleries	41	100	4.7	209	0.1	200	0.5
Communication Arts	516	3,100	229.4	6,194	1.3	4,800	24.0
Digital Media	109	4,900	634.8	---	6.3	19,800	94.4
Entertainment	173	1,900	132.5	1,297	1.3	3,700	18.3
Fashion	649	10,200	513.0	1,301	7.4	17,500	59.5
Furniture/Home Furnishings	479	7,600	342.1	442	3.9	12,500	39.3
Product/Industrial Design	47	300	29.4	---	0.2	500	2.9
Toys	44	500	35.3	107	0.7	900	3.7
Visual and Performing Arts	276	2,500	103.3	8,185	0.8	3,900	13.0
Arts Education	119	1,600	16.6	---	0.2	2,300	5.3
Total	3,138	37,500	2,378.2	19,030	24.7	74,400	297.8

*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, QCEW data; Bureau of the Census; indirect impacts estimated by LAEDC

Table 24: Number of Jobs in the Creative Industries of Los Angeles County, 2006 vs. 2011

Creative Industry	NAICS Code	Avg. Number of Jobs (1,000s)		2006-2011 Change	
		2006	2011	Number	Percent
Architecture and Interior Design:		12.0	8.6	-3.4	-28.2%
<i>Architectural Services</i>	54131	8.5	6.4	-2.1	-25.1%
<i>Landscape Design</i>	54132	1.4	0.8	-0.7	-46.5%
<i>Interior Design</i>	54141	2.1	1.5	-0.6	-28.5%
Art Galleries	45392	1.1	0.7	-0.3	-31.7%
Communication Arts:		17.2	16.6	-0.6	-3.6%
<i>Graphic Design</i>	54143	5.4	4.2	-1.2	-21.5%
<i>Advertising Agencies</i>	54181	11.8	12.3	0.5	4.6%
Digital Media:		5.9	5.1	-0.8	-13.6%
<i>Software Publishers</i>	5112	5.9	5.1	-0.8	-13.6%
Entertainment:		129.9	120.4	-9.4	-7.2%
<i>Sound Recording</i>	5122	3.7	3.0	-0.6	-17.6%
<i>Cable Broadcasting</i>	5152	6.5	4.3	-2.2	-34.1%
<i>Motion Picture/Video Production</i>	51211	108.7	102.1	-6.7	-6.1%
<i>Motion Picture Distribution</i>	51212	2.0	2.0	-0.1	-3.8%
<i>Post Production Services</i>	51219	8.9	9.1	0.2	2.0%
Fashion:		102.4	85.6	-16.8	-16.4%
<i>Textile Mills Manufacturing</i>	313	10.1	6.9	-3.3	-32.2%
<i>Apparel Manufacturing</i>	315	59.5	45.5	-13.9	-23.4%
<i>Apparel Wholesaling</i>	4243	19.2	21.1	2.0	10.3%
<i>Footwear Manufacturing</i>	3162	0.8	0.6	-0.2	-26.5%
<i>Footwear Wholesaling</i>	42434	3.0	2.6	-0.4	-12.6%
<i>Women's Handbag Manufacturing</i>	316992	0.0	0.0	0.0	-56.8%
<i>Cosmetics Manufacturing</i>	32562	4.9	4.3	-0.6	-11.8%
<i>Jewelry Manufacturing</i>	33991	2.2	1.6	-0.6	-28.6%
<i>Jewelry Wholesaling</i>	42394	4.3	4.0	-0.3	-6.9%
<i>Other Specialized Design Svc</i>	54149	1.3	1.5	0.2	15.6%
Furniture and Home Furnishings:		42.0	26.6	-15.4	-36.6%
<i>Textile Product Mills</i>	314	6.2	3.9	-2.3	-36.8%
<i>Furniture Manufacturing</i>	337	23.5	13.0	-10.5	-44.6%
<i>Furniture Wholesaling</i>	4232	9.5	7.5	-2.1	-21.6%
<i>Electric Lighting Fixtures</i>	33512	2.8	2.2	-0.6	-21.0%
Product/Industrial Design	54142	0.7	0.8	0.2	29.6%
Toys:		6.0	4.3	-1.6	-27.5%
<i>Toy Manufacturing</i>	33993	2.2	1.5	-0.7	-31.4%
<i>Toy Wholesaling</i>	42392	3.8	2.9	-1.0	-25.3%
Visual and Performing Arts Providers:		25.0	26.2	1.2	4.8%
<i>Theater Companies</i>	71111	1.6	2.0	0.4	27.9%
<i>Dance Companies</i>	71112	0.1	0.1	0.0	-16.7%
<i>Musical Groups</i>	71113	3.7	2.8	-0.9	-24.0%
<i>Other Performing Arts Cos.</i>	71119	0.0	0.2	0.1	230.6%
<i>Agents & Managers of Artists, etc.</i>	71141	5.0	6.9	1.9	38.5%
<i>Independent Artists, Writers, etc.</i>	71151	10.6	10.6	0.0	-0.2%
<i>Museums</i>	71211	3.7	3.7	0.1	1.4%
<i>Musical Instrument Manufacturing</i>	339992	0.4	0.0	-0.4	-100.0%
Arts Education: K-12 and Post-Secondary		8.0	8.9	0.9	11.8%
<i>K-12 Arts Education †</i>	6111	1.9	2.1	0.1	6.0%
<i>Fine and Performing Arts Schools</i>	61161	2.9	3.5	0.5	18.0%
<i>Programs at colleges and universities*</i>	6113	3.0	3.3	0.3	10.0%
<i>Programs at technical and trade schools*</i>	6115	0.1	0.1	0.0	0.0%
TOTAL		350.0	304.0	-46.0	-13.2%

† California Dept. of Education

* 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; see methodology section for more information.

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

Table 25: Number of Jobs in the Creative Industries of Orange County, 2006 vs. 2011

