

2023

OTIS COLLEGE
REPORT ON THE

CREATIVE ECONOMY

■ OTIS
■ COLLEGE
■ OF
ART
AND
DESIGN





COMMISSIONED BY OTIS COLLEGE OF ART AND DESIGN

Established in 1918 as Los Angeles’ first professional school of the arts, Otis College of Art and Design is a non-profit 501(c)3 institution and a national leader in art and design education. The College educates a diverse community of over 1,200 students to become highly skilled, well-informed, and responsible professionals—empowering them to shape the world. First published in 2007, the annual *Otis College Report on the Creative Economy* focuses on the ways in which California’s creative industries form an essential part of its overall economy.

More information is available at otis.edu.



PREPARED BY CVL ECONOMICS

CVL Economics is an economic research and planning firm committed to rethinking, reframing, and redefining the future of equitable development. Founded in 2021 in response to a rapidly shifting economic landscape, CVL recognizes that communities, institutions, and organizations are facing unprecedented challenges as they navigate uncertainty. Partnering with clients dedicated to sustainable and resilient growth, CVL employs a tailored mix of advanced data analytics and rigorous qualitative methods to guide regional strategy, program, and policy development for state, regional, and local jurisdictions; research universities and community college districts; nonprofit and philanthropic organizations; and community-based organizations.

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And thank you to our advocacy partners Arts for LA, Arts Orange County, Californians for the Arts, and Create CA for your support.



CALIFORNIA'S CREATIVE ECONOMY

\$507.4B

DIRECT GROSS
VALUE ADDED
2021

14.9%

APPROXIMATE
SHARE OF GRP
2021

\$581.7B

TOTAL LABOR
INCOME
2021

\$194.1B

TOTAL TAX
REVENUE
2021

1.8 Million

CREATIVE
ECONOMY
JOBS
2021

1.1 Million
Entertainment

314,300
Fine & Performing Arts

284,800
Architecture & Related Services

42,300
Creative Goods & Products

62,700
Fashion

\$148,189

CREATIVE ECONOMY
AVERAGE ANNUAL WAGES
2021

\$73,080

TOTAL ECONOMY
AVERAGE ANNUAL WAGES
2021

PREFACE

The 2023 *Otis College Report on the Creative Economy* is part of an ongoing research project, first commissioned in 2007, to better understand the size, growth, structure, and character of the creative economy in California, with an emphasis on Los Angeles County. The *Report's* approach focuses primarily on five creative sectors. By analyzing creative industry activity, including employment and wages, the *Report* provides a robust look at the economic impact of the creative economy in California and regions across the state.

This year's *Report* also examines the broader economic climate in California and focuses on how technology and "gaming" are driving change and innovation across the creative industries and throughout the entire economy. The next few years will present a sea change for the creative economy as new tools for developing and distributing creative content continue to proliferate at an accelerated rate.

The economic data contained in the *Report* indicate the COVID-19 pandemic is in the rearview mirror of some sectors, while others are facing serious challenges. It remains critical that stakeholders across California's creative sectors engage in evidence-based discussions about how the state can foster, support, and implement inclusive development strategies to secure the future of our creative economy.





President's Message: 2023 Otis College Report on the Creative Economy

We're proud to share the 2023 *Otis College Report on the Creative Economy*.

Now in its 16th year, the *Report* is an invaluable resource for a variety of stakeholders who are actively engaged in shaping creative sectors in our region, state, and beyond. When it first launched in 2007, the *Report* highlighted the impact of creative industries in Los Angeles. Since then, it has expanded to showcase statewide data across eight regions of California, from Sacramento to San Diego, and offers an in-depth look at five key sectors that comprise the state's overall creative economy.

When we surveyed readers on the value of the *Report* last year, over 83% of respondents agreed that it continues to be a critical resource for tracking California's creative economy and that its content is important to the vital work they oversee, from influencing policy and programming to helping the public sector understand the size and breadth of the creative landscape.

At Otis College, we're preparing a new generation of artists and designers for a dynamic future in established and emerging fields, ranging from fashion and fine arts to animation, game, and entertainment design. As Los Angeles's oldest, and most diverse professional art and design college, it is paramount that we understand the evolving creative sectors that will employ our graduates so that we may continue to prepare them for success.

I would like to thank CVL Economics for their authorship of the *Report* and their commitment to this research. I would also like to share a special thank you to our sponsors who make this report possible, including City National Bank, City of Los Angeles Department of Cultural Affairs, Gallagher, Getty Foundation, Marsh, Moss Adams, The Ralph M. Parsons Foundation, and Sony Pictures Entertainment.

Best regards,

Charles Hirschhorn

President

Otis College of Art and Design



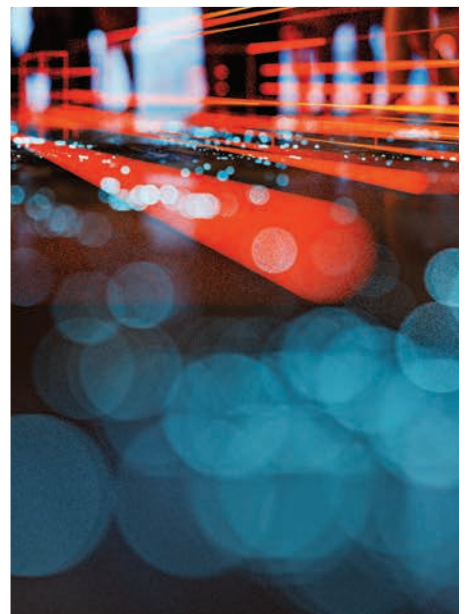
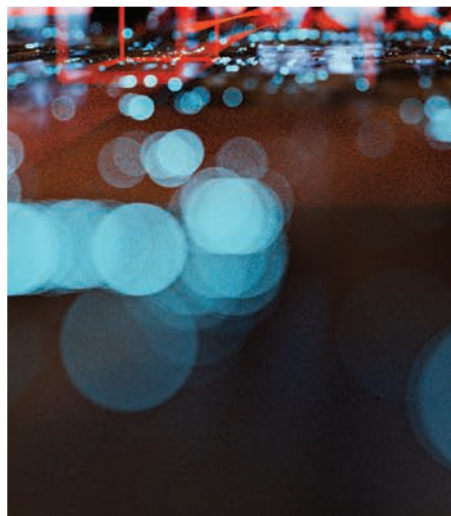
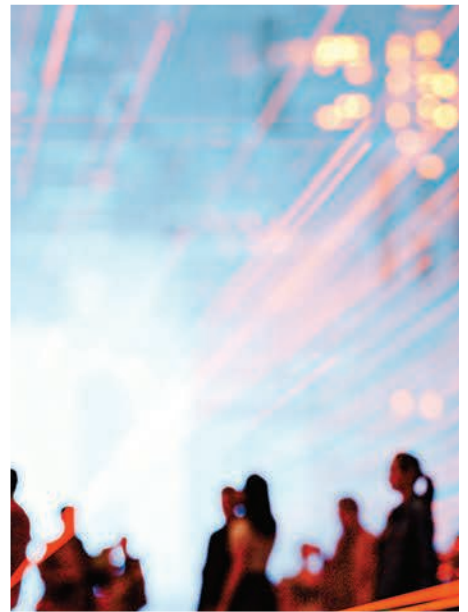


