Report to the Legislature on the Motion Picture Industry in California

Prepared in Response to
Assembly Bill 2410 (Chapter 1042, Statutes of 2002)

Prepared by

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EXECUTIVE SUMMARY

This report, written in response to Assembly Bill 2410 (Chapter 1042, Statutes of 2002), looks at the motion picture and television industry in California, focusing primarily on changes in industry employment and film location activity in the last decade. The purpose of the legislation is to provide a report that would give the Legislature a definitive picture of the industry for use in developing better public policy. The five main topics to be addressed were:

- Film industry employment
- Ethnic diversity
- Economic impact
- Industry employment outside California
- Effects of federal, state, and local laws on the industry

Primarily due to the lack of pertinent information, the report does not measure economic impact and does not review the effect of federal, state, and local laws on the industry. It does offer information on film employment in California, other states, and other countries, including not only employment levels, but also changes in worker earnings and the number of unemployment insurance claims filed.

In addition, the report presents information on film production starts and releases and uses that information, as well as the employment information, to better inform the discussion about "runaway production;" that is, whether film industry jobs are leaving California and going to other states and countries.

A grant in May 2002 from the Governor's federal Workforce Investment Act 15 Percent reserve funds was awarded to the Entertainment Industry Development Corporation's Workforce and Economic Development Division to create the Entertainment Data Project, now housed in a new nonprofit organization called the Entertainment Economy Institute. Their research addresses several elements in the legislation and is incorporated into this report.

The major findings of this report are:

- The motion picture industry is one of the more important California industries, ranking 13th among industries in economic output in 2001.

- Feature film production starts in California grew impressively from 445 in 1994 to 637 in 1997; however, they fell dramatically to 440 in 1999.

- U.S. feature films released in U.S. theaters grew steadily between 1991 and 2002. For those U.S. feature titles with available location information, a larger number of them were filmed in California than in other U.S. states and foreign countries. Of 191 U.S. feature films with location information in 2002, 111 were filmed in part or entirely in California.

- U.S. feature films filmed in California grew rapidly in the second half of the 1990s, dropped steeply in 2000, but recovered nicely, though not completely, from 2001 through the first six months of 2003.

- Feature film production days in Los Angeles County dropped 48 percent from 1996 to 2003. However, television production days grew almost 53 percent during that same time period.

- Motion picture and sound recording industries employment in California grew steadily from over 124,000 annually in 1994 to almost 176,000 in 1999. However, beginning in 2000, annual employment fell and has fallen every year since, with 2003 employment reaching just over 141,000. Total U.S. employment in these industries, as well as employment in other large motion picture states, such as New York and Illinois, also experienced the same growth and decline pattern, but not as steep a decline as California. California's share of national motion picture employment fell from between 44 and 46 percent in the 1990s to below 38 percent in 2002 and 2003.

- The Entertainment Data Project (EDP) analysis of entertainment industry employment, using an expanded definition of the industry, found that industry employment in California grew faster than State private sector employment. According to EDP, in 2002, the industry created 294,000 jobs, a 29 percent increase from 1991. In comparison, all private sector jobs increased by 17 percent over that same time period.

- Both this study and the EDP analysis found a similar pattern of California entertainment industry employment: stagnant employment in the early 1990s, rapid growth in the mid-to-late 1990s, and falling employment in 2000-2003.

- Comparable film and television production employment numbers from Canada and the United Kingdom showed generally steady growth from 1994 to 2001. In Canada, employment more than doubled, from just over 24,000 direct jobs in 1994/95 to over 51,000 direct jobs in 2002/03.

- Findings from the new Local Employment Dynamics program, a federal/state partnership between the U.S. Bureau of the Census and various states, indicate that film industry employment of full-quarter California employees (those who worked for the same employer at least three consecutive quarters) held its own in 2000 and 2001, suggesting that employers were keeping experienced employees.

- Average monthly earnings for full-quarter employees rose gradually through the 1990s and through 2000, but started falling slightly in 2001. Earnings for full-quarter new-hire employees (those who did not work with an employer the previous four quarters, but did work with the employer the next quarter after being first hired) remained generally flat with earnings rising only slightly. This "earnings gap" is consistent with a trend in the motion picture industry to hire new workers at lower wages because of the falling demand for workers.

- An analysis of earnings of entertainment industry workers performed by the EDP found that in 2002 average annual earnings from entertainment jobs for all entertainment workers were $70,480, much higher than the $41,419 figure for the entire California private sector. However, the EDP analysis noted large differences between average and median earnings, highlighting a wide disparity between high and low income earners.

- Unemployment insurance (UI) claimant figures show little correlation between total employment and UI activity between 1993 and 2001. The largest numbers of UI claims were filed in years after employment either grew or fell significantly from the prior year.

- Ethnicity information from UI claims filed in 2001 show that 67 percent of motion picture industry claimants were White, 9 percent Hispanic, 6 percent Black, and 4 percent Asian-Pacific Islander. 2000 Census figures for Los Angeles County showed fairly comparable totals, with 66 percent of motion picture, broadcasting, and performing arts, spectator sports, and related industries workers being White, 15 percent Hispanic, 9 percent Black, and 7 percent Asian. The Census numbers indicate that Hispanics are underrepresented and Whites overrepresented in these industries when compared to Hispanics and Whites working in all industries in Los Angeles.

In summary, it is clear that film industry employment has fallen in California continuously since 2000. However, because film production location studies differ on how much film activity is occurring outside California, it is less clear whether falling employment is due to "runaway production" or to other factors.

I. INTRODUCTION

Assembly Bill (AB) 2410 (Chapter 1042, Statutes of 2002) was enacted to provide a statewide biennial report on the motion picture and television industry in California. The purpose of the legislation, according to its author, is to present a definitive picture of the industry, thus enabling the development of better public policy for the industry. (See Appendix A for the complete text of AB 2410).

The California Employment Development Department (EDD), which was given a lead role in implementing the bill, convened a workgroup to discuss the best ways to address its main provisions, which are to:

- Research film industry employment
- Examine its ethnic diversity
- Determine its economic impact
- Monitor industry employment outside California
- Review the effect of federal, state, and local laws on the industry
- Prepare a report to the Legislature on these activities

The workgroup consisted of representatives from the EDD, the California Film Commission, the Motion Picture Association of America, the Directors Guild, the American Federation of Television and Radio Artists, the Entertainment Industry Development Corporation, the California Research Bureau, The PMR Group, Inc., and a representative from the office of Assemblyman Dario Frommer, the author of AB 2410.[1] (See Appendix B for workgroup member names and first meeting notes).

As a result of these discussions, the EDD, in consultation with the California Film Commission and the motion picture and television industry, presents this report to the Legislature. The report opens with a description of the entertainment industry,[2] including a discussion of "runaway production," a term used to describe the loss of California entertainment industry jobs to other states and countries. While not specifically mentioned in AB 2410, the term "runaway production" generates controversy, with those who believe that it is creating substantial job losses urging policymakers to make changes to reduce its harmful effects.

This report, though not intended to settle the controversy, attempts to offer employment information that better informs the discussion. The report also looks at national and State employment figures over approximately the last ten years that track the ups and downs of entertainment industry employment. If, indeed, runaway production is doing damage to California's entertainment industry, it should be reflected in declining employment (or a reduction in previous growth rates), falling earnings (or a slowdown in

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[1] Also invited, but not attending the first workgroup meeting, were the Producers Guild, the Los Angeles Economic Development Corporation, the International Alliance of Theatrical Stage Employees, the Screen Actors Guild, the Writers Guild, and the Valley Industry and Commerce Association.
[2] For purposes of this report, the terms *entertainment industry*, *film industry*, and *motion picture* and *television industry* are synonymous and used interchangeably throughout the report.

previous growth), and rising unemployment and longer spells of unemployment for entertainment industry workers.

Finally, the report presents ethnic data on the entertainment industry captured from the 2000 Census and unemployment insurance (UI) claimants, and briefly lists recent federal and state legislation affecting the industry.

A grant from the Governor's federal Workforce Investment Act 15 Percent reserve funds was awarded in May 2002 to the Entertainment Industry Development Corporation's Workforce and Economic Development Division to create the Entertainment Data Project, now housed in a new nonprofit organization called the Entertainment Economy Institute. Their research addresses several elements in the legislation and is incorporated into this report.

Data Sources and Limitations

Although it was not possible to capture all the data elements requested by the legislation, every attempt was made to furnish as much information as possible. For example, there is no break out of employment by full-time, part-time, contract, and short-duration or single-event employees as AB 2410 called for. Employment numbers sent to EDD by businesses do not break out workers by these categories. Instead, employers generally report all workers on their pay period that includes the 12th day of each month, regardless of how many hours they worked or their contract status. In addition, self-employed workers are not required to submit reports and thus not included in the EDD figures presented here. Estimating or surveying self-employed, full-time and part-time, contract, and short-duration or single-event employees would require work beyond the resources currently available to the EDD.

The Entertainment Data Project's analysis of entertainment workers' earnings from entertainment and non-entertainment jobs (in chapter III below) created three worker categories based on their level of attachment to the industry. While not specifically addressing all the types of workers mentioned in AB 2410, this level-of-attachment analysis helps shed light on the number of workers who are likely employed full-time and part-time in the industry

In addition, our report does not attempt to determine the economic impact of the motion picture and television industry. Measuring economic impact, for any industry, is not an easy task. One approach to measuring impact is to analyze the job multiplier effects from a reliable input-output model. Put more simply, an input-output model for the entertainment industry would examine economic relationships to determine how many additional jobs the entertainment industry creates in non-entertainment industries. However, in using such a model, the analyst must understand multipliers and how they are estimated in order to determine which multipliers are appropriate for the analysis. Some economic impact studies on the entertainment industry have been performed.[3]

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[3] Probably the most widely-cited is Motion Picture Association of America, *State of the Industry: The Economic Impact of the Entertainment Industry on California*, Los Angeles: The Association, California

Nonetheless, because of the great potential for inadvertent misuse of data and economic tools, we recommend that a professional economist, with expertise in this area, perform an economic impact analysis.

The primary sources for the employment data in the report are: 1) the California EDD, Labor Market Information Division; 2) the U.S. Department of Labor, Bureau of Labor Statistics (BLS); and 3) the U.S. Bureau of Census. The report includes unique sources of data generally not seen in previous studies of the entertainment industry, specifically, information from UI claimant records and the Local Employment Dynamics program.

Group, 1998. Also see the studies cited in, Martha Jones, *Motion Picture Production in California*, California Research Bureau, March 2002, pp. 32-33.

II. THE MOTION PICTURE AND TELEVISION INDUSTRY

1. Description of the Industry

The film industry is an integral part of the California economy and includes both motion pictures and television. Although film production and post-production activities are centered primarily in the Los Angeles area, they also have a presence in the San Francisco Bay Area. Within California's huge and diverse economy, the motion picture industry ranked in the top 15 industries in 2001 in economic output, with its proportion of total output remaining relatively constant the last five years at around 1.4% of Gross State Product[4] and its rate of growth an impressive 57% from 1992 to 2001. (See Tables 1 and 2).

Table 1

SIZE OF THE CALIFORNIA MOTION PICTURE INDUSTRY
(Billions of 1996 Dollars)

	1997	**1998**	**1999**	**2000**	**2001**
CA Gross State Product (GSP)	$1,029	$1,096	$1,170	$1,258	$1,260
CA Motion Pictures	$14.2	$15.4	$16.0	$15.4	$16.3
CA Motion Pictures as a % of GSP	1.4%	1.4%	1.4%	1.2%	1.3%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
http://www.bea.doc.gov/

[4] Gross State Product is defined by the U.S. Bureau of Economic Analysis as "the value added in production by the labor and property located in a state." In concept, an industry's GSP is equivalent to gross output (sales or receipts and other operating income, commodity taxes and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported).

Table 2

SIZE OF IMPORTANT CALIFORNIA INDUSTRIES California Gross State Product, 2001		
	2001	**% Change 1992 to 2001**
Total Gross State Product (billions of dollars)	**$1,260**	**39%**
1. Real estate	192	25%
2. State and local government	102	22%
3. Business services	79	93%
4. Electronic equipment	57	375%
5. Health services	55	1%
6. Other services	42	40%
7. Industrial machinery	37	185%
8. Depository institutions	28	2%
9. Security brokers	27	440%
10. Farms	18	43%
11. Federal civilian	18	-17%
12. Legal services	17	1%
13. Motion pictures	16	57%
14. Chemicals	15	33%
15. Insurance carriers	14	-1.7%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
http://www.bea.doc/gov/

Myriad occupations populate the film industry, from those in front of the camera to all those behind it. In addition to actors, directors, producers, and writers, the industry also employs a wide variety of workers from various other fields. This latter group includes occupations such as carpenters, set designers, make-up artists, costume designers, key grips, drivers, caterers, assistants, legal and clerical staff, etc. Respectively, these two groups are defined within the industry as above-the-line and below-the-line workers.

Traditionally, it has been difficult to categorize many below-the-line workers as part of the film industry. The imprecision of statistical data continues to make it difficult to distinguish between, for example, caterers working exclusively for production companies and those who also cater banquets, weddings, etc. It is the occupations defined as below-the-line that most experience the economic fluctuations of the industry. Film production emigrating to other states and countries (i.e., runaway production) affects below-the-line workers significantly more than those above-the-line.

2. Runaway Film Production

The Monitor Company Report (1999), commissioned by the Directors Guild of America and the Screen Actors Guild, defines U.S. "runaway productions" as those that are developed and are intended for initial release/exhibition or television-broadcast in the U.S., but are actually filmed in another country.[5] There are two types of runaway production: "creative runaways," which depart because the story takes place in a setting that cannot be duplicated or for other creative considerations, and "economic runaways," which depart to achieve lower production costs. Economic runaways tend to arouse the most controversy among industry watchers, economists, and policymakers. The types of production that leave the U.S. include theatrical films, films for television, television mini-series, and thirty- and sixty-minute television series.

From the point of view of those in California, runaway production relates to that which takes place in other states as well as other countries. On a more regional level, this term also denotes movie production done outside the Los Angeles area, but within the State.

California has seen some movement of film production to other states. A certain amount of production has moved offshore as well, especially to former British Commonwealth countries such as Australia, Canada, and New Zealand. Eastern Europe has also lured American film production with low wages and other incentives. The movie *Cold Mountain,* filmed in Romania by Miramax, generated a certain amount of backlash among some of the guilds[6].

In 2004, Walt Disney Studios announced that they will co-finance a film version of *The Lion the Witch and the Wardrobe* by C. S. Lewis. The film will be made in New Zealand as one of the beneficiaries of the Large Budget Screen Production Grant (LBSPG) program. The LBSPG is designed to remove some of the economic barriers New Zealand faces in attracting investment in screen production and film compared with other locations[7].

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[5] The Monitor Company report has often been regarded as the most authoritative source documenting "runaway production." Among other findings, the report estimated that the direct and indirect economic losses of "runaway production" from the U.S. to other countries amounted to approximately $10.3 billion in 1998. However, an October 2004 report commissioned by four industry organizations, including the Canadian Film & Television Production Association, and prepared by Neil Craig Associates, a Toronto consulting firm, challenged the Monitor report findings. It argued that the Monitor report contained arithmetic errors and double counting that grossly exaggerated the U.S. economic losses. They concluded that direct and indirect losses to the U.S. in 1998 amounted to about $1.7 billion, significantly less than the $10.3 billion estimated by the Monitor Company. See, Neil Craig Associates, *International Film and Television Production in Canada: Setting the Record Straight about U.S. "Runaway" Production*, October 2004.

[6] Los Angeles Times, February 4, 2004.

[7] New Zealand Herald, March 3, 2004.

a. Film Starts

Evidence for runaway production relies, in part, on location changes for feature film starts. Table 3, adapted from a 2002 California Research Bureau study,[8] from information gathered by the California Film Commission, shows a substantial drop in California feature film starts from 1997 to 1999 and an impressive increase in starts for Canada, the United Kingdom, and the state of New York.

Table 3

COMPARISON OF FEATURE FILM PRODUCTION STARTS: 1994-1999

	1994	1995	1996	1997	1998	1999	Difference 1999-1997
Total=(U.S. + U.K. +Canada + Australia)	**726**	**644**	**805**	**900**	**827**	**968**	**68**
Canada	**56**	**38**	**58**	**38**	**59**	**93**	**55**
United Kingdom	**37**	**33**	**37**	**32**	**15**	**63**	**31**
New York	73	60	63	79	75	99	20
Illinois	9	8	18	10	6	21	11
Nevada	15	13	17	9	11	20	11
Australia	**32**	**4**	**8**	**7**	**9**	**17**	**10**
New Jersey	9	9	9	14	12	22	8
Pennsylvania	9	6	3	3	4	11	8
Indiana	1	2	1	0	1	5	5
South Carolina	4	4	5	2	1	7	5
Texas	18	17	34	17	36	22	5
Florida	19	20	21	17	8	21	4
Virginia	2	5	4	2	2	6	4
Wisconsin	0	3	1	0	2	4	4
Michigan	3	3	4	5	6	1	-4
Montana	1	0	0	5	0	0	-5
United States	**601**	**569**	**702**	**823**	**744**	**795**	**-28**
California	445	439	574	637	510	440	-197

Source: California Film Commission.

More recent figures are not available from the California Film Commission, primarily because the Commission has questioned the value of using film starts as a reliable indicator of film production activity. Some at the Commission argued the methodology was poor and that collection methods were inconsistent and urged that these film start numbers be used with caution.