Creative Industry	NAICS Code	Avg. Number of Jobs (1,000s)		2006-2011 Change	
		2006	2011	Number	Percent
Architecture and Interior Design:		7.2	4.7	-2.5	-35.1%
<i>Architectural Services</i>	54131	4.7	2.9	-1.7	-37.4%
<i>Landscape Design</i>	54132	1.4	1.0	-0.4	-28.1%
<i>Interior Design</i>	54141	1.1	0.7	-0.4	-34.4%
Art Galleries	45392	0.4	0.1	-0.3	-63.8%
Communication Arts:		4.2	3.1	-1.1	-25.6%
<i>Graphic Design</i>	54143	1.4	0.9	-0.5	-33.3%
<i>Advertising Agencies</i>	54181	2.8	2.2	-0.6	-21.8%
Digital Media:		3.1	4.9	1.8	58.0%
<i>Software Publishers</i>	5112	3.1	4.9	1.8	58.0%
Entertainment:		1.9	1.9	0.0	-1.1%
<i>Sound Recording</i>	5122	0.2	0.1	-0.1	-45.3%
<i>Cable Broadcasting</i>	5152	1.0	1.1	0.1	12.3%
<i>Motion Picture/Video Production</i>	51211	0.7	0.6	0.0	-6.9%
<i>Motion Picture/Video Distribution</i>	51212	0.0	0.0	0.0	-33.3%
<i>Post-Production Services</i>	51219	0.1	0.1	0.0	-26.5%
Fashion:		13.8	10.2	-3.6	-26.1%
<i>Textile Mills Manufacturing</i>	313	1.1	0.7	-0.3	-28.9%
<i>Apparel Manufacturing</i>	315	8.7	5.6	-3.0	-35.1%
<i>Apparel Wholesaling</i>	4243	2.7	2.9	0.2	7.0%
<i>Footwear Manufacturing</i>	3162	0.1	0.0	-0.1	-100.0%
<i>Footwear Wholesaling</i>	42434	0.6	0.6	0.0	-0.7%
<i>Cosmetics Manufacturing</i>	32562	0.4	0.3	-0.1	-28.0%
<i>Jewelry Manufacturing</i>	33991	0.2	0.1	-0.1	-59.8%
<i>Jewelry Wholesaling</i>	42394	0.5	0.3	-0.2	-48.0%
<i>Other Specialized Design Svc</i>	54149	0.2	0.3	0.1	57.7%
Furniture and Home Furnishings:		10.7	7.6	-3.1	-28.6%
<i>Textile Product Mills</i>	314	1.9	1.4	-0.5	-27.1%
<i>Furniture Manufacturing</i>	337	5.7	3.8	-1.9	-33.2%
<i>Furniture Wholesaling</i>	4232	1.9	1.5	-0.4	-21.3%
<i>Electric Lighting Fixtures</i>	33512	1.1	0.9	-0.2	-20.1%
Product/Industrial Design	54142	0.5	0.3	-0.2	-39.9%
Toys:		0.7	0.5	-0.2	-32.2%
<i>Toy Manufacturing</i>	33993	0.2	0.1	-0.1	-54.4%
<i>Toy Wholesaling</i>	42392	0.5	0.4	-0.1	-23.4%
Visual and Performing Arts Providers:		2.7	2.5	-0.2	-6.2%
<i>Theater Companies</i>	71111	0.8	0.9	0.0	3.0%
<i>Dance Companies</i>	71112	0.1	0.0	-0.1	-100.0%
<i>Musical Groups</i>	71113	0.3	0.2	0.0	-15.8%
<i>Other Performing Arts Cos.</i>	71119	0.0	0.0	0.0	-100.0%
<i>Agents & Managers of Artists, etc.</i>	71141	0.1	0.1	0.0	-35.4%
<i>Independent Artists, Writers, etc.</i>	71151	0.9	0.8	-0.1	-7.2%
<i>Museums</i>	71211	0.3	0.4	0.1	30.4%
<i>Musical Instrument Manufacturing</i>	339992	0.2	0.2	-0.1	-25.1%
Arts Education: K-12 and Post-Secondary:		1.7	1.6	-0.1	-3.1%
<i>K-12 Arts Educators</i> †	6111	0.6	0.6	0.0	-6.5%
<i>Fine and Performing Arts Schools</i>	61161	0.9	0.9	0.0	-1.4%
<i>Programs at colleges and universities*</i>	6113	0.2	0.2	0.0	0.0%
TOTAL		46.9	37.5	-9.4	-20.1%

† California Dept. of Education

* 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; see methodology section for more information.

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

Table 26: Los Angeles County Region Arts-related Nonprofit Sector

NTEE Code	Description	Number of Organizations	Asset Amount (\$1,000s)	Income Amount (\$1,000s)	Form 990 Revenue Amount (\$1,000s)
A01	Alliance/advocacy organizations	7	\$1,222.89	\$4,148.72	\$4,147.63
A02	Management and technical assistance	3	\$0.00	\$13.40	\$0.00
A03	Professional societies, associations	11	\$1,810.83	\$440.79	\$415.82
A05	Research institutes and/or public policy analysis	2	\$1,298.74	\$105.68	\$72.92
A11	Single organization support	34	\$363,830.77	\$103,764.59	\$61,374.39
A12	Fund raising and/or fund distribution	33	\$361,519.05	\$14,152.57	\$12,442.68
A19	Nonmonetary support N.E.C.*	9	\$2,357.65	\$4,638.12	\$4,638.12
A20	Arts, cultural organizations - multipurpose	198	\$145,195.84	\$38,988.29	\$29,321.95
A23	Cultural, ethnic awareness	285	\$444,203.17	\$110,563.10	\$62,979.47
A25	Arts education	97	\$241,795.37	\$317,903.42	\$196,434.72
A26	Arts council/agency	16	\$19,011.84	\$7,104.10	\$4,598.45
A30	Media, communications organizations	32	\$10,196.34	\$14,001.09	\$12,943.11
A31	Film, video	127	\$79,197.24	\$63,953.50	\$59,918.99
A32	Television	24	\$56,757.75	\$77,960.18	\$58,902.89
A33	Printing, publishing	41	\$11,502.78	\$9,076.47	\$7,174.58
A34	Radio	10	\$3,750.43	\$9,976.99	\$9,460.57
A40	Visual arts organizations	43	\$7,979.28	\$4,402.97	\$3,449.94
A50	Museums, museum activities	64	\$183,712.03	\$56,429.78	\$37,587.60
A51	Art museums	45	\$1,635,740.05	\$292,435.14	\$122,956.72
A52	Children's museums	3	\$48,068.90	\$3,444.13	\$3,146.68
A54	History museums	53	\$901,275.46	\$552,603.90	\$247,449.32
A56	Natural history, natural science museums	3	\$8,274.44	\$2,357.91	\$1,088.37
A57	Science and technology museums	9	\$110,966.47	\$66,681.69	\$21,624.33
A60	Performing arts organizations	123	\$19,183.00	\$17,034.53	\$16,416.84
A61	Performing arts centers	30	\$92,401.74	\$50,976.60	\$49,779.59
A62	Dance	107	\$5,425.71	\$6,292.25	\$6,037.48
A63	Ballet	12	\$281.61	\$1,963.18	\$1,827.64
A65	Theater	280	\$140,326.47	\$105,192.00	\$100,693.17
A68	Music	142	\$17,156.06	\$29,230.51	\$21,032.76
A69	Symphony orchestras	38	\$198,451.80	\$136,772.99	\$131,455.69
A6A	Opera	24	\$59,489.97	\$44,144.49	\$43,483.59
A6B	Singing, choral	56	\$5,066.29	\$7,869.51	\$7,536.43
A6C	Music groups, bands, ensembles	34	\$1,441.86	\$1,915.93	\$1,836.39
A6E	Performing arts schools	22	\$342,785.10	\$111,035.94	\$46,669.04
A70	Humanities organizations	63	\$23,079.09	\$22,834.30	\$16,238.29
A80	Historical societies, related historical activities	123	\$76,105.46	\$18,578.93	\$15,202.30
A84	Commemorative events	15	\$6,176.80	\$2,803.62	\$2,359.26
A90	Arts service organizations and activities	12	\$903.78	\$900.61	\$549.77
A99	Arts culture and humanities N.E.C.*	68	\$24,424.26	\$11,506.45	\$7,594.29