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EXECUTIVE SUMMARY



California’s creative economy finds itself in a moment of profound change. The effects of the pandemic continue to reverberate throughout creative sectors, and any sense of a return to normalcy becomes less likely with each passing year. For many industries, this is a discouraging state of affairs. At the same time, the past three years have been a period of reflection and adaptation, which has yielded an important insight: the economic value of the creative sectors extends beyond just the manifest production of artistic and cultural goods or the employment of creative people. Arguably, their key economic function is to inspire, leverage, and amplify innovation across the state. In this sense, the fact that a return to normalcy is unlikely is more a feature than a bug.

The *Otis College Report on the Creative Economy* has always been grounded on two principles: (1) the creative economy is an indispensable pillar of California’s identity, growth, and development; and (2) the creative economy is both the driver and a beneficiary of technological advancement.

The pandemic proved both to be true as the creative sectors shifted activity from the physical world into the digital realm. The next few years will present a sea change for the creative economy as new tools for developing and distributing creative content continue to proliferate at a rapid rate.

**U.S. EXPORTS FOR SELECT CREATIVE ECONOMY SERVICES
2021**

	U.S. EXPORT VALUE	5-YEAR CHANGE
Video Games and Other Computer Software, including end-user licenses and customization	\$29.2 Billion	54.2%
Advertising and Related Services	\$23.6 Billion	33.9%
Audiovisual Services	\$16.1 Billion	-24.7%
Licenses to reproduce and/or distribute Audiovisual Products	\$4.3 Billion	2.5%
Architectural Services	\$769 Million	-17.0%
Artistic Related Services	\$501 Million	-29.5%
News Agency Services	\$275 Million	-7.1%

Source: U.S. Bureau of Economic Analysis



This last point is the focus of this year's *Report*, which views the future of the creative economy through an important lens: video games. Yes, the U.S. export market for video games has experienced explosive growth in recent years (up 54% between 2017 and 2021). And, yes, there is an increasingly symbiotic relationship between game developers and Hollywood.¹ But the impact of video game (or "gaming") technology, specifically, is making inroads far beyond the gaming community, and in far more transformational ways. At the opera.² On virtual backlots.³ Along the fashion runway.⁴ In a decarbonized Los Angeles.⁵ These increasingly

complex technologies are giving rise to an expanding roster of new expressive applications and offer previously unprecedented methods of communication, production, and engagement.

The expansion of gaming technology across the creative economy may not provide immediate relief to those industries still caught in the long shadow cast by the pandemic. But by acknowledging its growing presence, recognizing its potential, and shaping its development, all creative sectors have reason to believe that gaming can be serious business indeed.

¹ Dougherty, Conor. "Can 'The Last of Us' Unlock a Gaming Goldmine for TV?" *New York Times*. January 11, 2023. Retrieved from: <https://www.nytimes.com/2023/01/11/arts/television/the-last-of-us-hbo.html>

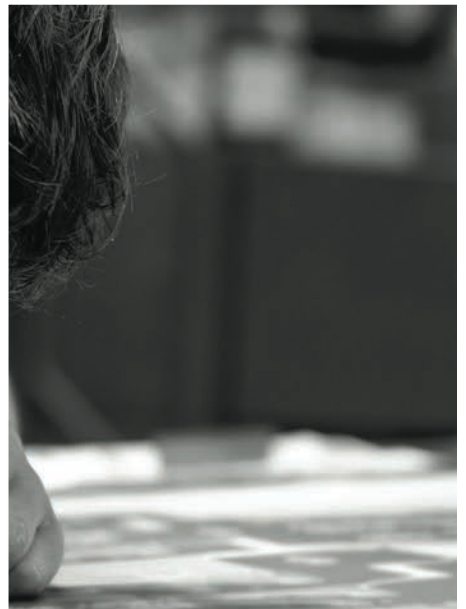
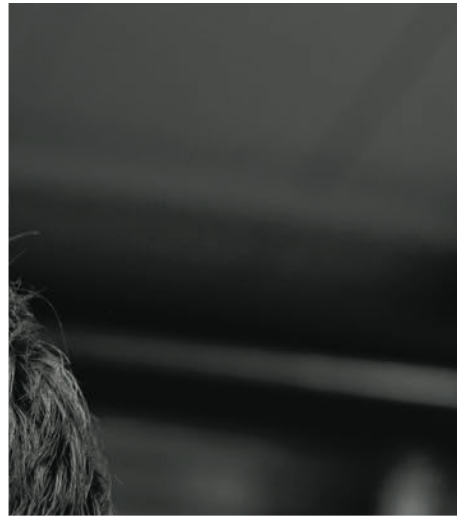
² Swed, Mark. "Review: With Yuval Sharon and Gustavo Dudamel at the Helm, 'Valkyries' Makes History Again at the Bowl." *Los Angeles Times*. July 18, 2022. <https://www.latimes.com/entertainment-arts/story/2022-07-18/review-wagners- Valkyries-hollywood-bowl-dudamel-yuval-sharon>.

³ Fatemi, Falon. "Virtual Production Offers Real Savings for Studios of All Sizes." *Forbes*. October 11, 2022. Retrieved from: <https://www.forbes.com/sites/falonfatemi/2022/10/11/virtual-production-offers-real-savings-for-studios-of-all-sizes/?sh=2d6b23874c8d>

⁴ Friedman, Vanessa. "After Grand Theft Auto and Minecraft, Balenciaga: The Video Game?" *New York Times*. December 7, 2020. Retrieved from: <https://www.nytimes.com/2020/12/07/style/balenciaga-video-game-afterworld.html>

⁵ Bahadursingh, Nathaniel. "Los Angeles the latest city to adopt twin technology to cut carbon emissions." *Archinect*. June 9, 2022. Retrieved from: <https://archinect.com/news/article/150312805/los-angeles-the-latest-city-to-adopt-digital-twin-technology-to-cut-carbon-emissions>





EXECUTIVE SUMMARY

The Creative Sectors

Of course, the effects of the pandemic still manifest today, albeit in different ways, in each of the five creative sectors: Entertainment, Fine & Performing Arts, Architecture & Related Services, Creative Goods & Products, and Fashion. As the early months of emergency funding gave way to longer-term recovery planning, there was a growing realization that a return to a pre-pandemic economic trajectory would be unlikely.