[8] Martha Jones, *Motion Picture Production in California*, California Research Bureau, March 2002, p. 24.

b. Film Releases

Another detailed report of film production activity came from The Center for Entertainment Industry Data and Research. This report, "The Migration of Feature Film Production from the U.S. to Canada, Year 2001 Production Report," presents figures on feature films shot throughout the world between 1998 and 2001, with one table directly comparing feature films shot in Canada and the U.S. The feature film totals were based on lists of the top 250 films for each of years 1998-2001 published by *Variety* magazine, as well as an extensive database kept by Stephen Katz, the author of the report. Table 4 looks at feature films shot in Canada and the U.S. and shows a noticeable drop in the U.S. percentage of both total films and estimated budget in 2000 from 1998 and 1999, with the percentages holding in 2001.

Table 4

FEATURE FILMS SHOT IN THE U.S. AND CANADA 1998-2001

	United States				**Canada**			
	1998	**1999**	**2000**	**2001**	**1998**	**1999**	**2000**	**2001**
Number of Feature Films	127	123	108	119	23	18	37	39
% of Total	85%	87%	74%	75%	15%	13%	26%	25%
Estimated Budgets ($billion)	3.93	3.55	3.37	3.24	0.43	0.41	1.02	1.05
% of Total Budgets	90%	90%	77%	76%	10%	10%	23%	24%

Source: Stephen Katz, "The Migration of Feature Film Production from the U.S. to Canada, Year 2001 Production Report," The Center for Entertainment Industry Data and Research, 2002. See the full report online at www.ceidr.org

A third analysis of feature film production comes from the Entertainment Data Project (EDP), a project established by the Entertainment Industry Development Corporation's (EIDC) Workforce and Economic Development Division and The PMR Group, Inc., and supported by a grant EIDC received in May 2002 from federal Workforce Investment Act 15 Percent Governor's reserve funds. The main goal of EDP was to create more accurate entertainment industry data using industry-specific methods. In the summer of 2004, the EDP submitted two reports to the Employment Development Department in fulfillment of this grant. One report provided a labor market analysis of the entertainment industry and the second an analysis of industry output and production. The EIDC's Workforce and Economic Division became a new independent nonprofit called the Entertainment Economy Institute (EEI) in July 2004. The EEI released the labor market report in December 2004 (see Bibliography, item 7 for citation).

In analyzing feature film production, the EDP report used the number of feature films released in the U.S. from 1991 through the first six months of 2003 as the gauge for measuring film production activity. Since EDP noted that there is no central source of film production data in the U.S., they used a variety of sources, including Nielsen EDI, the Hollywood Reporter, and Baseline/Film Tracker, to collect location information on where feature films were shot. Available location information, as Table 5 shows, varied from 58 to 77 percent depending on the year.

Table 5

U.S. FEATURE FILMS RELEASED WITH LOCATION DATA

Release Year	Total U.S. Feature Films Released	U.S. Features with Location Data	Percentage with Location Data
1991	232	176	75.9%
1992	244	185	75.8%
1993	264	190	72.0%
1994	256	197	77.0%
1995	288	192	66.7%
1996	305	217	71.1%
1997	316	205	64.9%
1998	332	236	71.1%
1999	310	205	66.1%
2000	325	191	58.8%
2001	304	203	66.8%
2002	329	191	58.1%
2003*	144	82	56.9%

Source: Entertainment Data Project, Entertainment Economy Institute. *2003 includes only first six months of data.

The EDP report states that feature film releases undercount U.S. feature film activity. For example, many independent productions are not released theatrically and may not be reflected in other records. The Independent Film and Television Alliance reported production of 368 independent films in 2002, more than the 329 U.S. features released in the U.S. in that year from all types of production. While some of the independent films are captured in the EDP data, some are not.

The EDP report also noted that while U.S. features released in the U.S. grew by 42 percent from 1991 to 2002 (from 232 films to 329), foreign feature films grew even faster at 64 percent (from 95 to 156), with total U.S. releases from both domestic and foreign sources growing 48 percent (from 327 to 485).[9]

[9] EDP classified a film as U.S. or foreign based on the country of origin code in the source data and on whether a U.S. production company was associated with a particular feature film. In those cases where multiple production companies produced a film, and at least one of the companies was U.S., EDP designated the film as a U.S. feature.

Of greater interest to an analysis of runaway production is a more precise description of where these films were shot. Table 6 and Chart 1 break out the information by five categories: 1) CA Only-films shot entirely in California, 2) CA and Other (U.S. and International)-filming locations in California and in other places in the U.S. or abroad, 3) U.S. only (except CA)-filmed entirely in the U.S., but not in California, 4) U.S. and International (except CA)-filming locations both in the U.S. and abroad, but not in California, and 5) International only-filmed entirely outside the U.S.

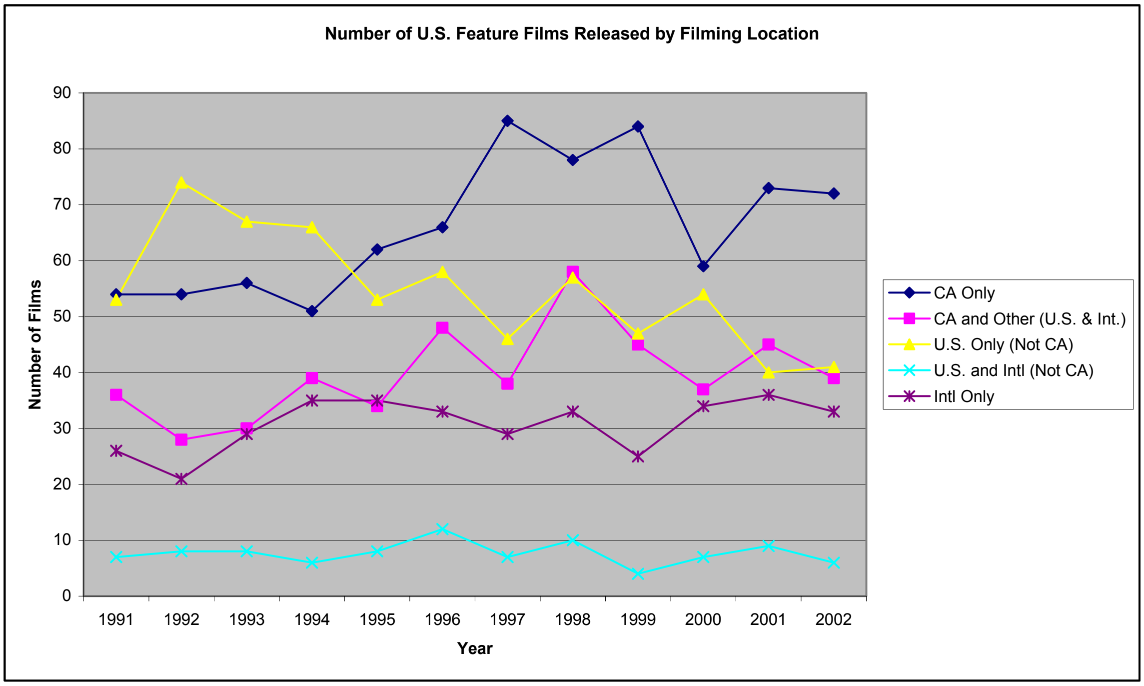
Table 6

NUMBER OF U.S. FEATURE FILMS RELEASED BY FILMING LOCATION

Release Year	Total Films Released	CA Only	CA and Other (U.S. & Intl)	U.S. Only (except CA)	U.S. and Intl. (except CA)	Intl. Only
1991	176	54	36	53	7	26
1992	185	54	28	74	8	21
1993	190	56	30	67	8	29
1994	197	51	39	66	6	35
1995	192	62	34	53	8	35
1996	217	66	48	58	12	33
1997	205	85	38	46	7	29
1998	236	78	58	57	10	33
1999	205	84	45	47	4	25
2000	191	59	37	54	7	34
2001	203	73	45	40	9	36
2002	191	72	39	41	6	33
2003*	82	37	9	17	7	12

Source: Entertainment Data Project, Entertainment Economy Institute. *2003 includes only six months of data.

Chart 1



Source: Entertainment Data Project, Entertainment Economy Institute.

In 2002, 38 percent of the 191 U.S. feature film releases with location data were filmed entirely in California, and 58 percent when features filmed both in California and elsewhere are included. In addition, features filmed entirely in California increased 33 percent between 1991 and 2002 (from 54 to 72), whereas those filmed entirely outside the U.S. increased 27 percent (from 26 to 33) and those filmed entirely in other U.S. states decreased by 23 percent (from 53 to 41).

In sum, if one accepts that U.S. feature film releases are a reliable indicator of film production activity, then the EDP figures show that California has performed reasonably well during this 12½ year time period, experiencing rapid growth in the late 1990s, suffering a large drop in 2000, and recovering nicely, but not completely, from 2001 through mid-2003.

Finally, data from the *Director's Guild of America* (DGA) released in 2003 show even higher levels of international film shooting than the EDP totals:

- Of 154 films released in 2003 and filmed under DGA contract, 20 were shot in Canada, 8 in Europe, 3 in Australia or New Zealand, and 6 in the United Kingdom or Ireland. This represents 24 percent or almost one-quarter of all DGA-contracted films.

- Of 65 drama pilots made under DGA contract for all television outlets (network, basic cable, pay television and syndication) in 2003, 20 were shot in Canada and 2 were shot in Australia or New Zealand. One third of all DGA pilots for dramatic series filmed last year were made outside the United States.

- Of 81 dramatic television series filmed under DGA contract, 18 were shot in Canada, 1 in Europe and 1 in South Africa. One quarter of all DGA television series broadcast on American television in 2003 were made outside the U.S.

- Of 110 movies for all forms of television and miniseries filmed under DGA contract in 2003, 55 were shot in Canada, 5 in Australia or New Zealand, 3 in the United Kingdom or Ireland, 1 in Europe, 1 in Mexico, and 4 in South Africa. Virtually two thirds of all long-form television (movies of the week, movies for television, and miniseries), made for the American market last year under DGA contracts, was filmed outside the U.S.

c. Los Angeles County Film Production

Figures from Los Angeles County support the claim of a drop in feature film production, but also show that television production has fared much better. The Entertainment Industry Development Corporation (EIDC) facilitates on-location filming for the City and County of Los Angeles. They have been tracking this production since 1995. While these data do not include productions filmed solely on soundstages or in individual incorporated cities in Los Angeles County (such as Burbank and Culver City), they are useful indicators of production activities. Tables 7 and 8, adapted from figures collected by EIDC, show that feature film production days fell almost 48 percent from 1996 to 2003, whereas television production days grew almost 53 percent during that same time period. And while television production days dropped in 1998, 1999, and 2001, they showed strong gains in 2002 and 2003.

Table 7

PRODUCTION DAYS BY YEAR IN LOS ANGELES FEATURES		
Year	Annual Days	% Change from Previous Year
1994	7,304	4.9%
1995	9,393	28.6%
1996	13,980	48.8%
1997	13,284	-5.0%
1998	11,542	-13.1%
1999	10,526	-8.8%
2000	9,501	-9.7%
2001	9,379	-1.3%
2002	8,024	-14.5%
2003	7,329	-8.7%

Source: Entertainment Industry Development Corporation. Los Angeles includes the cities of Los Angeles, West Hollywood, Diamond Bar, South Gate, and the unincorporated portions of Los Angeles County.

Table 8

PRODUCTION DAYS BY YEAR IN LOS ANGELES TELEVISON		
Year	Annual Days	% Change from Previous Year
1994	6,535	4.1%
1995	7,831	19.8%
1996	9,425	20.4%
1997	11,713	24.3%
1998	11,185	-4.5%
1999	10,279	-8.1%
2000	11,142	8.4%
2001	10,867	-2.5%
2002	12,870	18.4%
2003	14,395	11.9%

Source: Entertainment Industry Development Corporation. Los Angeles includes the cities of Los Angeles, West Hollywood, Diamond Bar, South Gate, and the unincorporated portions of Los Angeles County.

The EDP report also produced figures on the number of television series by filming location. Because of the growth in the number of television channels, especially cable channels, TV production started a sharp rise in the mid-1990s and maintained steady growth until dipping in 2002. Table 9 and Chart 2 document these trends and are based on original television series aired at primetime (7:00-11:00 p.m.) on six major broadcast (ABC, CBS, FOX, NBC, UPN, and WB) and 9 cable networks during the given year.

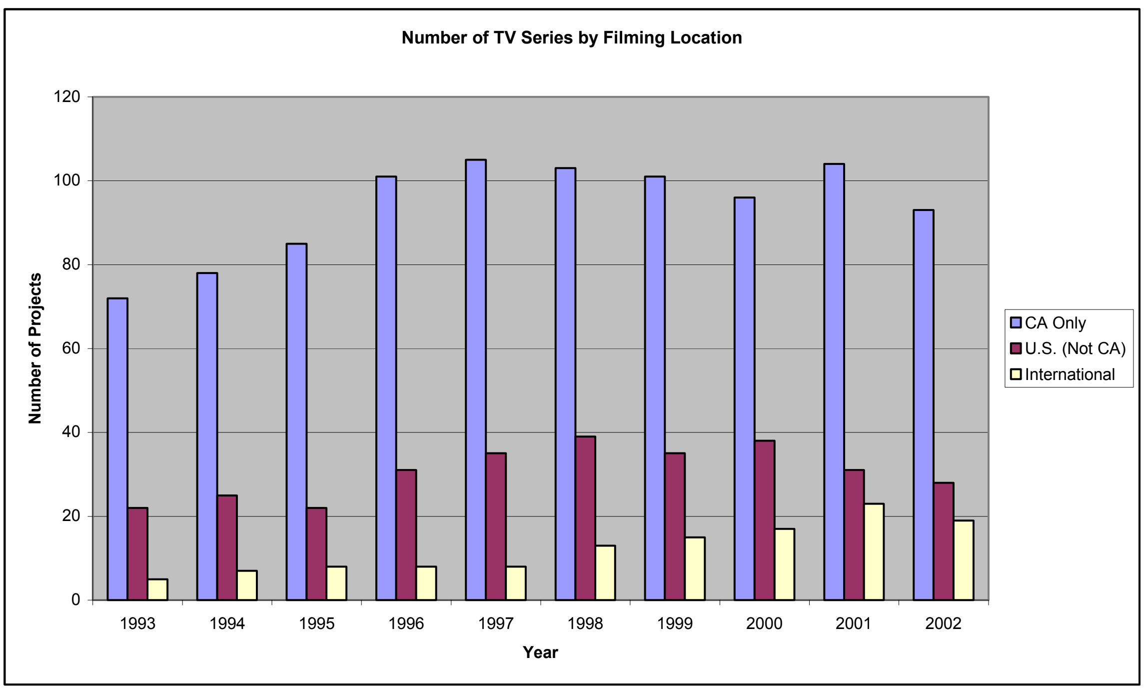
Excluded from the figures are reruns, special sporting events, concerts, and non-episodic shows.

Table 9

NUMBER OF TV SERIES BY FILMING LOCATION			
Year	**California**	**U.S. except CA**	**International**
1993	72	22	5
1994	78	25	7
1995	85	22	8
1996	101	31	8
1997	105	35	8
1998	103	39	13
1999	101	35	15
2000	96	38	17
2001	104	31	23
2002	93	28	19

Source: Entertainment Data Project, Entertainment Economy Institute.

Chart 2



Source: Entertainment Data Project, Entertainment Economy Institute.

In sum, the evidence from a variety of sources suggests that feature film production has suffered more than television production from whatever the causes are that are reducing film industry activity in California. Before examining the changes in industry employment, it may be worthwhile to briefly see what other countries have been doing to stimulate film industry activity.

3. The Film Industry in Other Countries

Many nations offer tax subsidy programs and incentives. As of June 2003, the list of countries with production incentives included Australia, Belgium, Brazil, Canada, Denmark, Fiji, Germany, Iceland, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, South Africa, Sweden and the United Kingdom. The European Union (EU) and the Isle of Man also offer incentives. Hungary recently announced its own incentive package and also joined the EU on May 1, 2004, making productions shot there also eligible for EU subsidies.[10] Gross budgets for motion pictures in Eastern Europe increased $178 million (593 percent) from $30 million in 1998 to $208 million in 2001, with the greatest growth from 2000 to 2001.

a. Canada

In 1997 Canada began providing both national and provincial rebates to motion picture and television productions that hired Canadian labor. Canadian cities such as Montreal, Toronto, and Vancouver offer rebates of up to 22 percent for labor costs. Although these incentives have drawn film production to Canada, Vancouver experienced an actual decline in production in 2003.

According to the study by The Center for Entertainment Industry Data and Research cited earlier, the Canadian film and television production industry has benefited directly and indirectly from runaway production from the United States. In 2001 gross production expenditures in the United States declined for the fourth straight year, dropping $683 million (or 17 percent) from $3.93 billion in 1999 to $3.24 billion in 2001.[11] During the same period Canadian expenditures grew $617 million (144 percent). After the June 1998 revisions of the Canadian Production Services Tax Credit and other rebates and incentives, the overall value of production in Canada has risen in total dollar volume by $635 million (154 percent). Since the inception of Canadian rebates, the loss of production expenditures in feature films has cost the U.S. economy an estimated $4.1 billion and an average of 25,000 jobs per year.