Source: IRS SOI Statistics

Table 27: Orange County Region Arts-related Nonprofit Sector

NTEE Code	Description	Number of Organizations	Asset Amount (\$1,000s)	Income Amount (\$1,000s)	Form 990 Revenue Amount (\$1,000s)
A03	Professional societies, associations	2	\$11.31	\$17.91	\$17.91
A11	Single organization support	11	\$2,267.43	\$1,467.33	\$1,038.63
A12	Fund raising and/or fund distribution	8	\$357.10	\$1,004.05	\$985.04
A20	Arts, cultural organizations - multipurpose	42	\$87,233.07	\$31,274.89	\$29,562.22
A23	Cultural, ethnic awareness	80	\$7,920.61	\$2,221.84	\$2,154.82
A25	Arts education	15	\$346.32	\$1,049.39	\$940.51
A26	Arts council/agency	4	\$596.60	\$779.01	\$729.25
A30	Media, communications organizations	9	\$24.96	\$107.70	\$107.70
A31	Film, video	9	\$1,727.51	\$3,544.25	\$3,544.25
A32	Television	6	\$19,465.99	\$13,109.82	\$12,777.64
A33	Printing, publishing	9	\$2,572.18	\$1,553.57	\$493.47
A40	Visual arts organizations	9	\$3,258.59	\$488.64	\$451.53
A50	Museums, museum activities	15	\$53,596.83	\$24,998.42	\$23,296.60
A51	Art museums	4	\$28,769.41	\$7,653.05	\$5,204.85
A52	Children's museums	3	\$9,912.90	\$4,135.56	\$4,050.73
A54	History museums	15	\$27,649.97	\$5,271.34	\$2,226.36
A57	Science and technology museums	1	\$0.00	\$0.00	\$0.00
A60	Performing arts organizations	27	\$1,768.83	\$2,172.90	\$2,058.85
A61	Performing arts centers	7	\$467,333.27	\$160,395.42	\$63,644.85
A62	Dance	19	\$226.62	\$704.08	\$627.77
A63	Ballet	12	\$8,409.20	\$3,161.83	\$2,951.00
A65	Theater	30	\$69,557.73	\$22,293.48	\$19,305.26
A68	Music	28	\$853.23	\$1,792.88	\$1,691.75
A69	Symphony orchestras	9	\$34,327.30	\$31,909.00	\$24,752.95
A6A	Opera	3	\$544.97	\$1,531.15	\$1,531.15
A6B	Singing, choral	29	\$2,598.11	\$4,443.33	\$3,430.87
A6C	Music groups, bands, ensembles	18	\$339.06	\$1,370.24	\$1,264.25
A6E	Performing arts schools	5	\$70.62	\$291.07	\$291.07
A70	Humanities organizations	20	\$20,988.27	\$11,814.01	\$11,545.01
A80	Historical societies, related historical activities	44	\$14,685.52	\$4,655.77	\$4,482.28
A84	Commemorative events	8	\$1,560.16	\$771.88	\$759.62
A90	Arts service organizations and activities	2	\$41.54	\$80.96	\$80.96
A99	Arts culture and humanities N.E.C.*	31	\$3,045.86	\$1,160.39	\$1,155.98

Source: IRS SOI Statistics

Table 28: Los Angeles K-12 Arts Education Demographics

Year	Course	Total Course Enrollment	Male Enrollment	Female Enrollment	# of Classes	# UC/CSU Classes	# FTE Teachers	Avg. Class Size
2005-2006	Arts Education	316,962	152,192	164,770	9,839	5,206	1,941	32
	Total Enrollment	4,542,704	2,296,297	2,246,407	147,192	61,434	28,937	31
Arts Education as % of Total		7.0%	6.6%	7.3%	6.7%	8.5%	6.7%	---
2006-2007	Arts Education	319,782	153,377	166,405	10,024	5,530	1,954	31
	Total Enrollment	4,524,151	2,289,263	2,234,888	149,052	64,139	29,031	30
Arts Education as % of Total		7.1%	6.7%	7.4%	6.7%	8.6%	6.7%	---
2007-2008	Arts Education	322,270	155,831	166,439	10,401	5,781	2,031	30
	Total Enrollment	4,419,494	2,247,303	2,172,191	149,392	65,218	29,378	30
Arts Education as % of Total		7.3%	6.9%	7.7%	7.0%	8.9%	6.9%	---
2008-2009	Arts Education	309,456	150,912	158,544	9,904	5,413	1,957	30
	Total Enrollment	4,377,083	2,225,364	2,151,719	148,025	63,978	29,217	30
Arts Education as % of Total		7.1%	6.8%	7.4%	6.7%	8.5%	6.7%	---
2010-2011	Arts Education	324,351	158,252	166,099	11,277	5,923	2,057	28
	Total Enrollment	4,343,329	2,223,813	2,119,516	161,719	67,982	29,940	27
Arts Education as % of Total		7.5%	7.1%	7.8%	7.0%	8.7%	6.9%	---

Source: California Department of Education, Education Demographics Office

Table 29: Orange K-12 Arts Education Demographics

Year	Course	Total Course Enrollment	Male Enrollment	Female Enrollment	# of Classes	# UC/CSU Classes	# FTE Teachers	Avg. Class Size
2005-2006	Arts Education	112,604	53,852	58,752	3,142	1,223	616	33
	Total Enrollment	1,306,731	658,730	648,001	37,681	16,015	7,606	35
Arts Education as % of Total		8.6%	8.2%	9.1%	8.3%	7.6%	8.1%	---
2006-2007	Arts Education	122,572	58,841	63,731	3,570	1,729	668	32
	Total Enrollment	1,341,958	679,890	662,068	43,130	18,571	7,905	32
Arts Education as % of Total		9.1%	8.7%	9.6%	8.3%	9.3%	8.5%	---
2007-2008	Arts Education	105,231	50,664	54,567	3,507	1,884	585	29
	Total Enrollment	1,304,028	665,976	638,052	42,194	19,771	7,527	31
Arts Education as % of Total		8.1%	7.6%	8.6%	8.3%	9.5%	7.8%	---
2008-2009	Arts Education	104,357	50,111	54,246	3,378	1,702	597	30
	Total Enrollment	1,297,570	661,455	636,115	40,862	19,456	7,692	32
Arts Education as % of Total		8.0%	7.6%	8.5%	8.3%	8.7%	7.8%	---
2010-2011	Arts Education	107,712	50,873	56,839	3,185	1,809	576	32
	Total Enrollment	1,385,243	707,921	677,322	42,710	19,632	7,912	32
Arts Education as % of Total		7.8%	7.2%	8.4%	7.5%	9.2%	7.3%	---