Some industries—especially those in the Fine & Performing Arts sector—are still struggling to regain their footing, but others have been able to pivot. In cases like the Creative Goods & Products and Fashion sectors, shifting market conditions led to new opportunities, which in turn reversed decades-long declines in employment. In other sectors, such as Entertainment and Architecture & Related Services, the pandemic accelerated the development and deployment of advanced technologies. The findings below provide a snapshot of the current state of California’s creative economy:

- **Outsized Impact:** The creative economy is home to 7.6% of California’s jobs, but its workforce has an outsized impact on overall output. The five creative sectors were collectively responsible for 14.9% of the state’s \$3.4 trillion economy in 2021; accounting for business-to-business transactions across the economy (indirect impacts) and domestic consumer spending by the creative workforce (induced impacts), total gross value amounted to \$980 billion statewide.

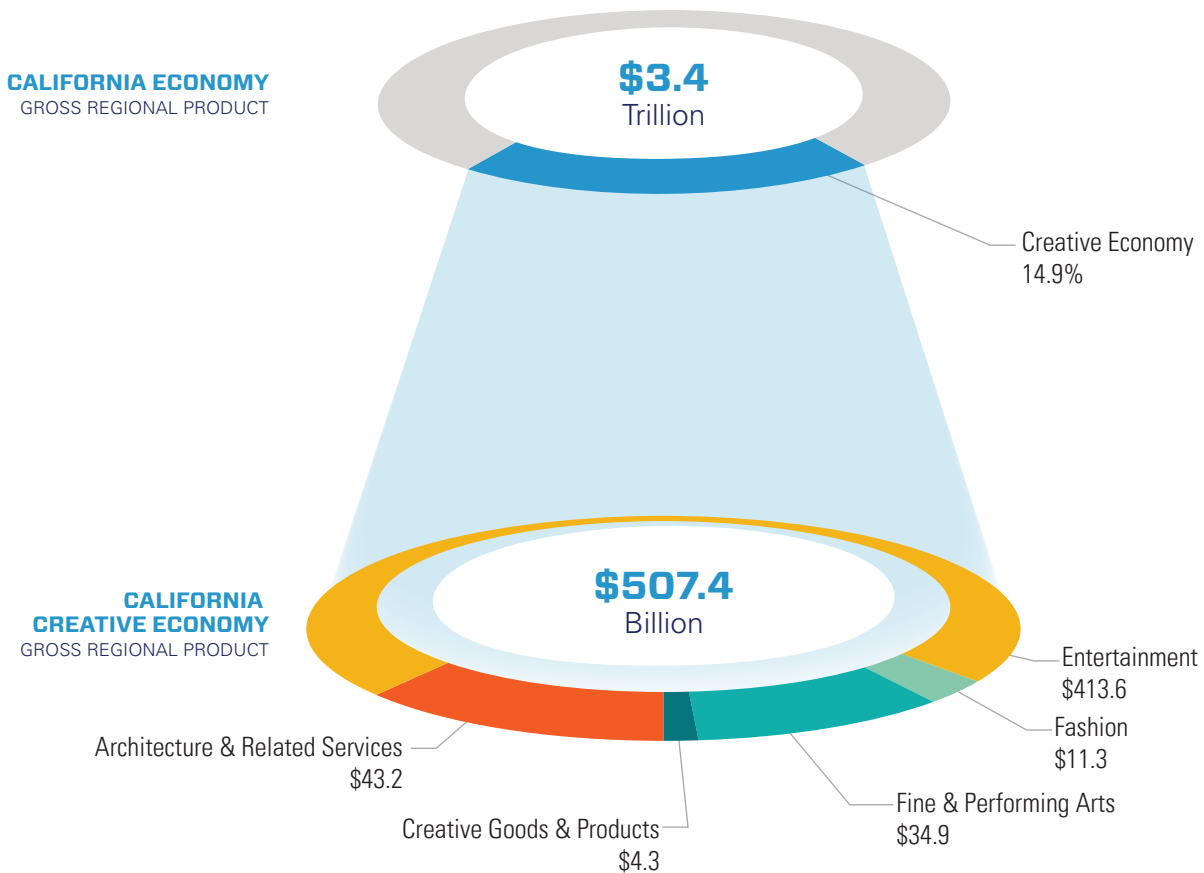
- **Reliable Tax Base:** At a time when budget surpluses are giving way to budget deficits, the creative economy remains a stable source of fiscal revenue. For every 100 jobs in the creative sectors, an additional 281 jobs were supported in other sectors of the California economy in 2021. Each job supported by creative economy activity resulted in \$37,717 additional tax revenue, generating over \$194.1 billion in federal, state, and municipal taxes.
- **Employment Rebound:** The creative economy experienced stronger employment gains statewide emerging from the pandemic compared to the overall economy. Four out of the five creative sectors experienced job expansion between 2020 and 2021, which accounted for a 3.0% rate of job growth in the creative economy compared to only 2.7% for the total economy.

Even though the creative economy employment growth did not match sectors like Transportation & Warehousing and Health Care & Social Assistance that served pivotal functions in the wake of the pandemic, the creative sectors collectively fared better than Manufacturing, Retail Trade, and Government between 2018 and 2021.⁶

- **Uneven Recovery:** Despite resilience in the aggregate, the recovery trajectories among the creative sectors varied significantly. The Fine & Performing Arts sector was hit the hardest by the pandemic, as employment levels in 2021 remained 18.9% below where they were in 2018. It also had both the lowest average annual wages in 2021 (\$45,056) and the slowest rate of wage growth at 5.1%. By point of comparison, the Entertainment sector not only earned significantly higher wages on average at \$199,277 but also experienced the highest rate of wage growth (36.4%) between 2018 and 2021.

⁶ This report uses 2018 as the benchmark year for “pre-pandemic performance.” Doing so allows for an analysis of how sectors were performing prior to the onset of COVID-19 and captures the tail end of any post-Great Recession growth trends.