Canada, in response to increased competition from other countries, raised its federal subsidy from 11 to 16 percent in February 2003. The new credit will make a difference to producers who are considering shooting in Europe or elsewhere. Productions most affected by the Canadian rebates are feature films with gross budgets in the $10.1 to $50 million range. Since the Canadian rebates took effect, films shot in Canada with gross budgets in that range increased in value by $439 million (141 percent) from $311 million in 1999 to $750 million in 2001. In the U.S. in the $10.1 to $50 million-budget

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[10] This information comes from, "We are Creating the Jobs your Children Want," a June 2004 document included in comments written as part of the Film and Television Action Committee's comments on Canada's and Australia's film and television production subsidies submitted to the Unfair Trade Practices Task Force on June 28, 2004, in response to a request from the Department of Commerce for public comment which appeared in, "Notices," *Federal Register*, Volume 69, Number 103, May 27, 2004.

[11] Stephen Katz, "The Migration of Feature Film Production from the U.S. to Canada, Year 2001 Production Report," The Center for Entertainment Industry Data and Research, 2002.

range, there was a $435 million improvement (38 percent) from $1.11 billion in 1999 to $1.54 in 2001.

Between 1999 and 2002 (using September 26 as the reference day), the Canadian dollar steadily grew weaker against the U.S. dollar, rising from 1.47 Canadian dollars to 1.00 U.S. dollars on 9/26/99 to 1.60 Canadian dollars to 1.00 U.S. dollars on 9/26/02. The drop in the exchange rate represented an additional savings on comparative Canadian labor during that time period. However, the Canadian dollar grew stronger during the last two years, with an exchange rate of 1.34 to 1.00 on 9/26/03 and 1.28 to 1.00 on 9/26/04, thus making the U.S. market more attractive.[12]

As briefly noted in footnote 5 on page 6, a new Canadian study released in October 2004 challenges the view that Canada has greatly benefited from U.S. "runaway production." In addition to criticizing the Monitor Company report for exaggerating the direct and indirect economic losses to the U.S. from foreign competition, the Canadian study argues that the overall trade balance in the film industry still favors the U.S. The report states:

> "In 2003, more than $1.3 billion flowed out of Canada to the U.S. as net revenues from cinema admissions, sales and rental of video cassettes and DVDs, broadcast license fees and other revenues. This is what Canadians spent for the right to view U.S. movies and television programs, net of distribution expenses. Between 1998 and 2003, the amount repatriated to the United States from the distribution of U.S. movies and television programs in Canada was more than $6.5 billion. Within this period, the U.S. had a positive balance of trade of more than $1.0 billion when you compare this outflow to the volume of U.S.-based international productions in Canada."[13]

b. Australia

According to a report prepared by the Library of Congress, and distributed by the Department of Commerce in 2001,[14] foreign film companies are attracted to Australia by a growing film production infrastructure and lower costs (including labor rates that were reportedly 25-35 percent less than in the United States). Other attractive factors include English as the native language, availability of highly skilled technical workers, reverse seasons and varied location terrains, including cities, jungles, deserts and mountains. U.S. productions that have been successful in the box office and were partly filmed in Australia include *The Matrix*, *The Thin Red Line*, and *Star Wars 2*.

In 2002 the Australian government implemented a 12.5 percent tax rebate for big-budget film and TV productions. To qualify, producers must spend a minimum of

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[12] Exchange rate numbers were taken from *The Economist*'s magazine website: www.economist.com.

[13] Neil Craig Associates, *International Film and Television Production in Canada: Setting the Record Straight about U.S. "Runaway" Production*, October 2004, p. 3.

[14] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, p. 54.

$7.8 million in Australia. The government expected the average rebate would work out to 10 percent of a film's total production outlay. A study by the Australian government released in August 2003 showed that while a $25 million movie could be made for $21.2 million in Vancouver, it would cost even less in Sydney at $19.6 million. However, the Australian dollar has also grown in strength against the U.S. dollar; therefore, the economic advantage to filming in Australia, if the exchange rate is an important consideration, has diminished.[15]

c. Ireland

According to the Library of Congress, Ireland was ranked in the top ten counties for production of U.S. films abroad in 1998. The U.S. investment in the Irish film industry totaled $53 million in 1998, an increase of 82.4 percent from 1997.[16] U.S. investment in the Irish film industry made up over 25 percent of total funding for the industry. Factors contributing to the growth of the Irish film industry were incentive programs, favorable exchange rates (before the drop in the dollar to the euro that began in Spring 2002), concerted efforts by the Irish Minister to attract U.S. films, and the establishment of a quota by the EU, primarily targeted at the U.S., limiting the number of foreign films. Filming in Ireland exempts the production from EU quotas and provides access to the EU market. Films shot in Ireland include *Braveheart*, *Saving Private Ryan*, *Angela's Ashes*, and *Moll Flanders*.

d. United Kingdom

The United Kingdom (U.K.) motion picture industry, like the Canadian film industry, has realized tremendous growth. In 1999, U.S. motion picture production in the U.K. amounted to some $647 million out of an estimated $919 million in total foreign investment, a 35 percent increase over 1998.[17]

Foreign feature films being produced in the U.K. have taken over the country's large studios, and domestic film production is increasingly taking place in smaller, previously underutilized studios. The U.K. is a dominant force in post-production and special effects technology. Films shot entirely in the U.S. may do post-production work in the U.K. because of their service quality as well as lower costs.

The implications of these international financial incentives on shifting employment from the U.S. to other countries will be explored in the following chapter.

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[15] Again using exchange rate numbers from *The Economist*, on 9/26/01 the exchange rate was 2.03 Australian dollars to 1.00 U.S. dollars, by 9/26/03 it was 1.47 to 1.00, and by 9/26/04 it stood at 1.40 to 1.00.
[16] U.S. Department of Commerce, ibid., p. 55.
[17] Ibid., p. 53.

III. STATE AND NATIONAL EMPLOYMENT DATA

If the entertainment industry is shifting a substantial portion of its activities outside California, then we should expect to see falling State employment (or at least a slowdown in previous growth rates), lower worker earnings, rising unemployment, and longer spells of unemployment for industry workers. This chapter examines employment and earnings data to see if, in fact, these changes are occurring.

1. California and States with Significant Film Industry Employment

California holds a major share of employment in the motion picture industry in the United States. New York, Texas, Florida, and Illinois are other states with a significant amount of motion picture and television production employment. Table 10 and Chart 3 show motion picture and sound recording employment in the United States, California, Los Angeles County, New York, Illinois, and the rest of the country from 1994-2003.[18] Chart 4 shows the annual percentage change. Industry employment in California grew in the mid-to-late 1990s, began falling in 2000 and has declined every year since. The same pattern, for the most part, occurred in the U.S., New York, and Illinois. The other states, on the other hand, grew every year except 2003, and showed particularly strong growth in 2001 and 2002. In fact, the drop in employment in California from 1999 to 2003 (almost 35,000 jobs) is virtually matched, and then some, by an almost 39,000 increase in all other states for those same two years.

It should also be noted that California's share of national employment stayed between 44 and 46 percent from 1994 through 2000, before dropping to below 38 percent in both 2002 and 2003. The downward trend in employment during this period may have been due to the effects of runaway production to other countries and other states, but it may also have been due to the national recession, or possibly to structural changes in the film industry. Pinpointing which of these factors, or combination of factors, that have produced this downward trend still eludes a definitive diagnosis.

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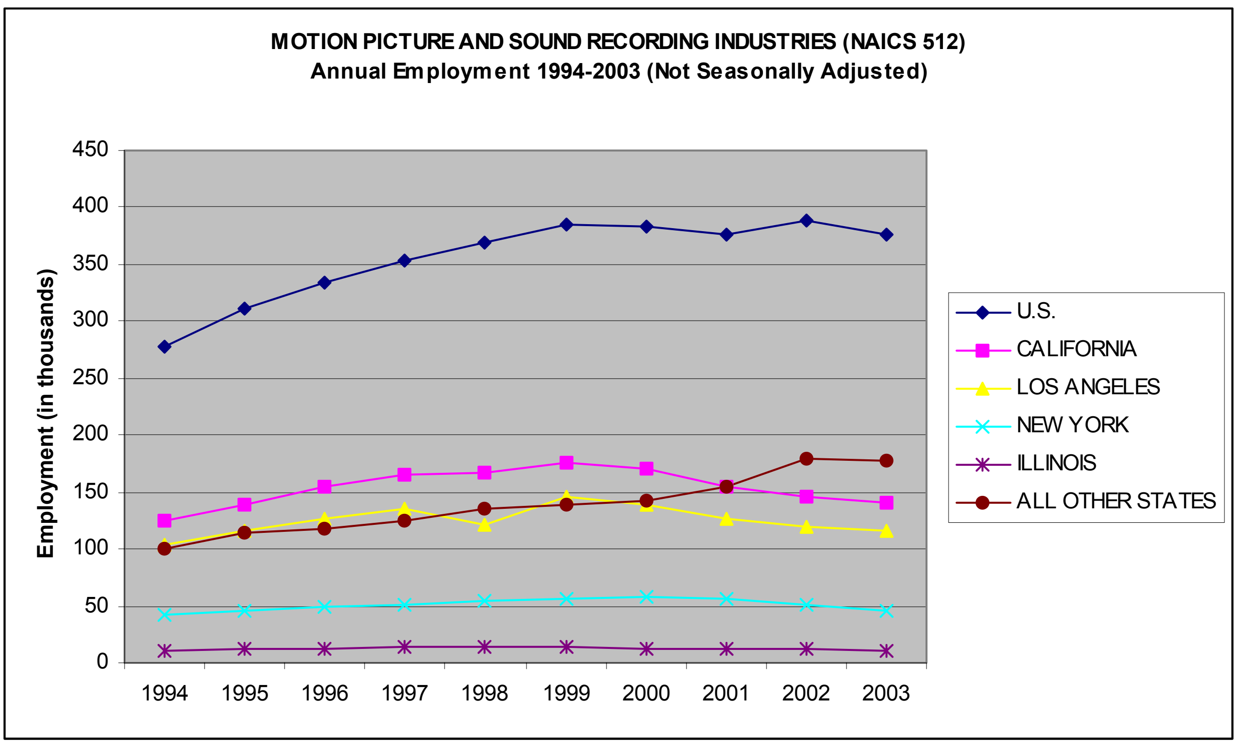
[18] Comparable data from Texas and Florida, the other two states with employment over 10,000 annually, were not available from BLS. However, data from the Quarterly Census of Employment and Wages program (see footnote 20), reported by Florida and Texas, show that in 2002 annual employment averaged nearly 15,975 in Florida and 17,780 in Texas for Motion Picture and Sound Recording Industries (NAICS 512).

Table 10

MOTION PICTURE AND SOUND RECORDING INDUSTRIES (NAICS 512) Annual Employment 1994-2003 (in thousands) Not Seasonally Adjusted						
	U.S.	**CALIFORNIA**	**LOS ANGELES**	**NEW YORK**	**ILLINOIS**	**ALL OTHER STATES**
YEAR						
1994	278.4	124.2	103.7	42.6	11.4	100.2
1995	311.1	138.5	116.2	46.3	12.0	114.3
1996	334.7	154.4	126.7	48.9	13.1	118.3
1997	353.0	164.8	135.9	50.3	13.8	124.1
1998	369.5	167.2	122.1	53.9	13.5	134.9
1999	384.4	175.9	146.0	55.7	13.6	139.2
2000	382.6	170.0	138.9	58.3	12.7	141.6
2001	376.8	153.9	126.0	56.7	12.2	154.0
2002	387.9	145.7	120.2	50.5	11.7	180.0
2003	376.1	141.2	116.7	45.5	11.4	178.0

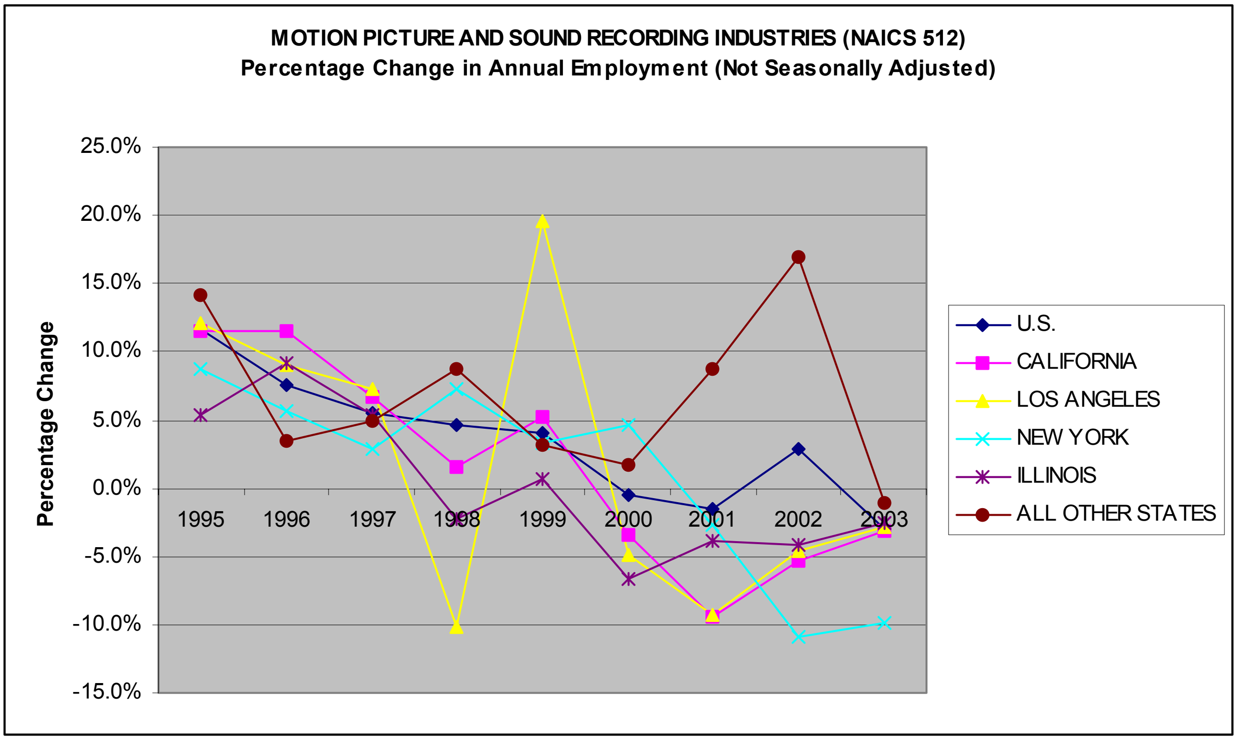
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics Program.

Chart 3



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics Program.

Chart 4



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics Program.

These employment totals are based on a new industry classification system, the North American Industrial Classification System (NAICS), which replaced the previous system, the Standard Industrial Classification (SIC). In 2001, EDD began changing the way industry data from its labor market information programs are coded, switching from the SIC to the NAICS. NAICS uses a production-oriented approach to categorize economic units. NAICS was developed in cooperation with Canada and Mexico and provides comparable statistics among the three North American Free Trade Agreement partners. NAICS identifies new, emerging and advanced technology industries and organizes them into meaningful sectors. For example, a new industry sector called "Information" brings together "those activities that transform information into a commodity that is produced and distributed, and activities that provide the means for distributing those products, other than through traditional wholesale-retail distribution channels."[19] Information's major components are publishing, motion picture and sound recording, broadcasting, telecommunications, Internet publishing and broadcasting, services, and data processing. Under the SIC system, these businesses were spread among the communications and services sectors.

Entertainment employment, whether defined using the NAICS or the SIC, follows closely similar trends between 1992 and 2002. Although employment levels for the motion picture industry under NAICS and SIC codes are different, the underlying trends appear to be the same. In Chart 5, employment in arts and entertainment and

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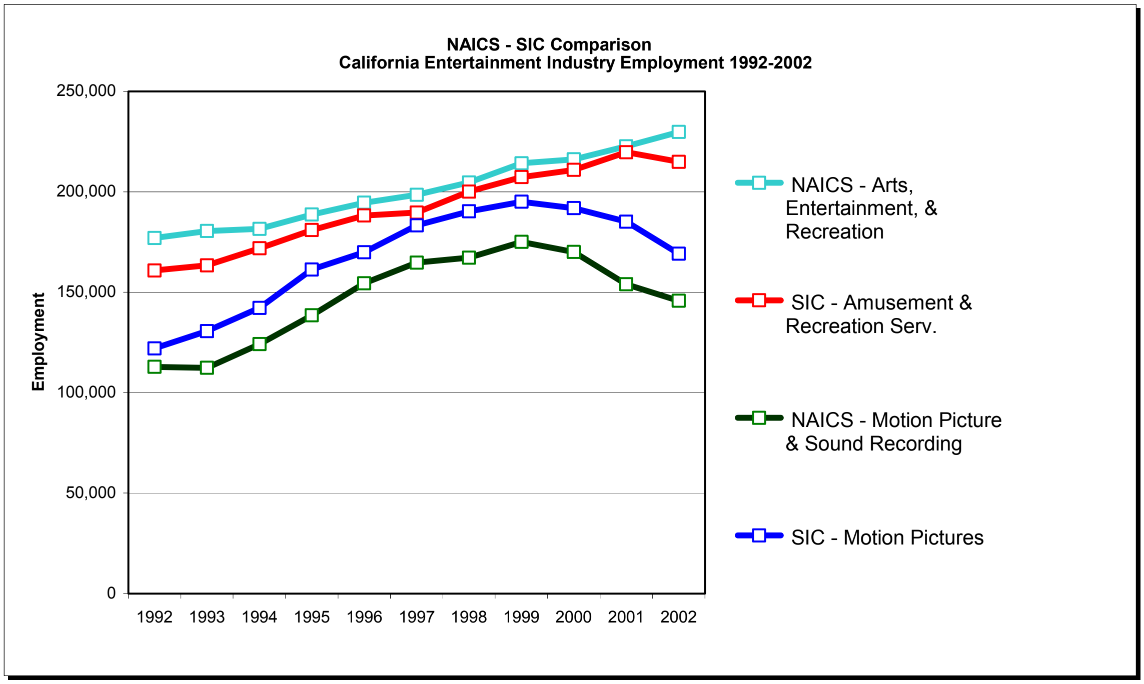
[19] *North American Industry Classification System, United States, 2002*. Office of Management and Budget, 2002, p. 3.

amusement and recreation sectors rose steadily from 1992-2002, while the motion picture and sound recording sector, as noted above, has fallen since 1999.