Source: California Department of Education, Education Demographics Office

Table 30: Arts Educators by Subject Area

Los Angeles County	2005-06	2006-07	2007-08	2008-09	2010-11
Art	973	979	1,004	934	1,035
Dance	63	76	84	76	78
Drama	219	213	225	236	236
Music	675	673	703	690	698
Web Design	12	13	15	20	10
Total	1,942	1,954	2,031	1,956	2,057

Orange County	2005-06	2006-07	2007-08	2008-09	2010-11
Art	282	313	279	278	245
Dance	17	16	17	17	31
Drama	81	72	72	70	69
Music	233	263	212	228	229
Web Design	4	4	4	4	2
Total	617	668	584	597	576

Source: California Department of Education, Education Demographics Office

Table 31: Universities, Colleges, Trade & Technical Schools in L.A. & Orange Counties Offering Degree Programs in the Creative Industries, 2011 (includes non-profit & for-profit institutions)

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

Resources

Florida, Richard. "[Talent Versus Trade in Regional Economic Development](#)." Martin Prosperity Institute, University of Toronto. REF. 2012-MPIWP-013. August 2012

["Leading Through Connections: Insights from the Global Chief Executive Study."](#) IBM CEO C-Suite Studies. May 2012

Gabe, Todd et. al. "[The Creative Class and the Crisis](#)." Martin Prosperity Institute, University of Toronto. REF. 2012-MPIWP-008. March 2012

["The Competitiveness and Innovative Capacity of the United States."](#) U.S. Department of Commerce and the National Economic Council. January 2012

["A Diverse Palette: What Arts Graduates Say About their Education and Careers."](#) Strategic National Arts Alumni Project Annual Report 2012

["2010 Final Report: The Role of the Arts in Educating America for Great Leadership and Economic Strength."](#) National Arts Policy Roundtable. September 2010

["Arts & the Economy: Using Arts and Culture to Stimulate Economic Development."](#) The National Governors Association Center for Best Practices. May 2010

[Robinson, Ken](#). "The Element: How Finding Your Passion Changes Everything." Viking Adult First Edition (January 8, 2009). Print

["Artists in the Workforce 1990 - 2005."](#) National Endowment for the Arts Research Report #48. May 2008

For additional resources, visit the Otis College website for information regarding:

- Related Creative Economy Reports
- Municipal Cultural Master Plans
- Creativity Indexes
- Arts Education K-12
- National and Regional Arts Advocacy Organizations
- Entering the Creative Economy Work Force
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CITY CREATIVE INDUSTRY STRATEGIES: THE STATE OF THE ART



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This is fourth in a series of special studies on the creative economy 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*.

Image: *Powering Flight: Challenging the Urban Environment* by Sol Design Lab/Bike Zoo
Courtesy of Everett Taasevigen.

American cultural industries have won an enduring place of prominence in the world economy. American visual, sound, writing and expressive skills form the basis for our exceptional leadership and creativity in arts, design and entertainment industries including motion pictures and television, sound recording, broadcasting, publishing, performing and visual arts, media arts, architecture, and tourism. Los Angeles hosts the single greatest concentration of these industries in the nation. The City of Los Angeles, LA County and the larger LA metro host more artists than their national counterparts. Artists form a larger portion of the workforce, and Los Angeles attracts more net new artists from elsewhere than any other region (Markusen, *Los Angeles: America's Artist Super City*, 2010).

Since 2007, the Otis Report on the Creative Economy of the Los Angeles Region has documented the huge impact of the cultural industries in Los Angeles, and other studies reveal their significance statewide, including the reverberating effect of cultural productions elsewhere in the state on Los Angeles area businesses (*California's Arts and Cultural Ecology*, Markusen et al, 2011). But a growing body of creative economy researchers here and abroad are concluding that this crucial sector of the economy does not receive the acclaim or the nurturing that it deserves (Howkins, *The Creative Economy*, 2006; Markusen et al, "Defining the Creative Economy," 2008; and Pratt, "Innovation and Creativity," 2008).

Advocacy groups like Americans for the Arts nationally and their state counterparts have done a masterful job promoting nonprofit arts and design and demonstrating the economic impact of arts organizations and businesses (AFTA, *Arts and Economic Prosperity IV and Creative Industries Reports*, 2012). Yet a time when top universities and organizations like the American Association for the Advancement of Science are successfully making a case for STEM (science, technology, engineering and medicine), we find few concerted efforts to spark the creative industries and to maintain our world leadership in them. In general, the task of cultivating our creative industries has been left to cities, regions and states, where the most prevalent tool is modest film tax incentives whose impacts have been forcefully questioned by researchers (Christopherson and Righthor, "Evaluating State Strategies to Lure Film Makers," 2010).

There are exceptions--powerful cases made and new organizations formed for creative industry policy. In his thoughtful retrospect on his time as Chair of the National Endowment for the Arts, *Arts, Inc.* (2008), Bill Ivey argued that NEA funding pales in comparison with policies regarding intellectual property rights and media consolidation lodged in national agencies like the Federal Communications Commission and the Federal Trade Commission. The Norman Lear Center at University of Southern California has been a leader in research on policy issues regarding digital technology, intellectual property rights, fashion and entertainment (e.g. Bollio, *Artists, Technology and the Ownership of Creative Content*, 2003). Organized efforts to expand President Obama's STEM into STEAM by including Arts (Egers, "STEAM not STEM," 2010; Rhode Island School of Design, "Bridging the Brain Divide," 2012) are gaining ground. Nevertheless, the best exemplars of American creative industry strategies to date are those built at city and regional levels.

In this paper, I review three remarkable initiatives in three American cities to design, implement, and financially support creative industry strategies:

- Seattle: City of Music, a partnership among musicians, music venues, a broad and diverse music industry, nonprofit music organizations and researchers, initiated by a Mayor of Seattle and located in City government, engaged in music promotion, musician support, and music business retention, and now launching a content technology initiative while adding new venues and programs with new partners

- Minneapolis/Saint Paul's dozen or more Artists' Centers, discipline-specific dedicated venues providing shared space, equipment, mentoring, feedback, and exhibition/performing/teaching opportunities, initiated by groups of artists, run by nonprofit membership organizations, and supported by earned income and foundation and state and local government funds, an outstanding example of a human capital arts industry strategy fueling commercial advertising and publishing
- San José's ZERO1 Biennial and Garage, wedding art with technology, altering the face and trajectory of Silicon Valley via public celebration and helping area companies pair artists with internal teams to push the margins of innovation, initiated by a Silicon Valley executive and led by an arts nonprofit with many local arts partners and support from the City, corporations and funders

Each strategy plays to the distinctive strengths of its host region. Each emphasizes networking as a key way to foster and disseminate expertise and innovation, though in different ways. Each targets entrepreneurs--artists, small businesses or units inside larger corporations--as key actors in the process. All are modestly scaled and financially affordable. Each casts light on how different types of actors play initial and ongoing leadership roles. Each was implemented with the belief that they would produce both aesthetic and economic benefits. Each has generated returns in the form of an expanded and more skilled arts and design workforce, the formation of new enterprises, and upticks in the performance of and regional appreciation for the creative economy. I document briefly their formation, operation, and ongoing consequences.