**ECONOMIC IMPACT OF CALIFORNIA'S CREATIVE ECONOMY ON STATE GRP
2021**



Note: Values reported in 2022 dollars

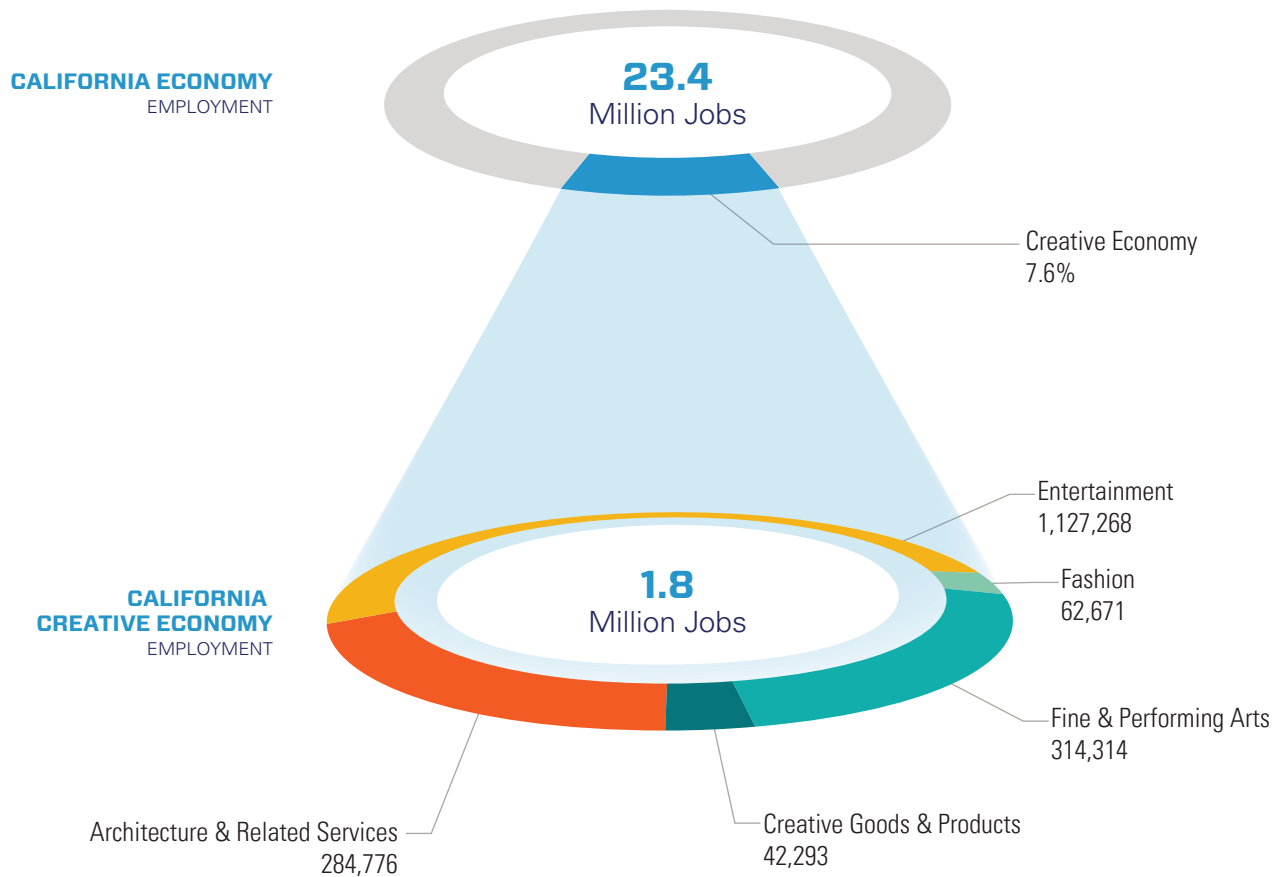
Source: U.S. Bureau of Economic Analysis; IMPLAN

- Regional Centers of Gravity:** At over 685,000 jobs in 2021, Los Angeles County accounted for 37.4% of all jobs in the creative sectors across the state, with overwhelming employment shares in Fashion (63.6% of state jobs) and Entertainment (52.5% of state jobs). The job growth rate across the County's creative sectors was 61.0% higher than the statewide average (4.8% compared to 3.0%) between 2020 and 2021, and all five sectors experienced varying degrees of job expansion coming out of the pandemic. That said, creative economy employment in 2021 was still 2.1% below 2018 levels. Only the Bay Area creative economy, 73.9% of which was concentrated in

Entertainment, saw employment go up (by 1.7%) over the four-year period.

Elsewhere in the state, the concentration of workers employed in regional creative economies remained relatively unchanged despite the pandemic, only decreasing about 0.2% to 0.5% in most regions between 2018 and 2021. That said, nearly every region experienced significant employment losses both in the creative and non-creative sectors. Northern California suffered the brunt of the COVID-induced recession, losing 16.3% of its creative economy jobs between 2018 and 2021, followed by the Central Valley