Chart 5



Source: Employment Development Department, Labor Market Information Division.

The motion picture and sound recording sector (NAICS 512) comes in substantially lower than motion pictures (SIC 78)—about 24,000 jobs lower in 2002. This drop occurred primarily because video and disc rental firms, which accounted for nearly 18,000 jobs, shifted to the rental and leasing industry. There were also 5,000-6,000 jobs with independent film directors and related companies that were reclassified out of motion pictures into the category of independent artists, writers and performers (NAICS 711), a different part of the entertainment industry using the new definitions. Another 2,500 jobs were moved to manufacturing of pre-recorded disks and tapes, and about the same number to equipment rental. On the other hand, the inclusion of sound recording added about 8,000 jobs. Other changes to the definition were comparatively small.

The arts, entertainment and recreation (NAICS 71) sector is very similar to amusement and recreation services (SIC 79), but employment runs somewhat higher. The NAICS definition adds museums, historical sites, and similar institutions (including zoos and botanical gardens), which employed about 13,000 workers in 2002, and independent film directors and related companies mentioned above.

However, what is particularly intriguing about these employment numbers is that while feature film production starts dropped dramatically between 1997 and 1999 (see Table 3), motion picture employment, whether measured by NAICS or SIC, actually increased during those years. This raises a number of questions, including why did employment grow when starts fell so steeply, and tends to support those in the California Film Commission who argue that film starts is an unreliable indicator of industry activity.

In addition, the employment figures in Table 10 only count workers directly employed by businesses coded as in the motion picture and sound recording industries. It does not count those workers in other industries who may be "indirectly" employed by the motion picture industry. For example, a catering firm doing all or most of its business with the motion picture industry would still be classified under food services and drinking places. While one could plausibly argue that a catering firm doing all or almost all its business with the motion picture industry should have its employees counted under that industry, the employment numbers firms submit to EDD do not provide information on share of business with other industries. Even if such information were provided, there would be enormous practical difficulties in trying to measure such "indirect" employment. What if a catering firm provided 10 percent of its business to 10 different industries over the course of a year, with monthly variations occurring due to seasonal or other factors?

The Entertainment Data Project labor market analysis report (see p. 9) also examined entertainment industry employment. Among other things, the report tracked employment and worker earnings over a twelve-year period (1991-2002) using the SIC coding system. Unlike the employment totals listed in Table 10, which rely on information from the Current Employment Statistics program, the EDP numbers come from the Quarterly Census of Employment and Wages program.[20] In addition, the EDP expanded the definition of the entertainment industry to include establishments not captured in the Table 10 figures, which were based on NAICS 512 (Motion Picture and Sound Recording Industries). These added establishments include those in:
1) Television Broadcasting, 2) Cable and Other Pay Television Services, 3) Business Services, 4) Accounting, Auditing, and Bookkeeping, and 5) Help Supply Services.

Figure 1 portrays the employment change over time, with the EDP authors noting that,

> "In 2002 the industry generated 294,000 jobs, an increase of about 29 percent from 1991 -- compared to 17% for state private employment. Despite these overall gains, there was also a shorter term decline in jobs since a peak of

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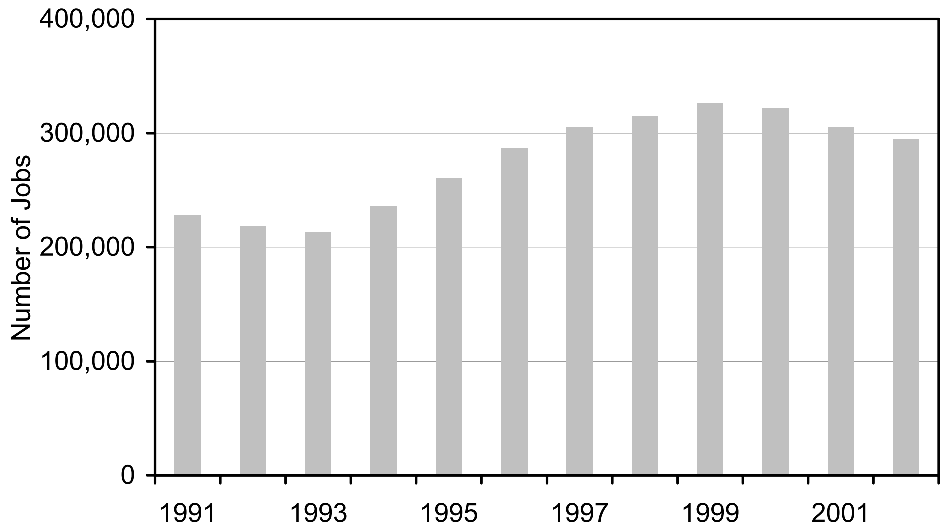
[20] The Quarterly Census of Employment and Wages program (also known as the ES-202 program) provides a quarterly census of information on employers subject to, or "covered under," state UI laws. The ES-202 program has comprehensive data for virtually all business establishments, including breakouts by location and industry. However, the ES-202 employment numbers are not the official employment estimates from the California EDD. The EDD's official employment estimates, and the ones used in Table 10 above, come from the Current Employment Statistics (CES) program, a program jointly operated by EDD and BLS. There are some differences between the ES-202 and CES programs. The most important is that ES-202 data include only employers and their workers covered by California's UI laws, while the CES program includes non-covered workers as well. Non-covered workers primarily include those employed by religious organizations, college and university students working on campus, and most railroad workers (who have their own UI program). Neither the CES nor ES-202 programs count self-employed individuals. For many industries, including the entertainment industry, the number of non-covered workers is negligible and the employment difference between the CES and ES-202 programs insignificant.

326,000 jobs in 1999. The contraction and expansion of employment in the industry parallels cyclical trends observed in national and state employment. Between 1991 and 2002 employment in the industry is characterized by three periods: stagnant employment in 1991-93, rapid expansion in 1994-99, and decline in 2000-2."[21]

Figure 1: California Entertainment Industry Jobs, 1991-2002



Source: Entertainment Data Project, Entertainment Economy Institute.

While the EDP numbers are nearly twice as high (in some years) as those presented in Table 10, the overall trend remained the same—rapid growth in the mid-to-late 1990s followed by declines in 2000-2003. Thus, while analysts can disagree over what businesses should be included under the entertainment industry umbrella, the employment totals using both a more expansive and more restrictive definition point in the same direction.

2. Canadian and United Kingdom Employment

If film industry employment is falling slightly nationally and more heavily in other large states, and runaway production is the reason why, then film industry employment from California must be going up overseas or, as Table 10 suggests, to the balance of other states. Results from Canada and the United Kingdom, the two largest foreign producers of feature films, present a mixed picture. Table 11 and Chart 6 examine Canadian figures; Table 12 and Chart 7, United Kingdom totals.

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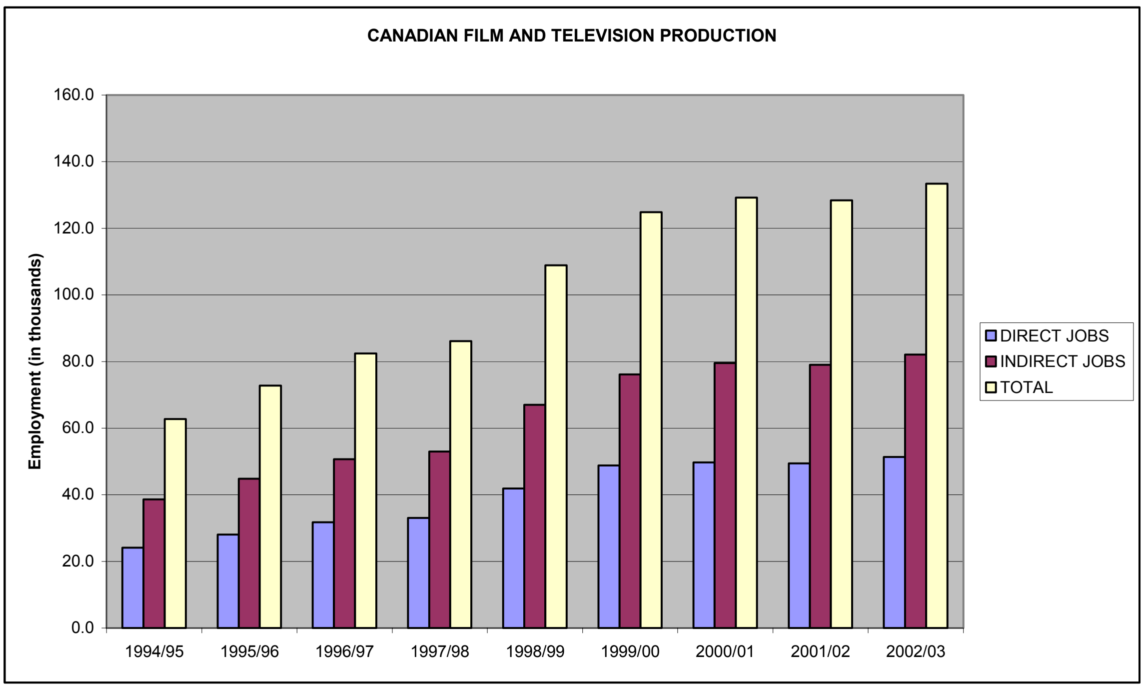
[21] Entertainment Industry Development Corporation and The PMR Group, Inc., *Entertainment Industry Trend Report: Labor Market Analysis*, Entertainment Economy Institute, Los Angeles, June 2004, p. ix, (unpublished paper).

Table 11

CANADIAN FILM AND TELEVISION PRODUCTION Direct and Indirect Jobs (in thousands)			
Year	**Direct Jobs**	**Indirect Jobs**	**Total**
1994/95	24.1	38.6	62.7
1995/96	28.0	44.8	72.8
1996/97	31.7	50.7	82.4
1997/98	33.1	53.0	86.1
1998/99	41.9	67.0	108.9
1999/00	48.8	78.1	126.9
2000/01	49.7	79.5	129.2
2001/02	49.4	79.0	128.4
2002/03	51.3	82.1	133.4

Source: Nordicity estimates based on data collected from Canada Audio-visual Certification Office, Statistics Canada, Canadian Radio-television and Telecommunications Commission, Canadian Broadcasting Corporation and Department of Canadian Heritage.[22]

Chart 6



Source: Nordicity estimates.

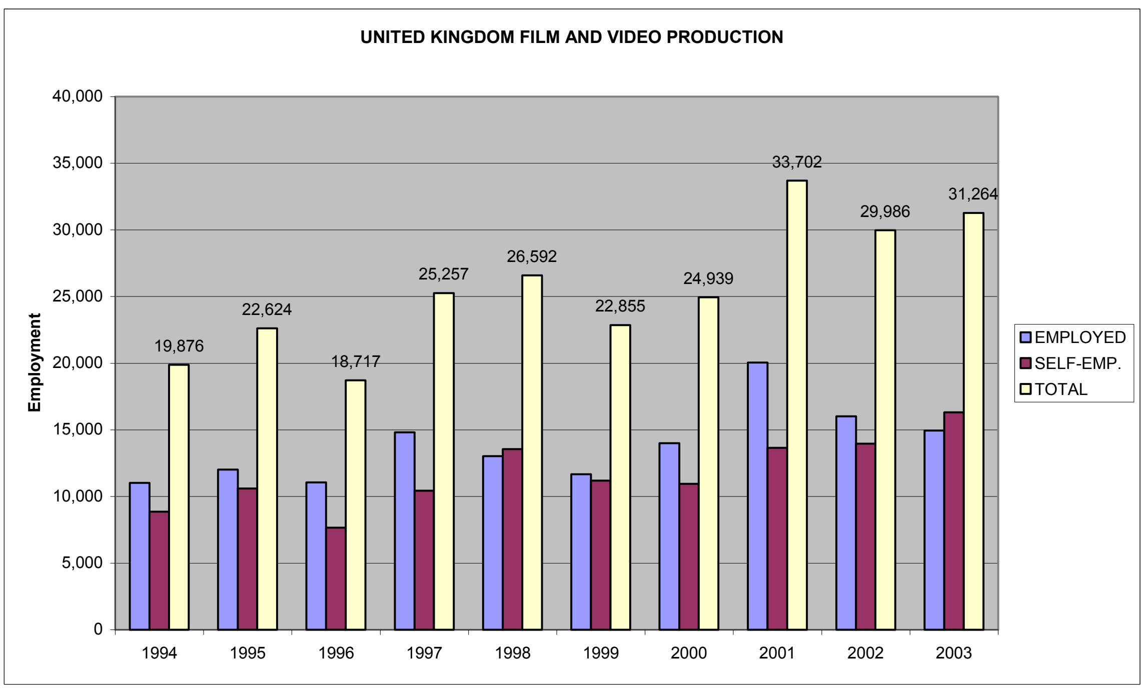
[22] See Canadian Film and Television Production Industry, *Profile 2004, The Razor's Edge: Canadian Producers in the Global Economy*, January 2004, p. 15. Also available online at: www.cftpa.ca

Table 12

UNITED KINGDOM FILM AND VIDEO PRODUCTION Total Workforce			
Year	**Employed**	**Self-Employed**	**Total**
1994	11,025	8,851	19,876
1995	12,028	10,596	22,624
1996	11,063	7,654	18,717
1997	14,822	10,435	25,257
1998	13,028	13,564	26,592
1999	11,663	11,192	22,855
2000	13,995	10,944	24,939
2001	20,050	13,652	33,702
2002	16,021	13,965	29,986
2003	14,946	16,318	31,264

Source: UK Film Council, Statistical Yearbook 2003, p. 100, http://www.ukfilmcouncil.org.uk/statistics/statsyrbk03.

Chart 7



The Canadian number of direct jobs, the ones most comparable to the U.S. totals in Table 10, does show a steady growth over the nine-year period, with jobs more than doubling (a 112.9 percent increase) from 1994/95 to 2002/03. However, U.S. and California jobs also increased over much of this period, so if jobs were being “lost” to Canada, most of those losses would not become noticeable until the year 2000 and beyond. In fact, though, job growth in Canada slowed noticeably from 2000/01 to

2002/03. Therefore, U.S. and California job losses, also beginning in 2000, have not been matched by a corresponding gain in Canadian jobs. The U.K. also showed good employment gains over the ten-year (1994-2003) period, but the pattern of activity is more widely fluctuating in the U.K. than Canada. In fact, the U.K. pattern more closely follows the U.S. pattern, making it harder to argue that U.S. jobs are going to the U.K. Moreover, based on the BLS figures in Table 10, it appears more likely that from 1999-2003 California jobs are going to other smaller states than to other countries.

3. Industry Employment Projections – California, 2000-2010

While Table 10 clearly shows falling motion picture employment during the last four years (2000-2003), long-term employment projections paint a more positive picture. Table 13 presents statewide film industry employment projections for the period 2000-2010. Table 14 offers Los Angeles industry employment projections for the period 2001-2008.

Table 13

MOTION PICTURE EMPLOYMENT PROJECTIONS FOR CALIFORNIA 2000-2010

	SIC	ANNUAL AVERAGES		ABSOLUTE	PERCENT
	CODE	2000	2010	CHANGE	CHANGE
Motion Pictures	78	191,800	230,600	38,000	20.2%
Movie Production	781	149,000	180,300	31,300	21.0%
Other Motion Pictures	78X	42,800	50,300	7,500	17.5%

Source: Employment Development Department, Labor Market Information Division.

Table 14

MOTION PICTURE EMPLOYMENT PROJECTIONS FOR LOS ANGELES COUNTY 2001-2008

	SIC	ANNUAL AVERAGES		ABSOLUTE	PERCENT
	CODE	2001	2008	CHANGE	CHANGE
Motion Pictures	78	144,900	153,500	8,600	5.9%
Movie Production	781	130,500	137,700	7,200	5.5%
Other Motion Pictures	78X	14,400	15,800	1,400	9.7%

Source: Employment Development Department, Labor Market Information Division.

In Table 15, employment projections by occupation for the period 2000-2010 show growth in all areas of the entertainment industry except for two categories (announcers, news analysts and correspondents).[23] The highest occupational growth is projected to occur for multi-media artists and animators, public relations specialists, musicians and singers, and choreographers. These projections are on a statewide basis. Again, not reflected in these data are occupations related to motion picture and television production such as caterers, legal and clerical staff, those in the construction trades and others. Moreover, many of the occupations in Table 15 are not exclusive to the entertainment industry. Finally, there may be some occupations unique to the entertainment industry not yet identified and captured in the EDD projections.

[23] Both statewide industry and occupational long-term projections are being revised, with industry projections being based on the NAICS. The revised data, due later in 2004 for the ten-year period 2002-2012, will show smaller absolute employment in 2002 because of the switch to NAICS and declining actual employment in 2002 for the effected industries.