In closing, I reflect on the political and organizational challenges in mounting creative industry strategies at the local and state levels and how Los Angeles could play to its strengths in this regard. In 2011-12, Los Angeles demonstrated its ability to come together around visual art in the a remarkable regional initiative, *Pacific Standard Time*, launched and led by the Getty Trust, that placed the region's visual arts over the period 1950 to 1980 on public view and on the national and international map. It will be not studied in depth here because the project has been well documented elsewhere, including a recently published economic study of the initiative (Los Angeles County Economic Development Corporation, *Pacific Standard Time*, 2012; Smith, "A New Pin on the Arts Map," 2011).

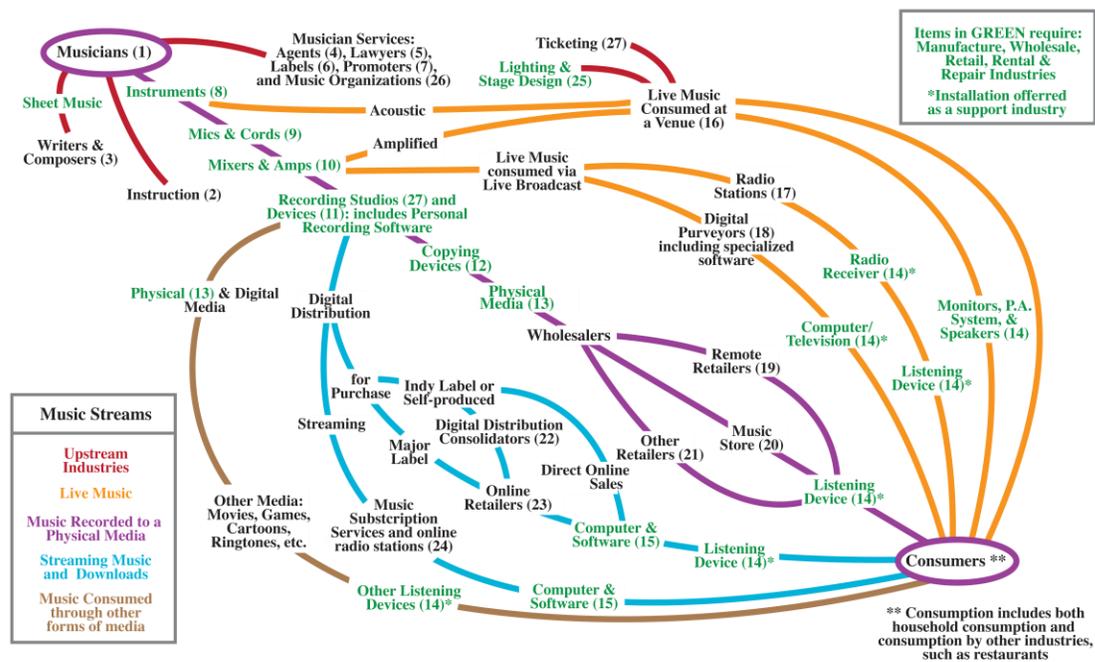
Seattle: City of Music

Targeting and celebrating music as a genre, Seattle: City of Music attracts musicians and music lovers, enhances music sales and musicians' incomes, subsidizes venues and organizations, and fosters networking, creativity, and new enterprises. Since its formation in 2002, it maintains a high visibility City web presence, embracing outdoor festivals and a broad range of music styles and venues, engaging in business retention efforts, bolstering K-12 music education, mounting musician homeownership and health care programs, and broadening toward a content technology agenda for the future. Currently its impact is being magnified by new Chamber of Commerce and Seattle Sea-Tac Airport initiatives.

In 1995, Seattle musicians, including Nirvana bassist Krist Novoselic, founded JAMPAC (Joint Artists and Musicians Political Action Committee) to fight City Hall anti-dance ordinances and poster bans. They were successful and persisted by pressing "What will you do for music?" in subsequent mayoral and City Council campaigns.

New to office in 2002, pro-music Mayor Gregory Nickels commissioned an economic impact study from University of Washington geographer William Beyers (2004), and an expanded version in 2008 (Beyers et al, 2008). Beyers and colleagues' music industry reports broke new ground by refusing to restrict their purview to nonprofit music organizations, as many arts impact studies do. They scaled the silos between sectors, showing the full range of enterprises that link musicians with consumers (instrument makers, composers, music teachers, equipment retailers, recording studios); including clubs and symphony halls as live venues; and tracing music industry revenues and impact through published and digital formats as well live dissemination (Figure 1). They were able to identify complex components and streams because they worked closely with an advisory committee of industry participants. The 2008 study estimated that music supported 20,193 jobs in the Seattle region and generated \$2.2 billion in sales, \$840 million in earnings, and \$148 million in tax revenues in King County.

Figure 1. Components and Flows, Seattle Music Industry Economic Impact Study, 2008



Source: Derik Andreoli, from William Beyers, Christopher Fowler, and Derik Andreoli. 2008. *The Economic Impact of Music in Seattle and King County*. Seattle, WA: Mayor's Office of Film and Music <http://www.seattle.gov/music/impactstudy.htm>

The Beyers et al studies not only revealed the music industry's economic heft--they empowered a broad swath of players within Seattle's music industry to see themselves as a coalition (Markusen and Gadwa, 2010: 40-41). In 2008, building on Beyers' conceptualization, Mayor Nickels mounted Seattle's Office of Film + Music, financed out of the City's general fund. He chose as its Director James Keblas, founder of the VERA project, a Seattle Center venue for under drinking-age kids to perform that continues to be wildly successful on a blend of City and private funding. The City thus chose to put sustained money into an arts-oriented economic development agenda.