**CREATIVE ECONOMY SHARE OF CALIFORNIA EMPLOYMENT
2021**



Source: U.S. Bureau of Economic Analysis; IMPLAN

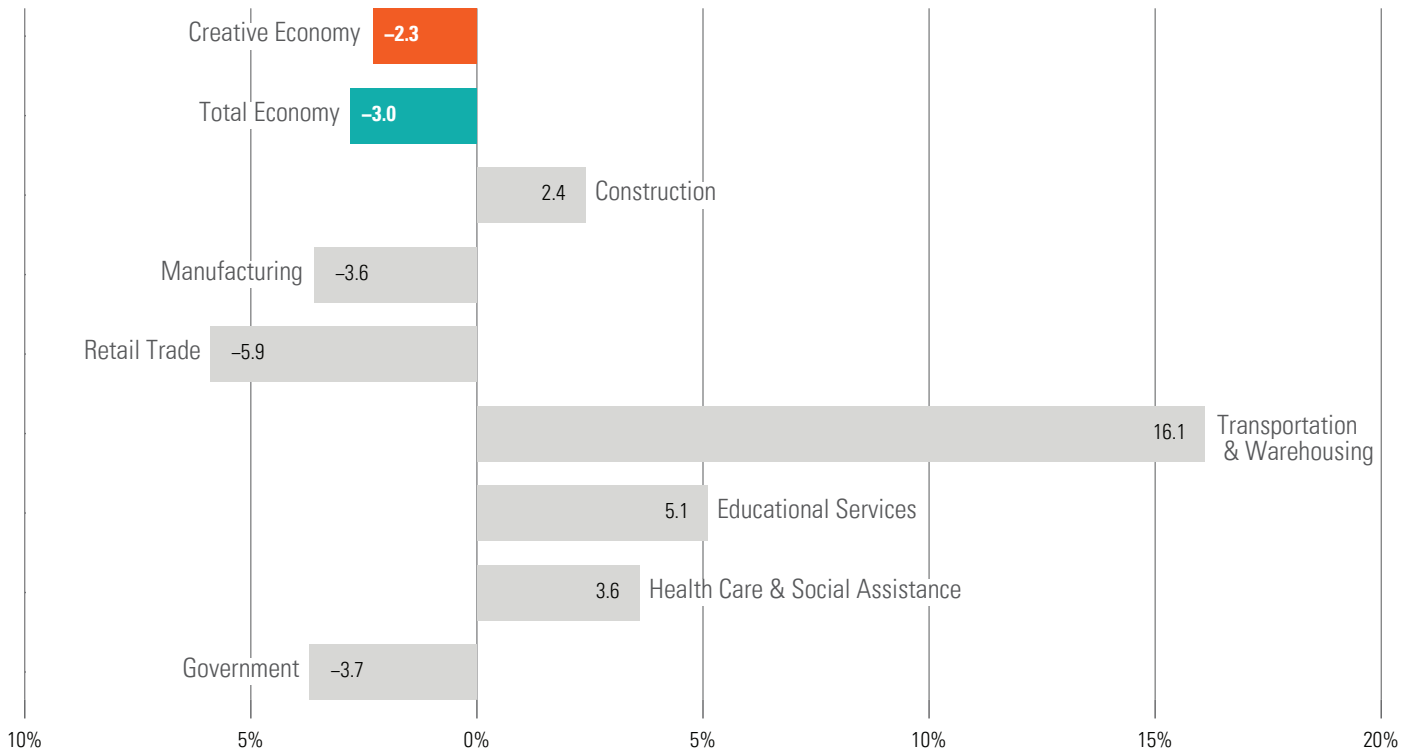
(-9.4%) and the Central Coast (-9.0%). Certain sectors, however, performed better than others. Architecture and Related Services proved most resilient, and employment in the sector increased

from Northern California to the Southern Border Region. Similarly, the Fashion sector expanded in every region except Southern California and the Inland Empire.

MEASURING CREATIVE OUTPUT

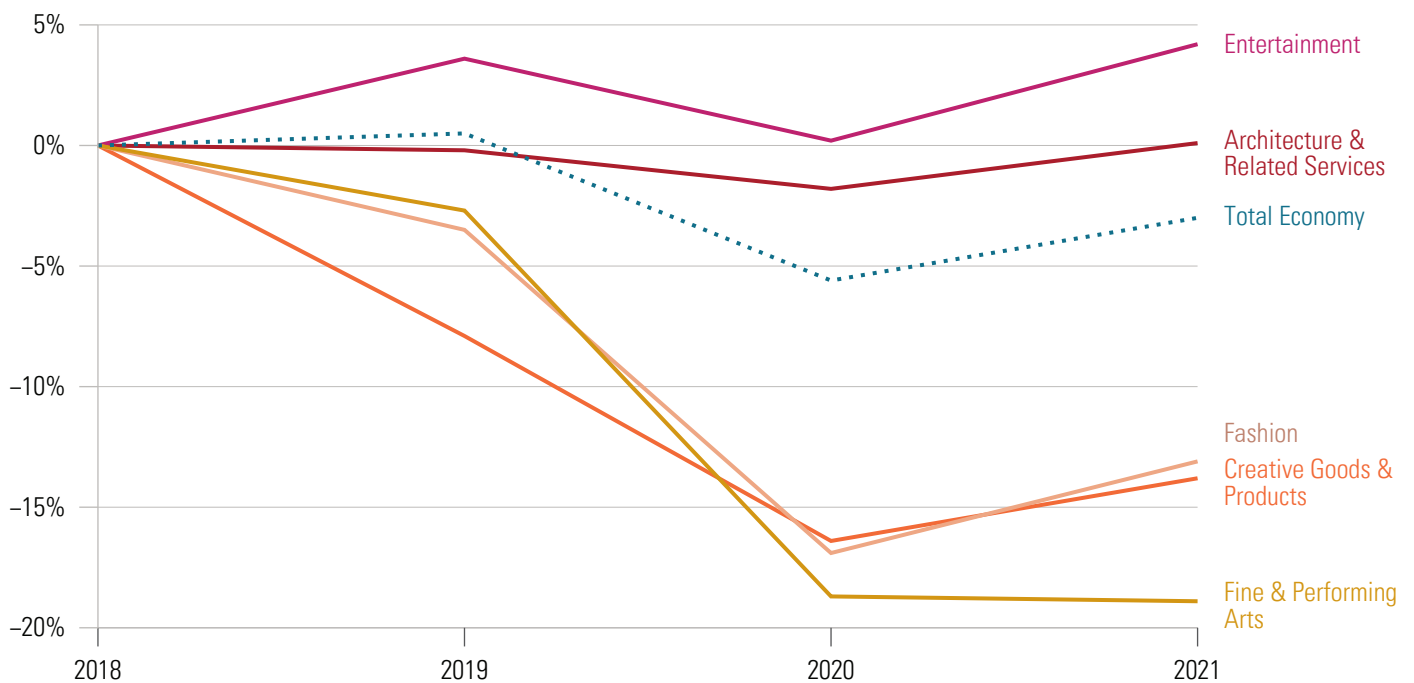
There are several ways to quantify and measure the size of an economy and its economic growth, and three distinct metrics are used in this Report: (1) gross regional product (GRP) is the sum of value added at every stage of production for all final goods and services produced within a region for a given period of time (or stated another way, the final market value of all goods and services produced in a given region); (2) gross value added, which measures the value of goods and services that have been produced by an industry, minus the cost of all inputs; and (3) employment, which captures the number of salaried and self-employed workers in a given industry or subsector.