Table 15

OCCUPATIONAL EMPLOYMENT PROJECTIONS FOR CALIFORNIA 2000-2010

Occupational Title	Annual Averages 2000	2010	Numerical Change	Percent Growth	Separations
Arts, Design, Entertainment, & Media Occupations	253,400	320,800	67,400	26.6%	53,400
Art Directors	2,300	3,000	700	30.4%	600
Fine Artists, Incl Painters, Sculptors, & Illus	1,000	1,200	200	20.0%	200
Multi-Media Artists & Animators	6,600	9,600	3,000	45.5%	1,700
Commercial & Industrial Designers	2,400	2,900	500	20.8%	300
Fashion Designers	2,400	3,000	600	25.0%	300
Floral Designers	6,100	6,800	700	11.5%	600
Graphic Designers	19,400	25,000	5,600	28.9%	2,200
Interior Designers	4,200	5,400	1,200	28.6%	500
Merchandise Displayers & Window Trimmers	6,600	8,500	1,900	28.8%	800
Set & Exhibit Designers	1,100	1,500	400	36.4%	100
Art & Design Workers, All Other	6,100	8,100	2,000	32.8%	1,200
Actors	37,500	44,900	7,400	19.7%	7,900
Producers & Directors	11,800	15,200	3,400	28.8%	2,600
Dancers	2,100	2,600	500	23.8%	500
Choreographers	1,000	1,400	400	40.0%	200
Music Directors & Composers	2,900	3,800	900	31.0%	600
Musicians & Singers	14,400	20,400	6,000	41.7%	3,300
Entertainers & Performers & Related Workers	20,800	26,300	5,500	26.4%	4,300
Announcers	5,500	5,300	-200	-3.6%	*
News Analysts, Reporters & Correspondents	5,800	5,800	0	0%	*
Public Relations Specialists	15,900	23,000	7,100	44.7%	3,300
Editors	14,200	17,900	3,700	26.1%	5,200
Technical Writers	7,300	9,500	2,200	30.1%	2,500
Writers & Authors	6,600	8,800	2,200	33.3%	1,300
Interpreters & Translators	2,000	2,500	500	25.0%	400
Media & Communication Workers, All Other	8,800	10,900	2,100	23.9%	1,800
Audio & Video Equipment Technicians	4,900	5,900	1,000	20.4%	1,600
Broadcast Technicians	4,000	4,200	200	5.0%	1,200
Sound Engineering Technicians	2,300	2,700	400	17.4%	700
Photographers	7,600	9,100	1,500	19.7%	1,700
Camera Ops, Television, Video, & Motion Picture	3,900	5,000	1,100	28.2%	900
Film & Video Editors	3,300	4,100	800	24.2%	700
Media & Communication Equip Workers, All Other	6,100	7,900	1,800	29.5%	2,700

Source: Employment Development Department, Labor Market Information Division.

4. LED Employment and Earnings Trends in the Motion Picture Industry

The following employment and earnings data are derived from the Local Employment Dynamics (LED) program, a state/federal partnership between the U.S. Bureau of the Census and various states. The Census uses state unemployment insurance (UI) wage records and ES-202 program data to produce quarterly workforce indicators about the state's economy at detailed industry and geographic levels.[24]

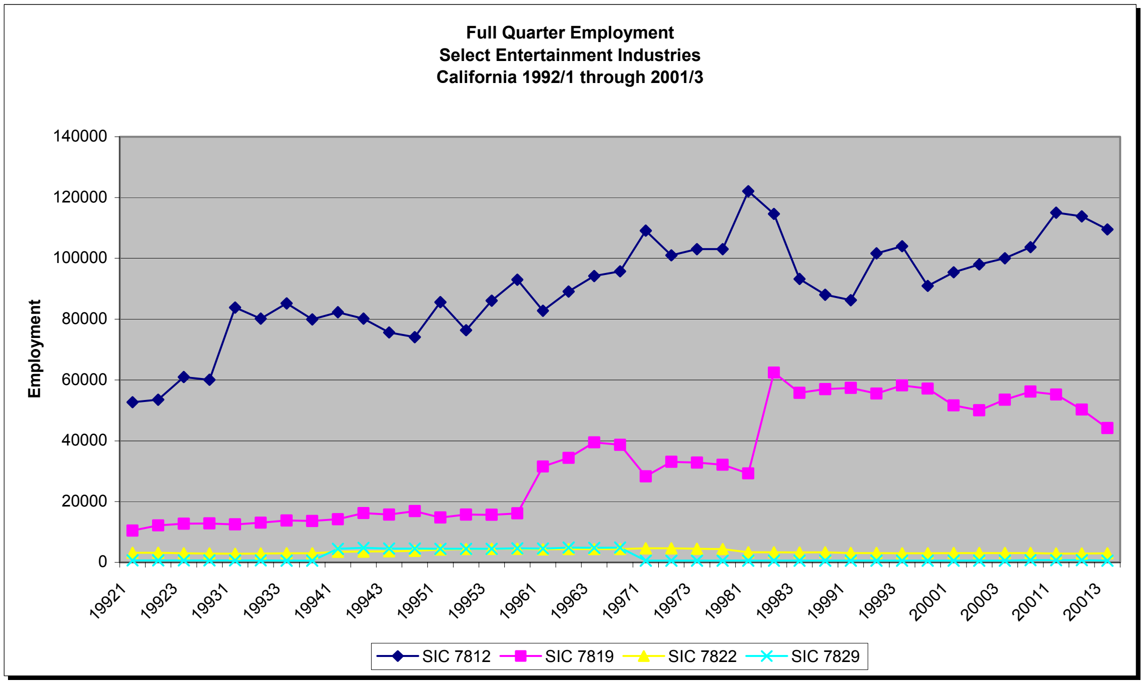
Under the LED program states receive 29 indicators quarterly for every county and industry. Indicators include measures of: 1) job gains and losses for different types of workers, 2) hires and separations for different types of workers, 3) employment by where people work and live, and 4) earnings by type of worker. These LED data have just recently become available and allow for a more comprehensive look at employment activity in a state. The following pages examine these new indicators for selected entertainment industries and add a more rounded picture of these industries over the past decade or so.

a. Full-Quarter Employment in Select Entertainment Industries, 1992-2001

Chart 8 shows full-quarter employment from first Quarter (January-March) 1992 through third Quarter (July-September) 2001 for select entertainment industries.[25] All the following figures will be reported under the SIC system. SIC 7812 (motion picture and video tape production) shows a greater fluctuation and rise in quarterly employment than SIC 7819 (services allied to motion picture production). Services allied to motion picture production remained steady until 1996, while production rose gradually. Employment in motion picture and video tape distribution (SIC 7822) and services allied to motion picture distribution (SIC 7829) stayed flat during the same period.

[24] See footnote 18 for a description of the ES-202 program.
[25] Full-quarter employment means that an individual worked for a single employer not only in the quarter cited in the chart, but also in the quarter before and the quarter after, or put differently, at least three consecutive quarters.

Chart 8



Source: Employment Development Department, Labor Market Information Division, LED Program.

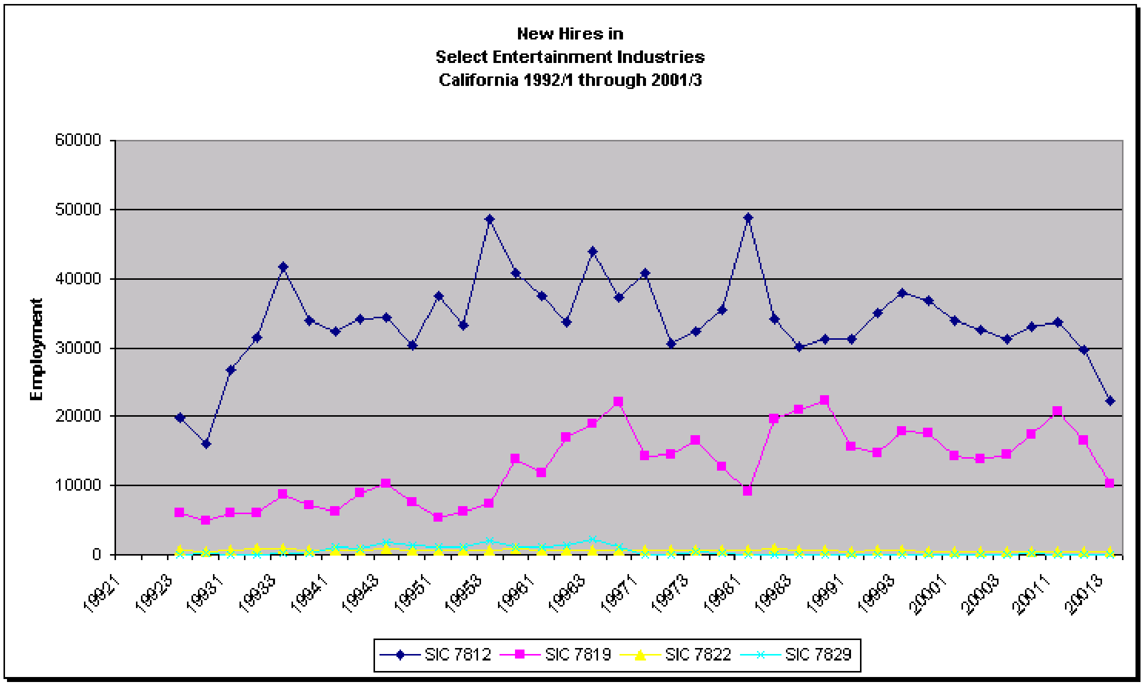
However, contrary to the falling overall employment we saw in Table 10, that began in 2000 and has continued since, full quarter employment held its own in 2000 and 2001, even making gains for motion picture and video tape distribution workers, and suggesting that employers were keeping experienced employees.

b. New Hires in Select Entertainment Industries, 1992-2001

On the other hand, new hires fared less well. In Chart 9, new hires in SICs 7812 and 7819 generally rose until the late 1990s. However, beginning in 1999 a decline in new hire activity[26] appeared and continued through 2001 for motion picture and video tape production workers. In fact, new hires activity in third quarter 2001 was less than half what it was in late 1997. New hires in SIC 7819 (services allied to motion picture and video tape production) have been more up and down since 1999, but the trend was downward. New hires in SIC codes 7822 (motion picture and video tape distribution) and 7829 (services allied to motion picture and video tape distribution) remained flat. Falling new hire activity is consistent with the decline in the supply of jobs in the industry resulting from runaway production, an economy in recession, or other factors.

[26] A new hire is a worker who was not employed by the employer during the previous four quarters.

Chart 9



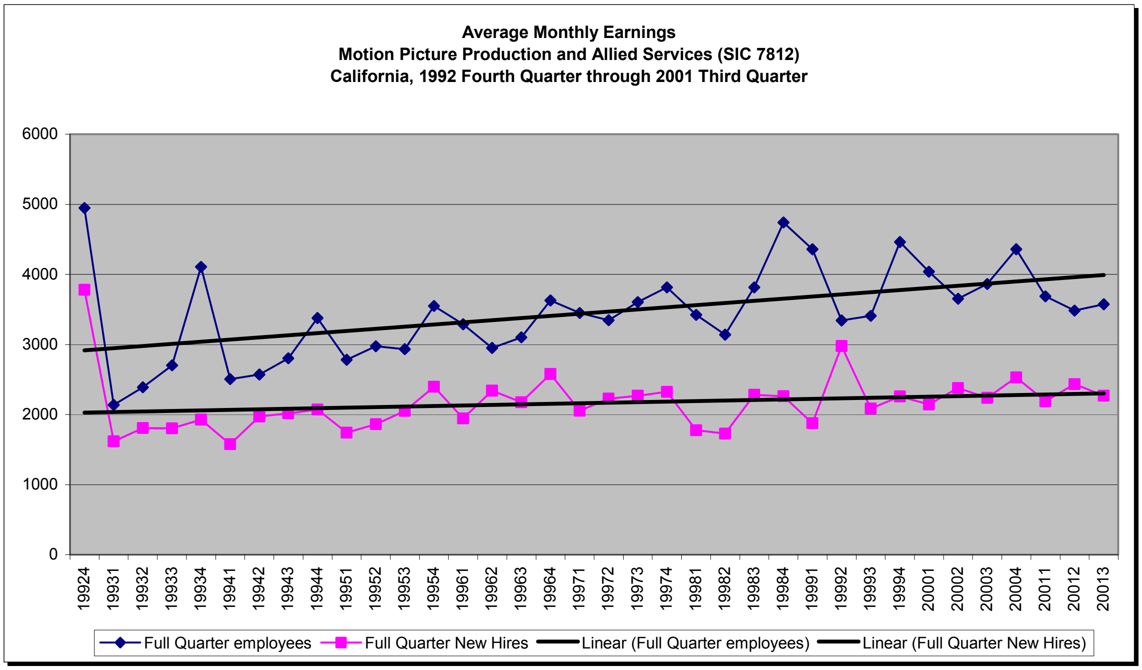
Source: Employment Development Department, Labor Market Information Division, LED Program.

c. California Earnings Data in the Motion Picture Industry: The Earnings Gap

Chart 10 shows average monthly earnings in motion picture production and allied services in California (SIC 7812) from fourth Quarter 1992 through third Quarter 2001 for full-quarter employees and full-quarter new hires.[27] Average earnings for full-quarter new hires are the total earnings of all full-quarter new hires divided by the number of full-quarter new hires. Similarly, average monthly earnings for full quarter employees are the total earnings of all full-quarter employees divided by the number of full-quarter employees. The average monthly earnings for full-quarter employees rose gradually through the 1990s, while the average monthly earnings for new hires remained generally flat with earnings rising only slightly. This “earnings gap” is consistent with a trend in the motion picture industry to hire at lower wages resulting from the falling demand for workers as a result of runaway production, recession, or other factors, and a possible increase in the use of temporary workers.

[27] A full-quarter new hire employee is someone who did not work with an employer the previous four quarters, but did work with the employer in the next quarter after the first quarter hired. The wages reported in Charts 10 and 11 are nominal; that is, they have not been adjusted for inflation.

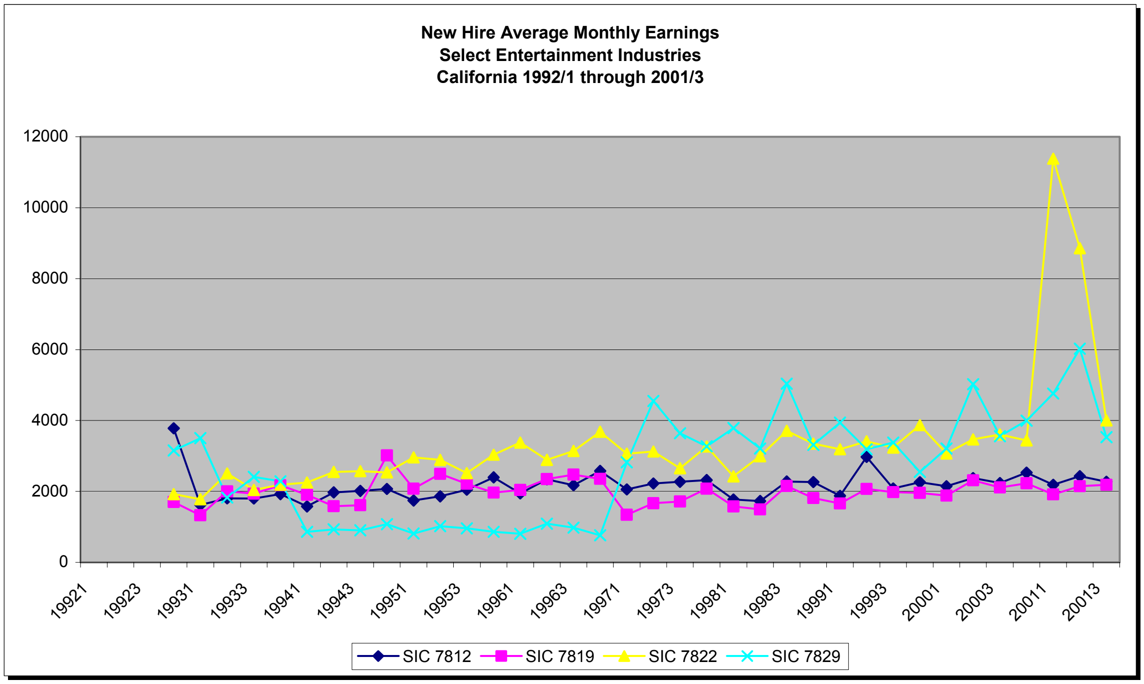
Chart 10



Source: Employment Development Department, Labor Market Information Division, LED Program.

In Chart 11, new hire average monthly earnings in motion picture and video tape distribution and services allied to motion picture and video tape distribution rose gradually and spiked in 2001, consistent with smaller numbers of employees in motion picture distribution and perhaps longer working hours for those employees. New hire average monthly earnings in motion picture production and allied services remained steady through the 1990s.

Chart 11



Source: Employment Development Department, Labor Market Information Division, LED Program.

This section shows that while employment rose in motion picture and videotape production in California, it remained flat in services allied to motion picture production. Employment for new hires in the industry rose during the 1990s, but declined from 1999 to third quarter 2001. Earnings for new hires declined relative to earnings for those who had steady employment in the industry, resulting in an earnings gap.

5. Employment and Earnings Information from EDP

The EDP labor market analysis report contains a long and very-detailed chapter on worker earnings in the entertainment industry. Like the LED earnings data presented in Charts 10 and 11, the EDP earnings data come from quarterly reports submitted to EDD by employers for UI-covered employees. However, the EDP analysis differs in important respects from the LED/Census approach. First, the EDP only included workers who had at least eight quarters or more of earnings and more than 10 percent of their total earnings in the entertainment industry between 1991 and 2002. This left them with a universe of 788,325 workers.[28] Second, these 788,325 workers were separated into three categories based on their level of attachment to the industry: 1) *Core* - those with entertainment earnings in at least 75 percent of their active quarters,

[28] Workers who met the eight quarter/more than 10 percent earnings criteria were excluded if they were reported as having worked for more than 10 employers in a quarter. However, this exclusion only eliminated 8,749 workers. The EDP also excluded all workers in theaters (SIC 783) and video tape rental (SIC 7841), believing that a large share of these workers had only temporary links or no career objectives in the entertainment industry.