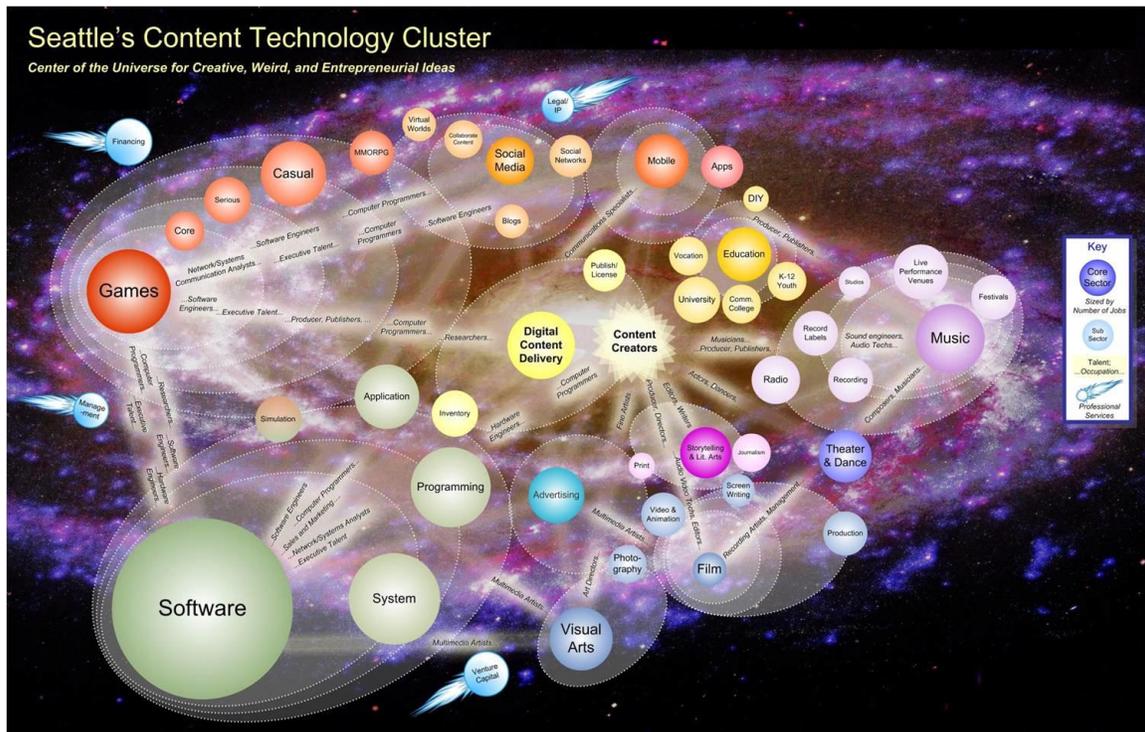
Kebblas and his staff worked hard to keep players—commercial, nonprofit, government, community—engaged. The popularity of the Seattle: City of Music effort survived the transition to a new Mayor in 2009. The City now hosts a Music Commission, with 21 music industry members, half appointed by the Mayor and the others by City Council.

Seattle: City of Music’s website champions a three-part City of Music initiative—City of Musicians, City of Live Music, and City of Music Business (<http://cityofmusic.com/>). Aside from a modest City budget of less than \$200,000 that covers salaries for two dedicated staff positions, the private sector funds most City of Music costs, with nonprofits contributing services. For instance, the website showcases musician support such as musicians’ health clinics, funded and coordinated by arts non-profits, and college scholarships for high school musicians, funded by Sub Pop Records. With the Music Commission and other partners, the City sponsors a City of Music Career Day for 200 to 300 high school juniors and seniors and college students, helping them think through how to build a music career here in Seattle, so that they do not feel they have to go to LA or New York to succeed. The City provides an admissions tax exemption (a tax expenditures, or foregone City revenue) for live music venues that currently benefits 19 for-profit venues, 16 not-for-profit venues, and 52 music organizations.

In a few short years, the Seattle: City of Music initiative has attracted new enthusiastic partners. This fall, the Seattle Metro Chamber of Commerce unveiled its own City of Music Initiative, bringing its considerable resources to music advocacy and lobbying in Olympia and Washington, DC. The Chamber plans to do professional development, including annual events that show corporations how to incorporate local music into their advertising. In another spinoff, Sea-Tac Airport launched its “Experience the City of Music,” a partnership with the City, the Port of Seattle, and music-specialist PlayNet. At all gates and baggage carousels, every screen and speaker shows and plays local music. Artists read public announcements, and the airport’s free wifi comes a local music web player, “to tap into all the glory of grunge and rock, sizzling urban & soul, favorite and fresh folk, and jammin’ jazz” (<http://www.portseattle.org/Sea-Tac/Passenger-Services/Pages/Music.aspx>). Airport managers believe that music will become integral to the airport’s identity and boost concession sales. They plan more: a busker program throughout airport, and buskers on the busses, riding with you all the way downtown.

Seattle: City of Music’s next frontier is to explore music’s intersection with the region’s content technology cluster, acknowledging the growing role that software and digital platforms play in music production and consumption. It is mapping out a Content Technology Initiative to enhance the business climate for film, music, and interactive media sectors, including software and gaming, placing content creators (musicians, artists) at the center (Figure 2).

Figure 2. Seattle Content Technology Cluster



Source: Claudia Bach, AdvisArts, and Chris Mefford, Community Attributes International, for Seattle Office of Film + Music, November 2010.

Seattle: City of Music has helped Seattle enhance its already strong standing among music-rich cities. In concentrations of musicians and music-related businesses, it ranked fifth behind the Nashville, New York, Los Angeles, and San Francisco metros in a recent study (Florida, 2012). High visibility for live music performances helps to expand participation, targeting local consumers' discretionary income that flows into the music industry and in turn sparks innovation (Markusen, 2012). In addition, when local residents patronize music avidly, they create a buzz that attracts more new residents and visitors from elsewhere, not only youth (Shellenbarger, 2009) but retirees drawn to classical music and jazz, as well as newly minted musicians.

Minneapolis/St. Paul's Artists Centers

Sustained nurturing of discipline-specific dedicated spaces for artists is a human capital strategy for the creative industries. It hones in on workforce rather than economic development policy and on building enterprises by working directly with artists as entrepreneurs. Artists fall through the cracks of existing state and local workforce development programs, tailored for hard-to-employ youth and displaced blue-collar workers. Artists' Centers are a powerful alternative, especially when organized along disciplinary and industry lines.

Artists' Centers have been a prominent component of the Twin Cities' creative industry strategy since the 1970s, their ranks growing by decade with a few casualties along the way (Table 1). Artists' centers are dedicated spaces run by non-profit membership organizations open to all for a modest annual fee.

They may serve specific arts disciplines such as composing, playwriting, printmaking, photography, filmmaking, ceramics, writing, or foster cross-disciplinary work in particular neighborhoods or communities.

What happens in artists' Centers? They bring seasoned, commercially and critically successful artists together with novices, emergent artists and arts lovers to share space, techniques, equipment, artworks, and library resources. At the Centers, inspiring writers and artists find inspiration, resources, and mentorship in both artistic technique and business acumen. They also access opportunities to perform, exhibit, and market their work. In formal classes, seasoned artists earn money by teaching others everything from advanced artistic techniques to how to pitch your work commercially. Competing for fellowships and awards funneled through the Centers, artists are asked to give back by sharing their experiences with other members (Markusen and Johnson, 2006).

Table 1. Minnesota Artists' Centers: Start Date, Budget, Membership, 2004-5

	Year Started	Annual Budget (\$)	Members
American Composers Forum	1973	2,300,000	700
Film in the Cities	1970	defunct	defunct
Highpoint Center for Printmaking	2000	305,000	325
IFP Minnesota Center for Media Arts	1987	800,000	500
Interact Center for Performing & Visual Arts	1995	1,400,000	100
Intermedia Arts	1973	1,000,000	200
Loft Literary Center	1974	1,800,000	2700
Minnesota Center for Book Arts	1983	850,000	700
Minnesota Center for Photography	1989	350,000	600
Minnesota Dance Alliance	1978	defunct	defunct
Northern Clay Center	1990	1,235,800	600
Playwrights' Center	1971	700,000	550
SASE: The Write Place	1993	300,000	100
Textile Center	1994	500,000	800

Sources: Ann Markusen and Amanda Johnson, *Artists' Centers: Evolution and Impact on Careers, Neighborhoods and Economies*, Minneapolis: Humphrey School of Public Affairs, University of Minnesota, February, 2006. <http://www.hhh.umn.edu/projects/prie/PRIE--publications.html>. Data from interviews, websites, annual reports.