EMPLOYMENT GROWTH IN SELECT CALIFORNIA SECTORS 2018 to 2021



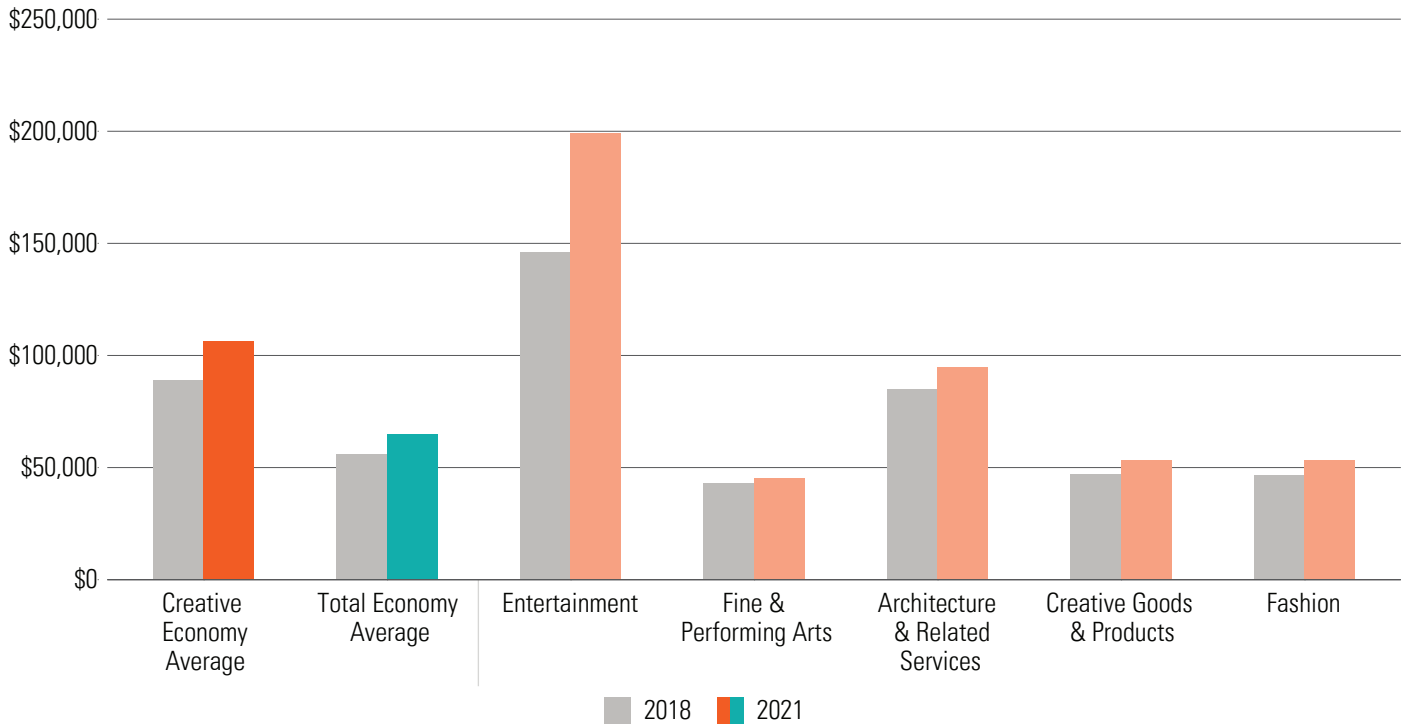
Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages

CREATIVE ECONOMY GROWTH BY SECTOR IN CALIFORNIA 2018 to 2021



Source: U.S. Bureau of Labor Statistics Quarterly Census on Employment and Wages; U.S. Census American Community Survey 5-Year Estimates