2) *Intermittent* - those with earnings between 25 percent and 75 percent of active quarters, and 3) *Peripheral* - those with earnings between 10 percent and 25 percent of active quarters. Table 16 presents the number of workers who fell into each category.

Table 16

Entertainment Industry Worker Classification
1991-2002

Classification	Percent of Active Quarters in Entertainment	Number of Workers	Percent
Core	75% - 100%	263,233	33%
Intermittent	25% - <75%	286,347	36%
Peripheral	10% <25%	238,745	30%
Total		788,325	100%

Source: Entertainment Data Project, Entertainment Economy Institute.

Among the main findings of the EDP earnings analysis were:

- The entertainment industry's workforce grew relatively fast during the 1991-2000 period and twice as fast as the California labor force.

- In any given year, almost half of entertainment workers relied on non-entertainment jobs for their primary income.

- In the rapidly-growing second half of the 1990s, *Intermittent* workers became the largest of the three groups of entertainment workers. However, their numbers declined in the 2000-02 period when industry employment began falling.

- Average entertainment earnings were above the State's annual average, though there were large differences between average and median earnings, reflecting a wide gap between high and low-income earners.

a. Size of Workforce

Figures 2 and 3 show the California entertainment workforce and the growth rates for the entertainment and California workforce respectively. In 2002 there were nearly 400,000 entertainment workers in California.[29] Of this total, just over 180,000 are

[29] The reader will observe that this nearly 400,000 workers figure differs from the 294,000 total EDP reported in 2002 for entertainment industry jobs. The discrepancy results from different reporting methods. The 294,000 jobs figure comes from the ES-202 program, where employers are asked to report the number of employees on the pay period that includes the 12^{th} of the month for each of the three months in the quarter. The nearly 400,000 workers figure comes from the total number of workers who had UI-covered earnings in a quarter, and is not limited to only those workers who were on the 12^{th} of the month pay periods.

identified as “primary entertainment,” meaning that more than 50 percent of their annual income came from entertainment jobs.

Figure 2: California Entertainment Workforce, 1991-2002

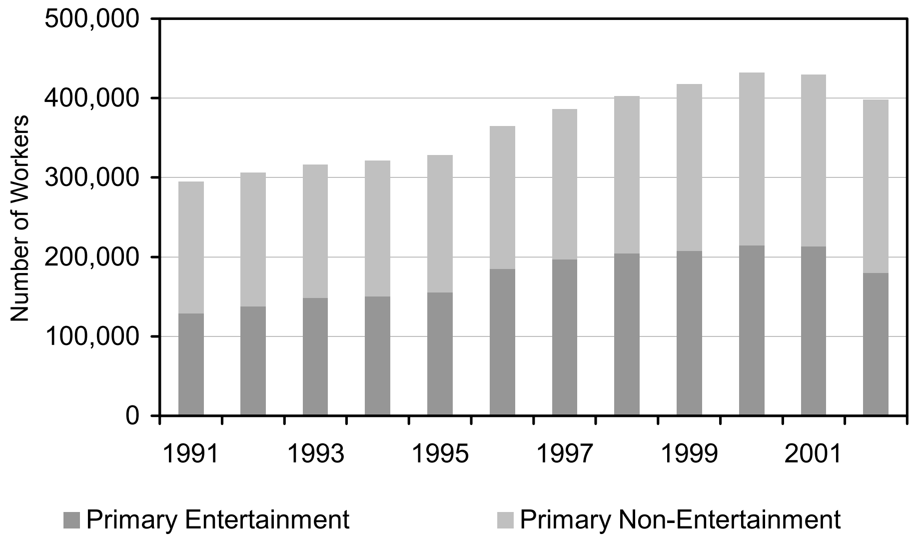
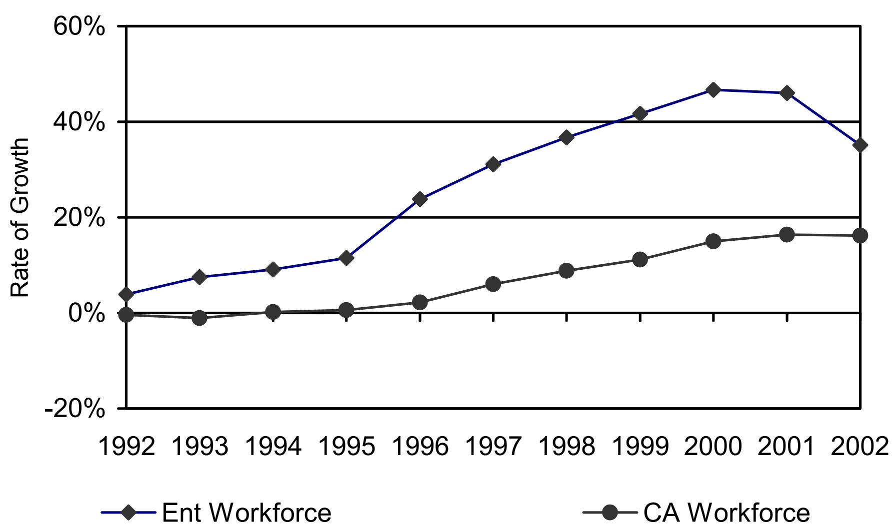


Figure 3: Growth Rates for Entertainment and California Workforce, 1991-2002



Source: Entertainment Data Project, Entertainment Economy Institute.

As we have seen in previous measures of employment, the workforce trend follows the pattern of slow growth in the early 1990s, rapid growth in the mid-to-late 1990s, and reductions, though not as steep, beginning in 2001.

b. Employment Outside the Industry

Entertainment industry work varies from "traditional" employment in that there is less expectation for ongoing work. As the EDP report remarks, "Alternative employment arrangements, particularly project-based employment, have been common practice in the entertainment industry for the past several decades. Project-based employment in the entertainment industry means workers are hired on a specific feature, television program, or commercial project, which can vary in terms of duration."[30] This expectation of less ongoing work should be reflected by heavy use of multiple employers by entertainment industry workers.

The EDP tracked use of multiple employers by various sectors in the entertainment industry and by whether workers had their primary income from entertainment work. They found that production workers (SIC 7812) and production service workers (SIC 7819) with their primary incomes in entertainment averaged 2.3 and 2.6 employers respectively in 2002. By contrast, entertainment workers with their primary income from non-entertainment jobs had just 1.7 employers. Comparable data from other industries is sparse. However, an EDD study of almost 1.1 million agricultural workers in 2001 found that 53 percent had only one employer during the year, 26 percent two employers, 12 percent three employers, 5 percent four employers, and 4 percent five or more employers.[31] The finding that over half of agricultural workers only worked for one employer in California in 2001 surprised many observers who, because of the seasonal nature of agriculture, expected far more workers to have held multiple jobs within the State during the year.

EDP also learned that in any given year about half of entertainment workers earn over half their total earnings from employment outside the entertainment industry. Figure 4 illustrates this reliance on jobs outside the industry for such workers. In only three years (1996-98) did the share of workers with more than half their primary earnings from non-entertainment jobs drop below 50 percent.

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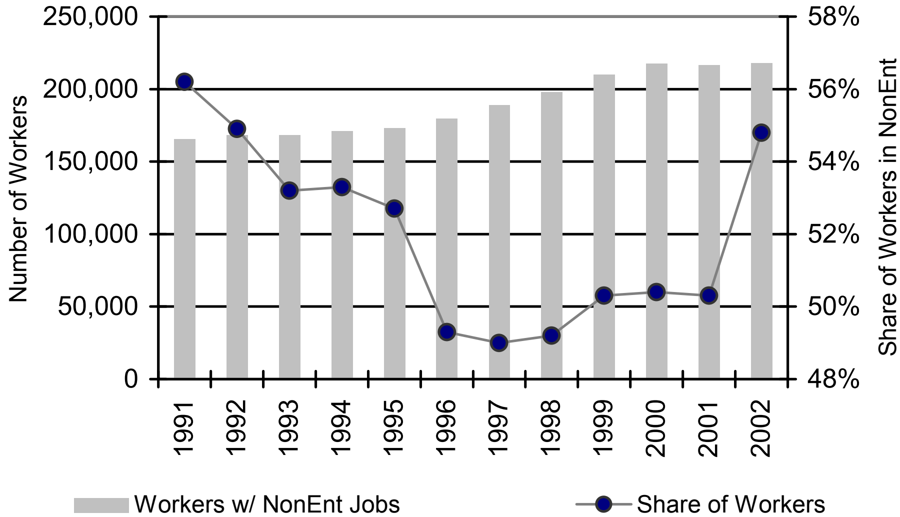
[30] Entertainment Industry Development Corporation and The PMR Group, Inc., ibid., p. 29.

[31] Akhtar Khan et al, "Expanded production of labor-intensive crops increases agricultural employment," *California Agriculture*, January-March 2004, p. 37. A longer version of this report is available online at www.calmis.ca.gov/SpecialReports/Ag-Emp-1991to2001.pdf. The BLS, in their monthly Current Population Survey of the labor force, has found that between 5.0 to 6.4% of workers held multiple jobs in any given month between January 1994 and September 2004.

Figure 4: Entertainment Workers Employed Outside the Entertainment Industry



Source: Entertainment Data Project, Entertainment Economy Institute.

As would be expected, *Core* entertainment workers (those who had entertainment earnings in at least 75% of their active quarters and at least eight quarters of earnings between 1991 and 2002) had the strongest attachment to the industry. Table 17 shows that 84 percent of *Core* workers in 2002 earned a majority of their income from entertainment work. By comparison, only 9 percent of *Peripheral* workers did so.

Table 17

Entertainment Workers by Level of Attachment, 2002

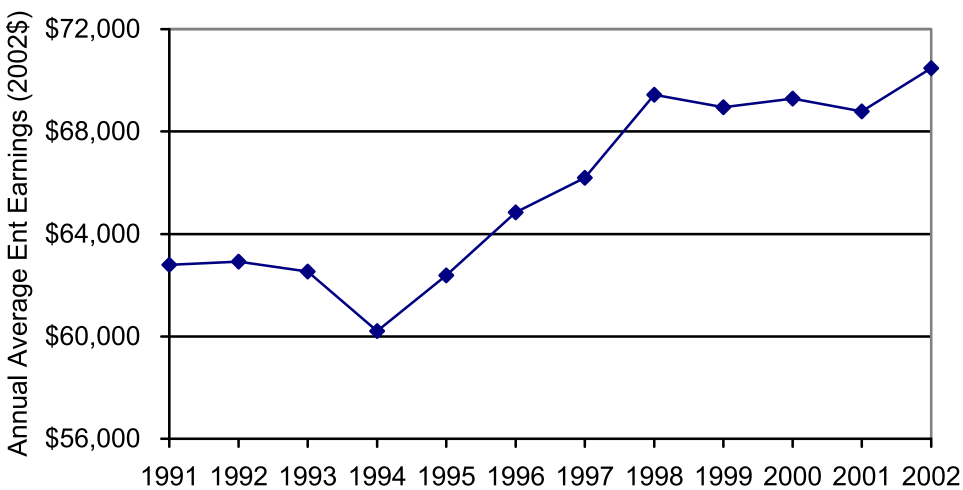
	Total	**Primary Entertainment**	**Primary Non-Entertainment**
Core	131,868	110,641 (84%)	21,227 (16%)
Intermittent	148,221	58,288 (39%)	89,933 (61%)
Peripheral	117,894	11,091 (9%)	106,803 (91%)

Source: Entertainment Data Project, Entertainment Economy Institute.

c. Average and Median Earnings

Entertainment workers earn substantially higher average wages than other workers in the State. Figure 5 shows that annual average earnings for all entertainment workers from entertainment jobs was $70,480 in 2002, much higher than the $41,419 average for the entire California private sector. Reasons for these much higher wages include high levels of union representation and the willingness of workers to accept regular and frequent unemployment if they are able to earn higher wages. As EDP remarks, "Higher wages offset some of the employment uncertainty associated with project-based and temporary contract employment."[32]

Figure 5: Annual Average Entertainment Earnings
All Workers (In 2002 $)



Source: Entertainment Data Project, Entertainment Economy Institute.

Moreover, average earnings tend to be high in all sub-sectors of the industry and, as expected, are highest for *Core* workers. However, there are substantial differences between average and median earnings, especially by sub-sector. In a distribution of all earnings, median earnings are the mid-point, and can be a more representative indicator when extreme values at the high and/or low end distort the reliability of average earnings. Figure 6 presents average and median earnings by sub-sector in 2002. Distribution workers (SIC 7812) had the highest average earnings, but also the widest gap between average and median earnings. Part of this can be explained by the fact that highly-paid executives would likely be reported in this sub-sector. Many highly-compensated actors, directors, and others, however, have what are known as "loan-out corporations." Their compensation is not reported as W-2 wages, and is not reported to EDD, and is not included in the EDP analysis.

Figure 7 offers a portrait of the percentage change in average and median earnings over the 12-year (1991-2002) period. Distribution workers (SIC 7812) still did well, but

[32] Entertainment Industry Development Corporation and The PMR Group, Inc., ibid., p. 45.

workers in the cable sector (SIC 4841) also did well, and the relatively small gap between average and median earnings there indicate that earnings increases were more evenly distributed in that sub-sector.

Figure 6: Average and Median Earnings by Sub-Sector, 2002 All Workers (In 2002 $)

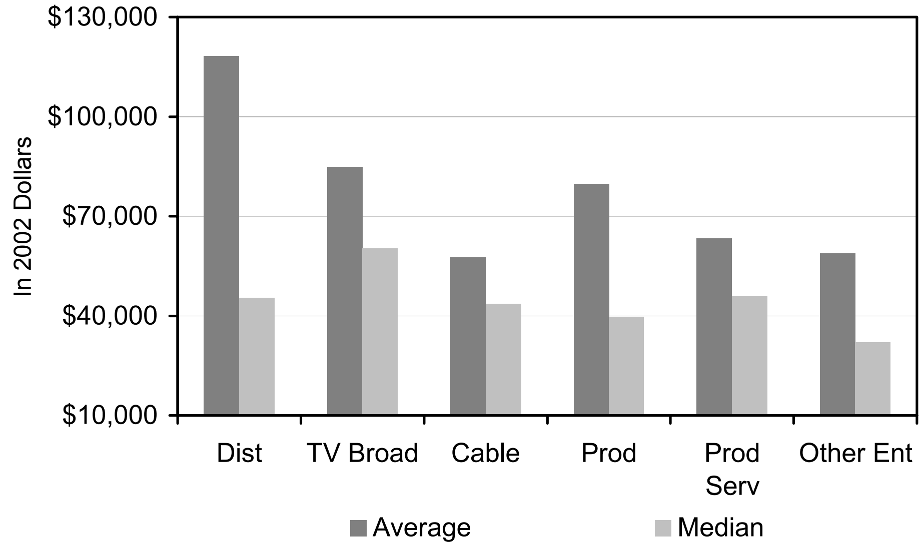
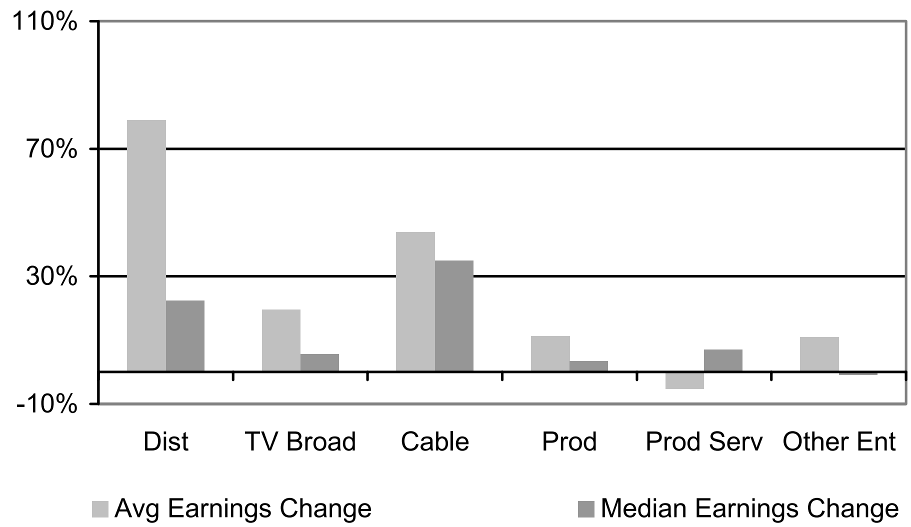


Figure 7: Average and Median Earnings Change by Sub-Sector 1991-2002 (All Workers)



Source: Entertainment Data Project. Entertainment Economy Institute.

The EDP report also found that highly-paid entertainment workers also earned high wages in non-entertainment jobs and speculated that this fact could affect industry competitiveness. Because the industry attracts skilled workers whose skills appear easily transferable to other industries, the industry risks losing its skilled labor pool to other industries that can offer more competitive wages or more regular work.

In sum, the EDP earnings analysis found that earnings grew rapidly in the mid-1990s, but have leveled off since 1998. However, the industry still pays relatively high wages and this fact attracts a large pool of *Intermittent* and *Peripheral* workers, making it easier for industry employers to tap a flexible workforce and adjust to shifting labor demands.