The largest of the Twin Cities' Centers revenue-wise is the Loft Literary Center, begun as the Writers' Loft in 1974 by poets and writers emerging from the University of Minnesota desperate for a place to convene and wondering if they could make a living from their work. Advertising a course in poetry, they discovered a large, eager adult audience for post-formal education. By 2006, in its sixth home, the Loft served more than 3500 members on a budget of \$2.3 million. Like most of the other centers, it operates on a mix of earned and contributed income: in this case, 40-45% from classes, studio rents, and business rentals, augmented by membership fees and contributed income from regional foundations (the largest share), the Minnesota State Arts Board, and the Cities of Minneapolis and Saint Paul (Table 2).

Table 2. Total Awards, Regional Foundations, Public Sector, Various Time Periods, (\$)

	Regional Foundations 2001-5	Minnesota State Arts Board 2001-5	Cities of Minneapolis, Saint Paul, 1983-2005	Total
The Loft Literary Center	2,450,000	225,612		2,675,612
American Composers Forum (MN)	2,030,700	352,044	75,000	2,457,744
Playwrights' Center	2,116,870	131,228	28,000	2,276,098
Northern Clay Center	1,464,000	198,703	200,000	1,862,703
Intermedia Arts	1,132,000	230,396	330,000	1,692,396
IFP Minnesota Center for Media Arts	1,240,000	97,749	47,500	1,385,249
MN Center for Book Arts	432,600	133,867		566,467
SASE: The Write Place	433,060	98,339		531,399
Minnesota Center for Photography	300,000	66,282		366,282
Textile Center	159,000	49,252		208,252
Highpoint Center for Printmaking	166,080	11,200		177,280
Interact Center for Visual & Performing Arts	30,000	104,006		134,006
Total all Foundations	11,973,310	1,698,678	680,500	14,352,488

Sources: Ann Markusen and Amanda Johnson, *Artists' Centers: Evolution and Impact on Careers, Neighborhoods and Economies*, Minneapolis: Humphrey School of Public Affairs, University of Minnesota, February, 2006: Tables 5, 6. <http://www.hhh.umn.edu/projects/prie/PRIE--publications.html>. Data from interviews, websites, annual reports.

Twin Cities' Artist Centers have hatched and continue to groom top quality talent for the region's exceptionally strong creative industries, including publishing, advertising, and music (broadcasting and live performance). The Loft's longer-term impact is evident in the continued concentrations of and growth rates in writers in the Twin Cities' workforce, despite the turbulence of balanced in and out-migration—Minnesota "home-grows" writers at faster rates than other regions (Markusen and Schrock, 2006). By nurturing a large and diverse workforce of skilled writers, it helps Minnesota's publishing industry to flourish. Note that commercial and nonprofit publishing companies contribute very little to the maintenance of the Loft. Writers are the most over-represented of Minnesota artists compared to the nation. Yet all of the artistic occupations—performing artists, visual artists, musicians, designers and architects—account for higher shares of the Twin Cities workforce than they do nationally, evidence for the efficacy of the full range of Centers.

The Loft and its fellow artist centers have been successful because of strong, enduring artist community support, good management, and a reliable mix of revenues. Their ranks have grown because Foundation program officers have not only been generous with sustained funding, but have asked established Center leaders to mentor new start-up centers. The Centers play to existing expertise and are helping to shape the region's creative industry distinctiveness. They facilitate dense networking across sectors (commercial, nonprofit and community) and levels of expertise.

With their classes, equipment, workspace and mentoring, they operate as inexpensive incubators of entrepreneurship, launching successful small firms and viable artist proprietorships.

San José's ZERO1 Biennial and Garage

San José's ZERO1 Biennial and Garage are wedding technology with art to engage new commercial sectors and remake the face of Silicon Valley as a place to live and work. The driving philosophy of ZERO1, a San José arts nonprofit, is that art 1) is central to collaboration, experimentation, discovery, and invention, and 2) can provoke our critical understanding of the contemporary world (Markusen and Gadwa, 2010: 52-53). It builds on the Valley's extraordinary prowess in technology while understanding that visual, sound and design content, and the way artists uniquely approach creativity, are becoming more central to the future of the Valley's economy.

Now one of the world's largest and most prestigious festivals of its kind, ZERO1 mounted its fourth Biennial in September, 2012, attracting 17,000 people for the opening and expecting more than 75,000 over the fall months (<http://www.zero1biennial.org/contemporary-art-biennial-engages-visionary-media-artists>). ZERO1 issues competitive invitations to international and local artists working on the cusp of art and technology. Those chosen—more than 100 artists participated in 2012—display their large and small works on San José and greater Bay Area platforms offered by diverse nonprofit arts organizations. The works can also be accessed on-line and by mobile phone. Artists lead workshops that engage participants 24/7, showcasing Silicon Valley's creativity, entrepreneurship and innovation. The festival is transdisciplinary, encompassing visual and performing arts, theater, music and public art installations.

ZERO1's arts and technology initiative dates from the mid-1990s, when Andy Cunningham, a Silicon Valley public relations and strategic communications entrepreneur, staged the Interactive Media Festival in Los Angeles with \$2 million from Motorola. The Festival hosted artists and projects that forecast the future, including Marc Andreessen unveiling Mosaic (his forerunner to Netscape) as an art project. As a follow-on incubation model for artist/techie intersection, Cunningham assembled a Board and established the non-profit Ground Zero, renamed ZERO1 following 9/11 (Markusen and Gadwa, 2010: 52-3.)

The Biennial is an intricate partnership between ZERO1, 40 Silicon Valley arts organizations and five more beyond the Valley, supported by the City of San José and area foundations and corporations. In return for the use of their venues, ZERO1 brings their nonprofit partners networks, curatorial expertise, international recognition, and exposure to creative artists from elsewhere. Aspiring to serve as the downtown of Silicon Valley, the City of San José provided crucial early support. Along with Adobe and San José State University, the City helped to fund ZERO1's 2006 International Symposium for Electronic Arts and its 2008 Biennial. As City budgets tightened, and the organization found itself competing directly with its cultural nonprofit partners for limited resources, ZERO1 turned to philanthropy and the private sector. Of its 2010 \$1.5 million annual budget, foundations provided 50-60% and corporate sponsorships most of the rest. Revenues from token entrance fees amounted to less than 10% (Markusen and Gadwa, 2010). Going forward, ZERO1 aims for its revenue to be 35% Foundation-based and 30% corporate investment-based.