AVERAGE ANNUAL WAGES FOR CALIFORNIA'S CREATIVE SECTORS 2018 to 2021

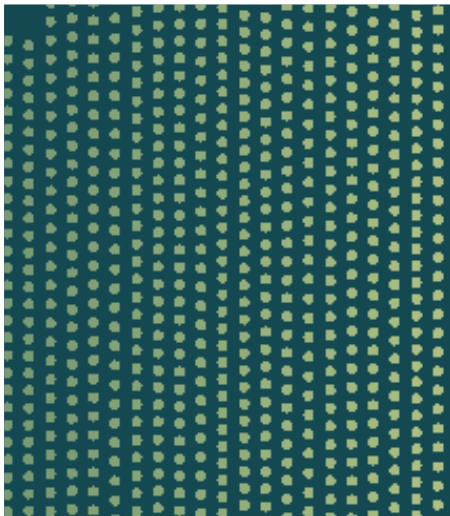
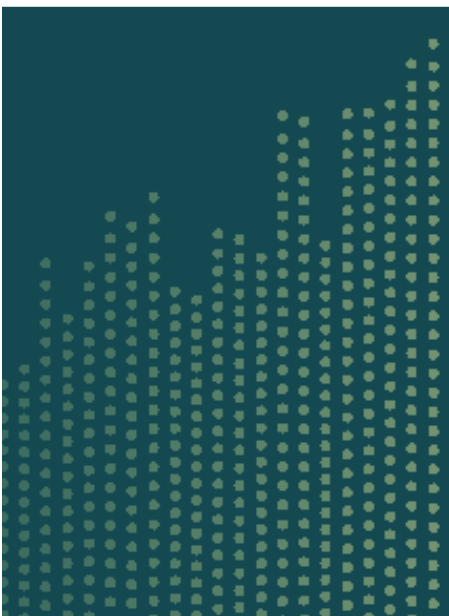
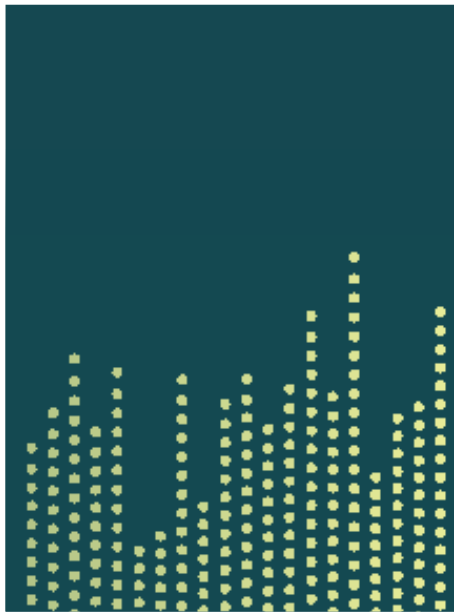
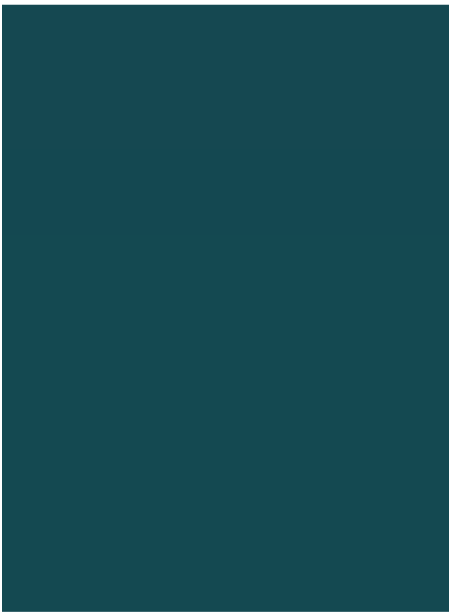
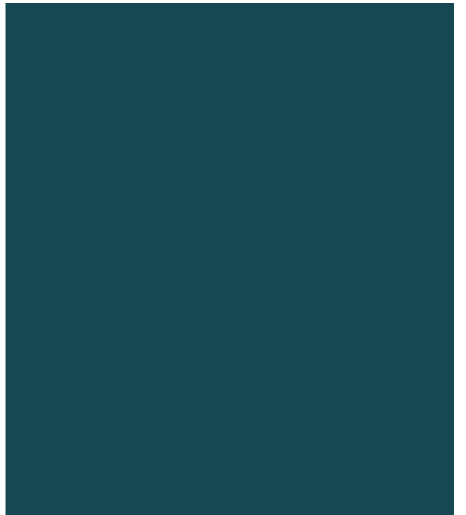
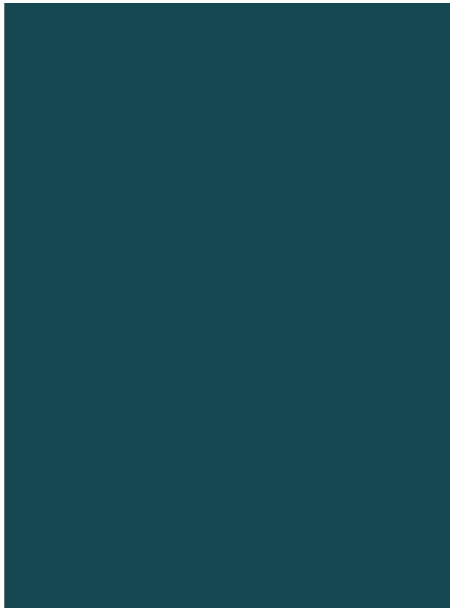
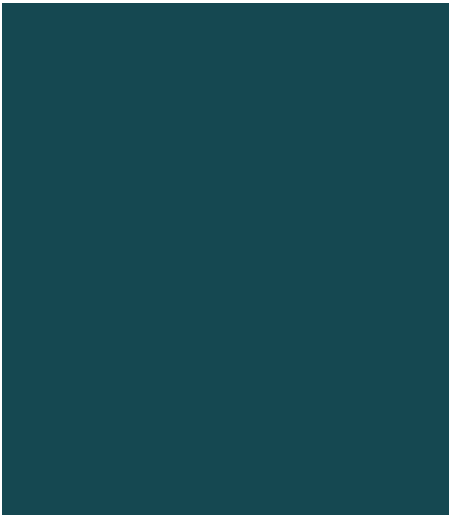


Source: U.S. Bureau of Labor Statistics Quarterly Census on Employment and Wages; U.S. Census American Community Survey 5-Year Estimates

SUMMARY OF CREATIVE ECONOMY EMPLOYMENT AND WAGES 2018 to 2021

	NUMBER OF JOBS				AVERAGE ANNUAL WAGES		
	2021	2018	Change	Share of Creative Economy (2021)	2021	2018	Change
Entertainment	1,127,268	1,081,451	4.2%	61.6%	\$199,277	\$146,117	36.4%
Fine & Performing Arts	314,314	387,713	-18.9%	17.2%	\$45,056	\$42,867	5.1%
Architecture & Related Services	284,776	284,361	0.1%	15.6%	\$94,804	\$84,810	11.8%
Creative Goods & Products	42,293	49,066	-13.8%	2.3%	\$53,390	\$46,960	13.7%
Fashion	62,671	72,135	-13.1%	3.4%	\$53,083	\$46,459	14.3%
Creative Economy	685,364	700,057	-2.3	-	\$106,266	\$88,790	19.7%

Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, U.S. Census American Community Survey 5-Year Estimates



EXECUTIVE SUMMARY

The Economic Landscape

One facet of the COVID-19 era that has not lifted is an underlying sense of economic uncertainty, both within the creative sectors and across the broader economy. Gross domestic product returned to a positive growth trajectory last fall after two quarters of contraction, and inflation has been on the decline for some months now. That said, consumer spending is starting to slow as well, and the cost of core services and housing continues to rise while food and energy prices remain at elevated levels. Financial markets, which provided investors handsome returns as recently as 2021, have been bearish for some time now. Add to that the wave of layoffs shaking the technology sector in ways not seen since the dot com bubble burst, and it is understandable there may be cause for concern.

Yet it would be a mistake to conclude that labor market corrections in the broader technology sector are a harbinger of similar shocks to the creative sectors. Social media companies and familiar names like Alphabet, Microsoft, and Amazon may be shedding employees—many of whom benefitted from hiring surges during the pandemic—but labor market conditions in California and across the country remain tight with job openings far outnumbering job candidates. More importantly, many of the inventive applications of gaming technology in non-traditional spaces are occurring outside these firms, which have a much larger talent pool to draw from now than they did six months ago. How these events and broader macroeconomic trends may affect the creative economy in 2023 is unclear, but there are still a number of steps the state can take to foster creative sector growth in the short to medium term.