6. California Unemployment Insurance Data and the Film Industry

We turn now to UI claims filed by entertainment industry workers. Tables 18–21 present annual UI benefit levels, as well as the age, gender and ethnicity of UI claimants in the motion picture and television industry. These data are one of the few sources for the age, gender and ethnicity of workers in the motion picture industry.[33]

a. UI Claimant Breakout by Benefit Levels by Year (1993-2001)

Table 18 reflects the number of UI claimants in the industry from 1993-2001 by benefit levels and weeks receiving benefits. The number of UI claimants increased in five of the years, but fell in the other three. However, the number of claimants has trended upward as Chart 12 shows, but that upward trend began in 1994 and had a big spike in 1997, a year when employment was still growing. Benefit levels did not rise at the same rates as the number of UI claimants and generally remained flat until 2001 when benefit levels rose steeply. In addition, the length of time people spent on UI (shown by the mean and median weeks totals) also remained flat. As Chart 13 portrays, these UI figures indicate little correlation between rises and falls in total employment and UI activity.

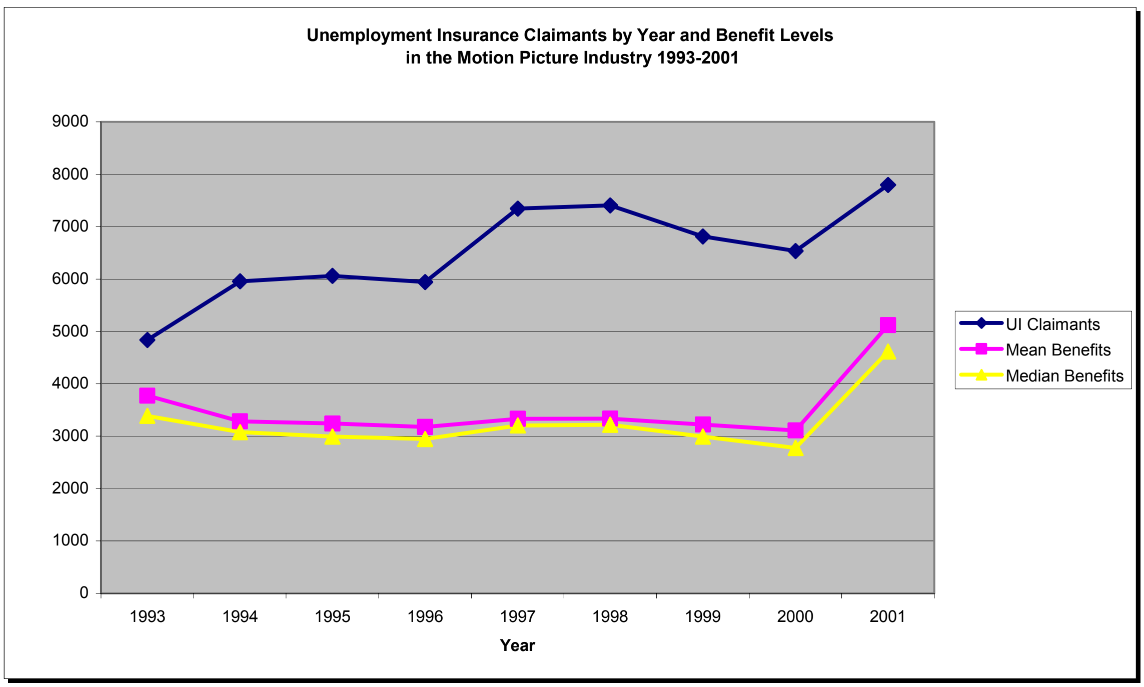
[33] The data in these tables come from a 20 percent sample of UI claims for each year as indicated, and are for SICs 78 (motion pictures), 4833 (television broadcasting stations), and 4841 (cable and other pay television services).

Table 18

UI CLAIMANTS BY YEAR, BENEFIT LEVELS, AND MEAN AND MEDIAN WEEKS IN THE MOTION PICTURE AND TELEVISION INDUSTRY: 1993-2001					
Year	**UI Clients**	**Mean Weeks**	**Mean Benefits**	**Median Weeks**	**Median Benefits**
1993	4,835	20	$3,773	21	$3,388
1994	5,954	17	3,286	19	3,076
1995	6,060	17	3,241	18	2,990
1996	5,942	17	3,176	17	2,946
1997	7,344	17	3,329	18	3,206
1998	7,406	17	3,337	18	3,220
1999	6,811	16	3,222	16	2,990
2000	6,534	15	3,109	15	2,775
2001	7,795	18	5,119	18	4,614

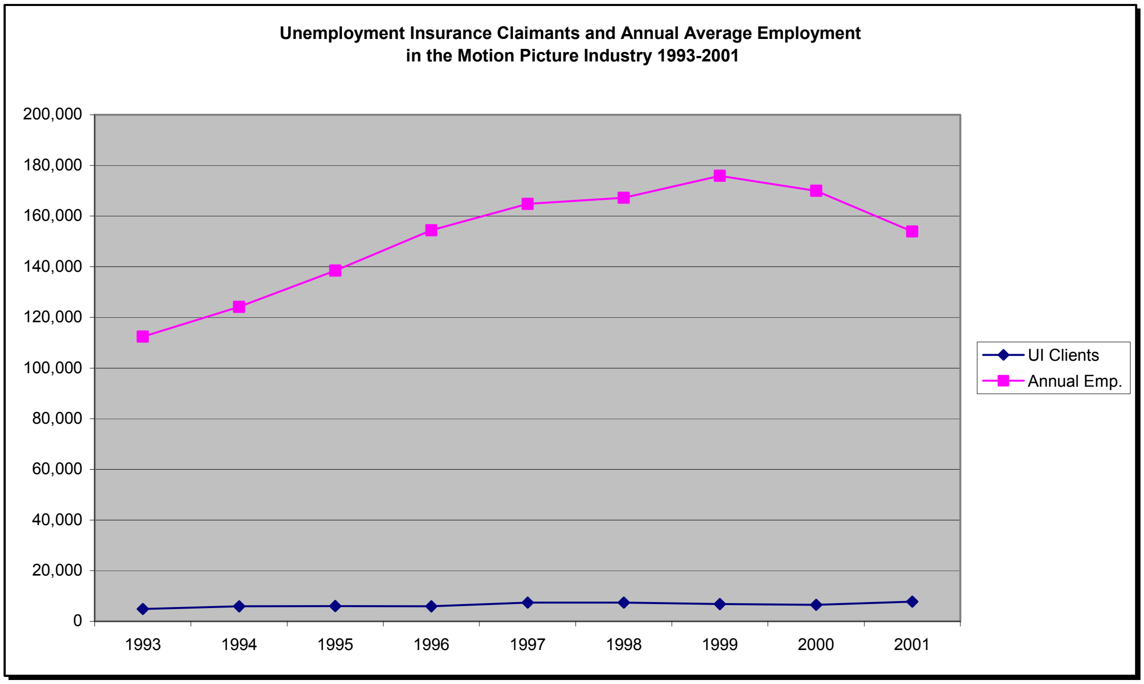
Source: Employment Development Department, Labor Market Information Division, UI Program.

Chart 12



Source: Employment Development Department, Labor Market Information Division, UI Program.

Chart 13



Source: Employment Development Department, Labor Market Information Division, UI Program.

b. UI Claimant Breakout by Benefit Levels and Age in 2001

AB 2410 asked that this report examine the ethnic diversity and representation of minorities in the entertainment industry. Some of this information is available from the 2000 Census and from UI claimant records. But before we look at those findings, there are some other demographic data from the UI claimant records that may be of interest. One big caution in interpreting the UI claimant data is that it may not be representative of all workers. The number of people filing a UI claim is usually a small percentage of workers in a given industry. While virtually all UI-covered employers in California must submit a report to EDD every quarter listing the amount of UI-covered wages they pay workers, the only additional information they are required to submit is the name and social security number of the worker. They are not required to submit the worker's age, gender, race, or home address. For the large majority of UI-covered workers in California, EDD has no demographic information. Therefore, the following information, derived again from a 20% sample of UI claimants, should be considered suggestive of how the entertainment industry looks.

Table 19 and Chart 14 examine claims filed, mean and median benefits, and mean and median weeks receiving UI by age in the year 2001 for entertainment workers. The bulk of claims were filed by those between ages 25-44, with a sizable number also filed by those between 45-54. The amount of benefits received generally increased for each age category, and the number of weeks on UI did not vary too much until workers hit age 55, implying that older workers have a harder time finding work after being let go. A large majority of claimants, over 85%, were between ages 25-54, which seems a plausible figure for the industry as a whole.

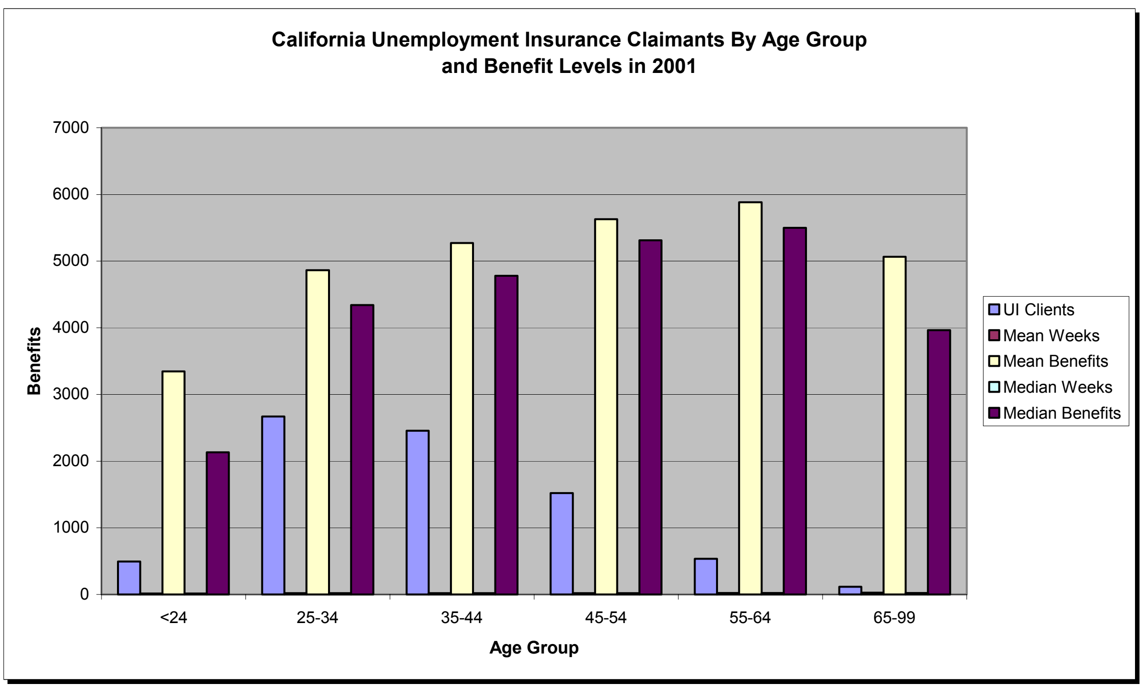
Table 19

CALIFORNIA UI CLAIMANTS BY AGE GROUP, BENEFIT LEVELS, AND MEAN AND MEDIAN WEEKS IN 2001

UI YEAR	AGE GROUP	UI CLIENTS	MEAN WEEKS	MEAN BENEFITS	MEDIAN WEEKS	MEDIAN BENEFITS
2001	<24	495	16	$3,345	15	$2,132
2001	25-34	2,669	18	4,864	17	4,340
2001	35-44	2,456	18	5,272	18	4,780
2001	45-54	1,523	19	5,630	19	5,313
2001	55-64	537	21	5,885	21	5,500
2001	65-99	115	25	5,065	23	3,964
2001	Total	7,795	18	5,119	18	4,614

Source: Employment Development Department, Labor Market Information Division, UI Program.

Chart 14



Source: Employment Development Department, Labor Market Information Division, UI Program.

c. UI Claimant Breakout by Age and Gender in 2001

Table 20 and Chart 15 compare UI claims by gender within certain age groups for entertainment workers. The 25–44 age group represent almost two-thirds of those filing UI claims in 2001. In this age group, males constitute 64 percent of those workers filing claims. If the proportion of motion picture workers by gender is similar to the proportion of UI claimants by gender then we would expect about two-thirds of motion picture workers to be male.

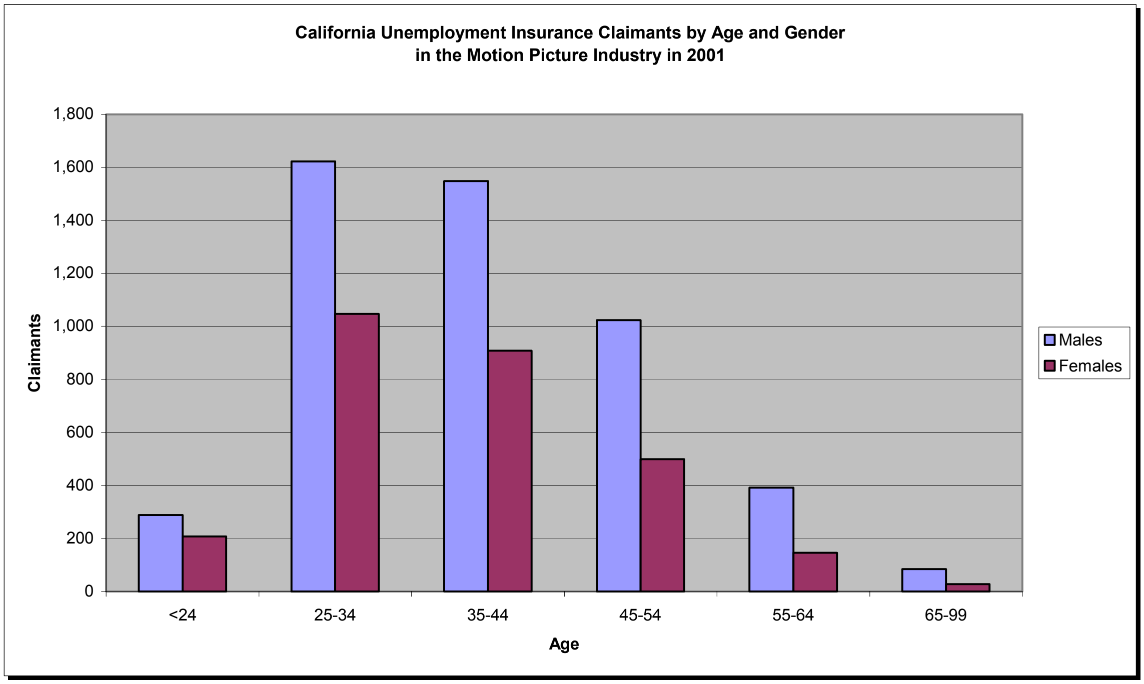
Table 20

CALIFORNIA UI CLAIMANTS BY AGE AND GENDER IN THE MOTION PICTURE AND TELEVISION INDUSTRY IN 2001

AGE GROUP	MALES	FEMALES	TOTAL
<24	288	207	495
25-34	1,622	1,047	2,669
35-44	1,548	908	2,456
45-54	1,024	499	1,523
55-64	391	146	537
65-99	85	28	113
Total	4,958	2,835	7,793

Source: Employment Development Department, Labor Market Information Division, UI Program.

Chart 15



Source: Employment Development Department, Labor Market Information Division, UI Program.

d. UI Claimant Breakout by Ethnicity and Gender in 2001

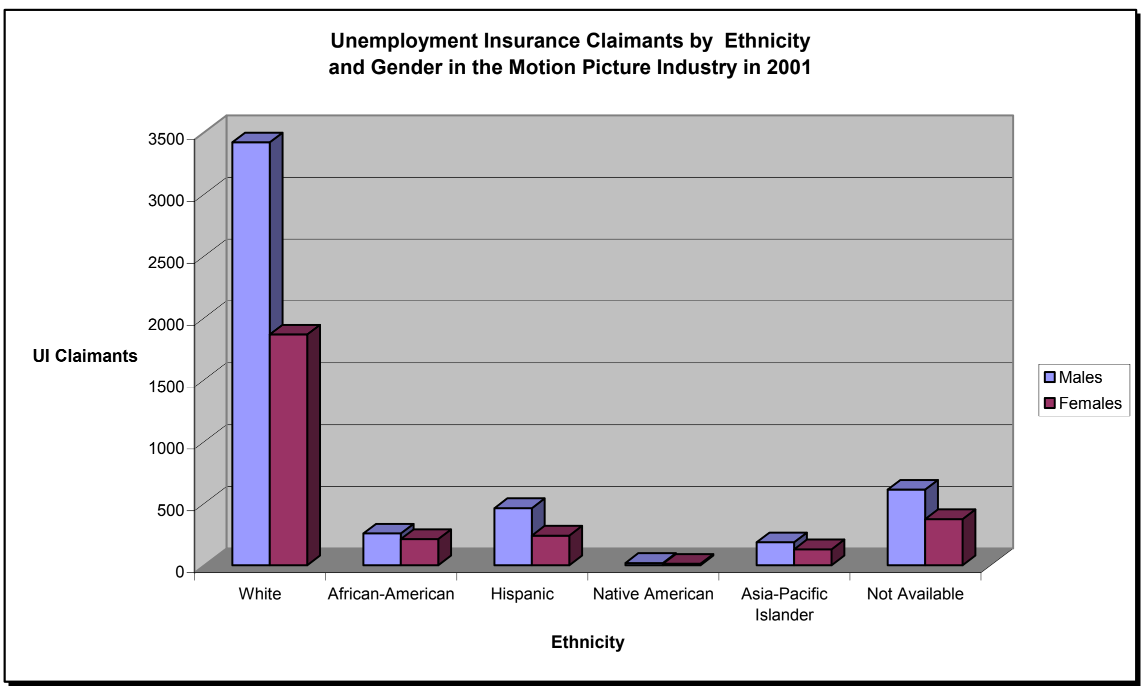
Turning now to ethnicity, we can use two independent sources. First, Table 21 and Chart 16 give UI claims by ethnicity and gender for 2001. Claimants submit ethnicity data voluntarily and those who decline to state ethnicity are listed under Not Available. UI claimants identifying themselves as White comprised 67 percent of all claim filers in 2001. The next two largest groups are Hispanics (9 percent) and African Americans (6 percent). These data cannot be considered conclusive since the information supplied by claimants is strictly voluntary and self-identifying. However, if the data are reasonably representative, then the proportion of workers by ethnic category should be roughly the same as claimants by ethnic category.