Since its first Biennial in 2006, ZERO1's 2012 offerings have expanded from three weeks to four months and beyond the Valley to the rest of the Bay Area, reaching new audiences, providing new access points, and aspiring to be recognized as Silicon Valley's Biennial.

It has also deepened its commitment to San José, partnering with the City to land a National Endowment for the Arts Our Town grant supporting six new platforms in the City's SOFA district. Also with the City, it mounted sixty temporary projects as part of an outdoor Friday night street festival. ZERO1 partnered with E-Bay to stage a public art project on its San José corporate headquarters grounds, another first.

In the fall of 2012, ZERO1 opened its Garage, a space where principles of artistic creativity will be applied to real world innovation challenges. The Garage is built around two revolutionary operating principles. First, it offers regional technology companies like Google and Adobe, and companies farther afield, the chance to work with a Garage-based Artist Fellow from three to twelve months, tackling long-term innovative challenges such as “what will a free and open internet look like in ten years?” The client articulates the problem and works with ZERO1 to find the right artist. Anticipating that human-centered design will be the paradigm of the 21st century, “companies are asking ‘how can we become more creative,’” says Joel Slayton, Zero1 Executive Director. “They want to be inspired and challenged, to stumble onto the next new thing, new tool, new application. We’re not making artists into product developers. We’re allowing them to do what they do naturally, to expose give us their radical experimentations, to focus on the disruptive interpretation. Its ZERO1’s responsibility to translate the principles of artistic explorations into useful creativity and innovation for the companies.”

Figure 3. ZERO1 Garage Pre-view and Conversation, October 2011 San José, California



Source: ZERO1 San José, California, photo by Patrick Lydon

The Garage’s other operating principle is to do this work, all their work, in a completely open environment, on view to the public. It hosts studios and laboratories on site where Fellows work, publicly accessible and visible. Its administrative offices are similarly transparent—people can walk into the media lounge, offices, and meetings, even Board meetings. ZERO1’s organization will be on display, its exhibitions created publicly, not behind closed doors.

ZERO1 is a 21st century model for how nonprofit arts organizations might function in a fast-changing world. It is more like a start-up company than an arts presenter. Its 2010 Green Prix, a Biennial platform, centered on eco-locomotion—how people can move through urban space on everything from modified skateboards, bicycles, and solar cars to self-guiding automobiles. The artists’ entries paraded to a central place where people could spend days examining them and talking with their creators.

The Garage hopes to thrive by providing value to fast-paced companies via artists’ exceptional creativity. But it’s also an arts nonprofit committed to place, to celebrating San José and the Valley as not just as geeky and techy, but artistically rich and diverse.

Figure 4. Title: Slo Dog, Wittig, Durie, Gardner, Lee, ZERO1 Biennial, Green Prix



Source: ZERO1 San José, California, photo by Everett Taasevigen

Beyond the Exemplars

Across the US, Canada, UK, Australia and other countries, creative industry protagonists are experimenting with new forms of organization, presentation, and policy. It's worth mentioning a few of these here. Many US states and cities have launched programming and websites that help independent artists chart a career and improve their livelihoods through business training, mentoring, networking, and access to funding. Los Angeles-based Center for Cultural Innovation is a national leader (www.cciarts.org/), its second edition of *The Business of Art: An Artist's Guide to Profitable Self-Employment* (2012) the top primer in the field.

Some states have taken up the creative industry challenge, including pioneer Louisiana, whose Lt. Governor Mitch Landreaux convened a Cultural Economy Initiative Conference in 2005, following by publication of Mt. Auburn Associates' *Louisiana: Where Culture Means Business* (2005). Its strategic vision focuses on food and culinary arts, literary arts, music, and historic asset preservation as industries distinctive to the state. In its ongoing creative economy effort awards State tax breaks for sales of original artworks and for renovation of historically distinctive buildings for cultural uses to artists and organizations in designated cultural districts both rural and urban. For a view of how this policy has nurtured artistic creation in one small city, Arnaudville, see Markusen and Gadwa's *Creative Placemaking*, 2010: 42-3).

Other cities have designed and sponsored creative industry technical and consulting services to help small entrepreneurial firms succeed. Manchester (UK)'s Creative Industry Development Services (CIDS), a decade-long effort to spark the growth of cultural for-profit enterprises, especially in fashion and music, offered strategic planning and business skills, technical assistance, and intensive networking.

Initiated by a local University geographer, Justin O'Connor, following his study of the City's creative industries, and funded by Manchester City Government, the CIDS effort was extraordinarily effective on a small budget, responsible for a hive of burgeoning enterprises in the City's Northern Quarter (O'Connor and Gu, "Developing a Creative Cluster in a Post-industrial

City,” 2010). Subsequently, it fell afoul of bureaucratic jockeying for position at the regional scale, but its work has continued under the auspices of a for-profit firm, The White Room, (<http://www.creativetimes.co.uk/directory/the-white-room>), led by former CIDS Director, Andy Lovatt.

And Los Angeles?

Creative industry advocates in Los Angeles enjoy a marvelous laboratory for experimenting with industry-strengthening initiatives. You host a huge and vibrant artistic workforce with expertise in performance, film/video, writing, music, visual expression, digital media, fashion, design and entertainment. Many of your creative industries are at the top of their game, though in advertising, broadcasting, and publishing, for instance, LA’s workforce concentrations lag other metros like Chicago, New York, and Boston. But the world’s future lies in your lines of expertise – visual and aural modes of communication, digital platforms for sharing music, film, and games, and the ability to integrate the various arts and design disciplines. You have considerable software and technology talent, the legacy of your once dominant aerospace industry. You host business acumen at all levels of complexity—huge cultural industry firms and myriads of small, entrepreneurial companies. Your artists are outstanding at crossing the boundaries between commercial, nonprofit and community sectors, even as the organizations they work for find this difficult (Markusen et al, *Crossover: How Artists Build Careers across Commercial, Nonprofit and Community Work*, 2006). Your diverse population offers you extraordinary resources for cultural content that will reach far around the globe.

Among Los Angeles’ challenges are the size and spatial expansiveness of your region and cultural economy, making it more difficult to be efficient in networking and mentoring. Arts participation rates among Los Angeles area residents are far below those of the San Francisco Bay Area, and the region’s number of non-profit arts organizations per capita is lower as well (Markusen et al, *California’s Arts and Cultural Ecology*, 2011). The region’s high cost of living means it is harder to create convening spaces. The tremendous resources generated from a century of Hollywood’s prominence are sometimes difficult to parlay into new forward-looking technologies and modes of organization that will comprise our cultural industries of the future.

Los Angeles could borrow concepts and partnering arrangements from any of the unique experiments profiled here. And go beyond them, tailoring your own art and technology initiatives, culture-rich and addressed to a human-centered future. It will be fascinating to see if, and how, private sector leaders and entrepreneurs, nonprofit arts and cultural organizations, arts and design training institutions, and City and County leaders can come together to forge such an agenda.

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