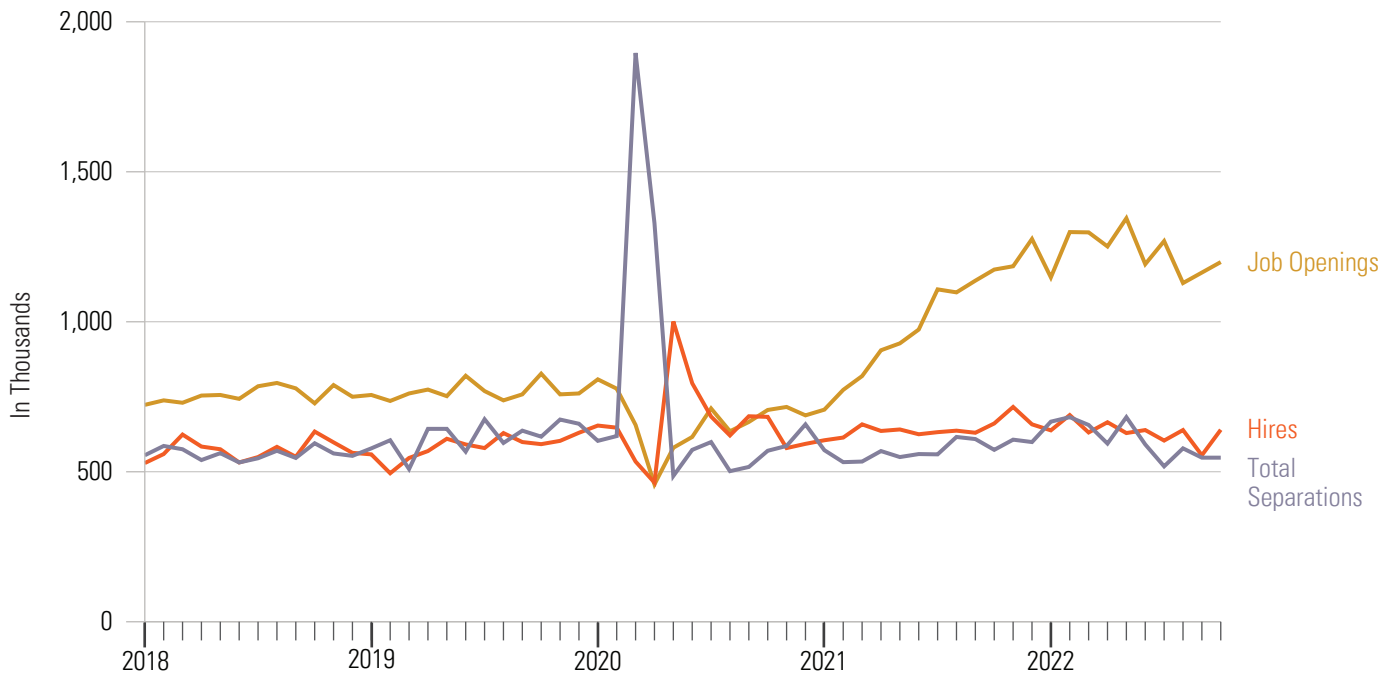
LARGEST LAYOFFS IN THE TECHNOLOGY SECTOR August 2022 to January 2023

COMPANY	# OF REPORTED LAYOFFS	ANNOUNCED
Alphabet	12,000	January 20
Microsoft	10,000	January 18
Coinbase	2,110	January 10
Amazon	18,000	January 5
Twitter	3,740	January 5
Salesforce	9,090	January 4
DoorDash	1,250	November 30
Kraken	1,100	November 30
Cisco	4,100	November 16

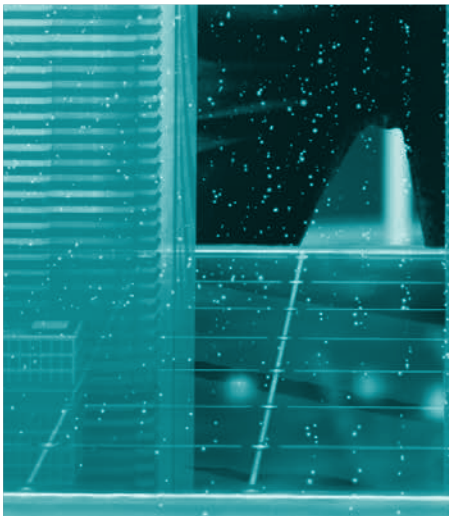
Source: Crunchbase

COMPANY	# OF REPORTED LAYOFFS	ANNOUNCED
Meta	11,000	November 3
Redfin	1,332	November 3
Stripe	1,050	November 3
Gopuff	2,300	October 21
Noom	1,095	October 11
Peloton	4,084	October 6
Snap	1,280	August 31
Robinhood	1,013	August 2

JOB OPENINGS AND LABOR TURNOVER 2018 to 2022 | Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics Job Opening and Labor Turnover Survey





EXECUTIVE SUMMARY

Policy

The changes occurring in the creative sectors are prompting both structural and operational shifts throughout the entire economy; in this sense, “gaming technology” is foundational to the development of nearly all sectors, not just the creative ones. Crafting a robust set of policies to respond to as well as to shape this shifting landscape will not only foster a stronger economy but also allow California’s residents and communities to capitalize on the resulting opportunities and benefits. The state, in partnership with local jurisdictions, should prioritize strategies that address the following four areas:

1. Global Competitiveness

In a global market where expenditures on screen production have reached unprecedented levels, governments recognize that incentives can attract high-value inward investment, strengthen local production sectors, and build infrastructure for emerging industries. The creative economy is in a moment where the market is fusing creativity, art, and technology through cutting-edge techniques to bring a new world of products to market. Technological advances mean that there will be an ever-increasing crossover of skills within and across the creative sectors. Yet there continue to be difficulties in securing access to the talent required to support industry growth.

2. Apprenticeship Opportunities

For most small- and mid-size enterprises the current regulatory framework isn’t sustainable as currently structured. Hiring an apprentice does not provide the same kind of value proposition as a fully qualified candidate on the open market, yet the cost structure and tax responsibilities—including but not limited to federal income tax, state income

tax, social security, health care, and state disability insurance—are often indistinguishable. A more thoughtful approach to nurturing talent through apprenticeship programs while easing the burden on participating firms is needed.

3. Jobs And Skills Data Surveys

Incomplete and/or inconsistent data regarding skills shortages has led to a widening gulf between the kinds of skills needed in the creative sectors and the kinds of skills taught at educational institutions and in workforce development training programs. Steps need to be taken to standardize data collection, analysis, and dissemination at the statewide level on a periodic basis.

4. Digital Research And Development Fund For The Arts

Funding research and development in this area is essential to providing accessible and equitable art and cultural opportunities. Such a fund would allow for the development of prototypes for immersive content using virtual, augmented, and mixed reality technologies. The opportunity to support artists and creators in these realms could be codified, with findings and best practices shared with the wider sector. Investment in developing digital production, distribution, and engagement capabilities to supplement existing business models would increase resilience and help the sector adapt to a digital environment that will only grow more complex, sophisticated, and essential each subsequent year.

It’s time to usher in a new era for the creative economy, one that is equipped to succeed. Leveraging the potential of gaming technologies and setting the stage for the creative sectors to thrive will set the tone of California’s growth trajectory for decades to come.