Table 21

CALIFORNIA UI CLAIMANTS BY ETHNICITY AND GENDER IN THE MOTION PICTURE AND TELEVISION INDUSTRY IN 2001						
ETHNIC GROUP	MALES	MALES %	FEMALES	FEMALES %	TOTAL	TOTAL %
White	3,420	68%	1,867	65%	5,287	67%
African-American	258	5%	212	7%	470	6%
Hispanic	462	9%	241	8%	703	9%
Native American	20	.04%	12	.03%	32	.04%
Asia-Pacific Islander	186	3%	129	4%	315	4%
Not Available	612	12%	374	13%	986	12%
Total	4,958	100%	2,835	100%	7,793	100%

Source: Employment Development Department, Labor Market Information Division, UI Program.

Chart 16



Source: Employment Development Department, Labor Market Information Division, UI Program.

7. Census 2000 Data on Race and Ethnicity in the Entertainment Industry in Los Angeles County

Table 22 and Chart 17 include Los Angeles County Census 2000 data on race and ethnicity in the Motion Picture and Sound Recording Industry (NAICS 512), Broadcasting and Telecommunications (NAICS 513) and Performing Arts, Spectator Sports, and Related Industries (NAICS 711). Los Angeles is the center of California jobs in the entertainment industry. White non-Hispanics (66 percent) are employed in the highest percent of jobs in the entertainment industry followed by Hispanics (15 percent), Black non-Hispanics (9 percent), and Asian non-Hispanics (7 percent). These figures compare closely with the UI claimant ethnicity breakout. Census 2000 data for all industries show that 40 percent of Los Angeles employees are White, 8 percent Black, 13 percent Asian, and more than 36 percent Hispanic. This indicates that Hispanics are underrepresented in the entertainment industry when compared to their percentage for all industries in Los Angeles.

In contrast, Census 2000 data for all industries for the U.S. show that 74 percent of all workers are White non-Hispanic, 10 percent Black non-Hispanic, 10 percent Hispanic, and 4 percent Asian non-Hispanic. For the entertainment industry, the U.S. totals are 74 percent White non-Hispanic, 12 percent Black non-Hispanic, 8 percent Hispanic, and 3.5 percent Asian non-Hispanic. Thus, the entertainment industry nationally reflects quite closely the ethnic composition of all industries.[34]

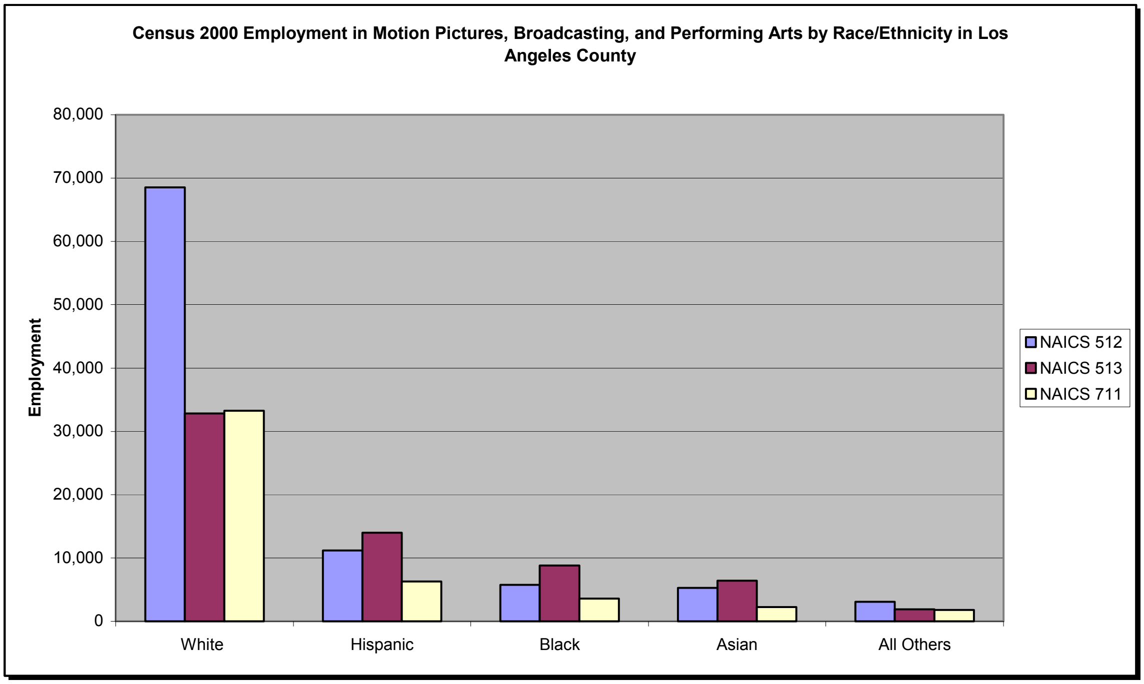
[34] These data come from the U.S. Census Bureau, Census 2000 Special Equal Employment Opportunity (EEO) Tabulation. Industry level data were not available at the statewide level, but only for counties or cities within a state with a population of 100,000 or more. For information on confidentiality protection, sampling error, non-sampling error, and accuracy of the data, see http://www.census.gov/prod/cen2000/doc/sf3chap8.pdf

Table 22

CENSUS 2000 EMPLOYMENT BY RACE/ETHNICITY IN THE MOTION PICTURE INDUSTRY AND ALL INDUSTRIES IN LOS ANGELES COUNTY						
Race/ Ethnicity	**White Non-Hispanic**	**Hispanic**	**Black Non-Hispanic**	**Asian Non-Hispanic**	**All Others**	**Total**
Total of All Industries in LA CO	**1,595,137 40%**	**1,448,512 36%**	**326,693 8%**	**506,740 13%**	**135,733 3%**	**4,012,815**
Motion Picture and Sound Recording NAICS 512	68,532	11,204	5,757	5,305	3,068	93,866
Broadcasting and Telecommunications NAICS 513	32,835	14,020	8,832	6,418	1,916	64,021
Performing Arts, Spectator Sports, and Related Ind. NAICS 711	33,268	6,305	3,575	2,243	1,797	47,188
Total in NAICS 512, 513, and 711	**134,635 66%**	**31,529 15%**	**18,164 9%**	**13,966 7%**	**6,781 3%**	**205,075**

Source: U.S. Bureau of the Census, Census 2000 Special EEO Tabulation.
Note: All Others include: 1) American Indian or Alaska Native (AIAN), 2) Native Hawaiian or Other Pacific Islander, 3) Black & White non-Hispanic, 4) AIAN & White non-Hispanic, 5) AIAN & Black non-Hispanic, 6) Asian & White non-Hispanic, and 7) more than two races, non-Hispanic.

Chart 17



Source: U.S. Bureau of the Census, Census 2000 Special EEO Tabulation.

IV. FEDERAL, CALIFORNIA AND OTHER STATES' LEGISLATION

AB 2410 asked that this report review the effects of federal, state, and local laws on the film entertainment industry. While we were not able to perform this review, we have included some recent federal and state laws, both introduced and enacted, that affect the film industry.[35]

FEDERAL LEGISLATION

One of the most important federal bills in many years affecting the film industry was enacted by Congress on October 11, 2004, and signed by President Bush on October 22, 2004. **H.R. 4520 (Public Law 108-357)**, known as the **American Jobs Creation Act of 2004**, provides $137 billion in new corporate tax incentives over the next 10 years. The incentive provision pertaining to the film industry allows for the immediate tax write-off of production costs for qualifying films. The first $15 million in expenditures could be written off in the first year in which the expenditures occurred. Previously, the cost of producing a film was usually recovered over a several year period. Production expenditures over $15 million could be written off over a three year period. At least 75% of the production costs must be expended in the U.S. to qualify. Qualifying productions are limited to: 1) any production of a motion picture (whether released theatrically or directly to video cassette of any other format), 2) miniseries, 3) scripted, dramatic television episodes, or 4) a movie of the week. Only the first 44 episodes, including the pilot production, of a scripted dramatic series are eligible under the Act.

108th Congress (2003-2004)

S.1613
United States Independent Film and Television Production Incentive Act of 2003
Latest Major Action: Referred to Committee on Finance September 11, 2003.
Sponsor: Senator Lincoln (introduced September 11, 2003)
Cosponsors: 20
An Act to amend the Internal Revenue Code of 1986 to establish an annual tax credit for 25 percent up to the first $25,000 of qualified wages paid or incurred per qualified U.S. independent film and television production.

[35] For a listing of state and federal legislation going back over 10 years in some cases, see Jones, Motion Picture Industry in California, California Research Bureau, March 2002, pp. 107-120.

CALIFORNIA LEGISLATION

2002-2003 and 2003-2004 Regular Sessions

SB 1937
Digital Arts Studio Partnership Demonstration Program Act
Introduced by Senator Costa
Chaptered by Secretary of State, (Chapter 980, Statutes of 2002)
This enacts the Digital Arts Studio Partnership Demonstration Program Act, to require the Arts Council to administer the Digital Arts Studio Partnership Demonstration Program, by designating 3 voluntary pilot digital arts studio partnerships in the State. The purpose of the partnerships is to provide digital media arts training to youths aged 13 to 18 years. [The provisions of this bill are to be implemented only to the extent that private, federal, or local funds become available. To date, no such funds have been provided.]

AB 1830
Introduced by Assembly Member Cohn
Re-referred to Committee on Appropriations April 1, 2004
This bill would create a refundable income tax credit for wages paid in connection with the production of a motion picture in California. The credit would equal 15% of wages paid to qualified individuals during the production period of a motion picture that is completed and placed in service during the taxable year. For each motion picture, the maximum amount of wages per qualified individual that can be taken into account in computing the credit is $25,000. In addition, none of the wages paid to qualified individuals who receive more than $200,000 for services performed for the motion picture would qualify for the credit. The bill would be operative for taxable years beginning on or after July 21, 2006, and before January 1, 2012.

AB 1277
Introduced by Assembly Member Cohn
Chaptered by Secretary of State, (Chapter 662, Statutes of 2003)
This bill amends Section 4998.2 of the Government Code to have the Governor appoint thirteen members to the California Film Commission, the Senate Committee on Rules appoint four members, the Speaker of the Assembly appoint four members and five members be ex officio. Chapter 1.4 identifies the "Film California First" program. The goal of the program is to stop the decline of California film production by assisting in the underwriting of costs incurred by production companies to film in California and to provide opportunities for production companies and other film industry companies to lease property owned by the State of California at below market rates. The Business Transportation and Housing Agency may pay and reimburse the film costs incurred by a public agency, subject to an audit. The director of the Commission shall develop alternate procedures for the reimbursement of public agency costs incurred by the production company. The Business Transportation and Housing Agency shall reimburse actual costs incurred and may not reimburse for duplicative costs.

OTHER STATES' LEGISLATION

According to the National Conference of State Legislatures, every state currently has a film office responsible for encouraging on-location feature film and television productions. These offices generally assist companies in securing state and local permits, scouting locations, and helping solve problems. In addition, a number of states offer various forms of tax incentives. Most states exempt extended hotel stays (usually 30 days or more) for film crews from lodging taxes. Five states—Alaska, Delaware, Montana, New Hampshire and Oregon—do not levy a state sales tax. Nine states—Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming—do not have a state personal income tax. These exemptions from state sales and personal income taxes apply generally, not just to the entertainment industry, but do give these states an advantage. Other state tax incentives include: 1) full sales tax break on production equipment or services, 2) partial sales tax break on production equipment or services, 3) corporate income tax credit against production costs, and 4) corporate income tax credit against labor costs.[36]

2002-2003 and 2003-2004 Regular Sessions

The State of Hawaii
2003 HI H.B. 540
House Bill, Introduced January 21, 2003
The purpose of this Act is to expand Hawaii's current tax credits for motion picture and film production to keep pace with national and international competition. The income tax credit shall be deductible from the taxpayer's net income tax liability.

The State of Hawaii
2003 HI S.C.R. 38
Senate Concurrent Resolution, Introduced February 28, 2003
This resolution requests the Hawaii Tourism Authority to promote Hawaiian filmmakers and locally-made films as a means of promoting tourism.

The State of Hawaii
2003 HI S.C.R. 39
Senate Concurrent Resolution, Version Date April 10, 2003
This resolution requests the Department of Business, Economic Development, and Tourism to identify alternative funding sources for Hawaiian filmmakers.

The State of Hawaii
2003 HI S.R. 57
Senate Resolution, Version Date April 16, 2004
This resolution requests the Hawaii Film and Television Development Board to formulate and implement a comprehensive strategy to promote and foster a strong and competitive digital media industry in Hawaii.

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[36] See Mandy Refool, "Hollywood in the Heartland: State Film Incentives," *National Conference of State Legislatures Legisbrief*, vol. 12, no. 47, Nov./Dec. 2004.

The State of Illinois
2003 IL S.B. 785
Film Production Services Tax Credit Act
Enacted August 18, 2003
This Act expands Illinois' current tax credits for motion picture and film production to keep pace with national and international competition.

The State of Louisiana
2004 LA House Bill 10A
Enacted March 25, 2004
This Act amends and reenacts R.S. 47 relative to the Louisiana motion picture investor tax credit; to remove the sunset date; to limit the credit so that it will not exceed Louisiana expenditures of the production; to authorize a carry forward of tax credits; to provide for administrative procedures and fees for the credit by the Governor's Office of Film and Television and the Department of Revenue; and to provide for related matters.

The State of Mississippi
2004 MI H.B. 1780
Mississippi Motion Picture Incentive Act (Sections 1 through 4)
Introduced March 26, 2004
Enacted May 12, 2004
This Act entitles motion picture production companies to a 10% tax credit on the total aggregate payroll for the employment of Mississippi residents in connection with the production of a motion picture, and a 10% rebate of a portion of the base investment made by the motion picture production company. Base investment means the actual investment, excluding payroll, made and expended in Mississippi by the company in connection with a state-certified production in the state.

The State of Nebraska
2003 NE L.B 728
Introduced January 22, 2003
This Act would give a 15% rebate to documented production costs incurred in Nebraska directly attributable to the production of a long-form narrative film or television production. Documented production costs would include wages or salaries of Nebraska residents who have earned income working on a film in Nebraska; construction and wardrobe costs; rental of equipment; photographical costs; lighting and related services; rental of facilities and equipment; and other direct costs of producing a film.

The State of New Jersey
2002 NJ A.B. 3423
New Jersey Film Production Assistance Act
Enacted September 15, 2003
This Act establishes the New Jersey Film Production Assistance Program. This program plans to attract greater investment by film companies in the State by encouraging sufficient incentives to new film projects and investment in the State. Low interest loans or tax credits may be available from the State or from federal government agencies or private organizations to promote the planning and development of film projects in this state.

The State of New Mexico
2004 NM S.J.M. 48
Introduced January 30, 2004
This joint memorial resolution requests the New Mexico Film Division of the Economic Development Department to examine barriers to film production, including the designation of limited areas of New Mexico as production centers in which per diem payments to workers are not required.

The State of New York
NY A11595
Introduced June 16, 2004
Passed in Budget Bill August 11, 2004
This bill establishes a film production credit and film production incentive credit for film and television productions that occur within qualified film production facilities. The bill provides a 10% credit on qualified production costs paid or incurred for films, television films or series, commercials and similar production. If the production company continues to meet the criteria, they can receive additional benefits from the incentive program for the following three years equal to 10% of the film production credit.

The State of Pennsylvania
HB 147
Enacted July 20, 2004
This bill establishes a film production tax credit of 20% for a taxable year for qualified film production expenses. To qualify, at least 60% of the total production expenses must be Pennsylvania expenses. Production expenses include wages and salaries of individuals employed in the production of a film, the costs of construction, operations, editing, photography, sound synchronization, lighting, wardrobe and accessories, and the cost of rental of facilities and equipment. Excluded expenses are film marketing and advertising. A term "film" means a feature film, a television series, and a television show of 15 minutes or more in length, intended for a national audience.

The State of South Carolina
2003 SC H4968
Introduced March 17, 2004
Enacted August 16, 2004
This bill provides for new tax incentives for motion picture production companies spending monies in South Carolina, specifically, relief from the sales and use tax, an employment tax rebate, and a seven percent rebate of the cost of goods and services, as well as assistance and convenience in locating, and negotiating rates for the use of, public property as filming locations. Also provides a credit against the state income tax to encourage the production of televised commercial advertisements in the state, and various tax credits for companies that produce motion pictures in the state.

The State of Utah
SB 240
Introduced February 16, 2004
Enacted March 23, 2004
This bill creates the Utah Motion Picture Task Force, who are charged with reviewing and making recommendations for needed state financial incentives to enhance the state's ability to retain and expand motion picture, television, and commercial industries production. A final report to the Legislature must be submitted before November 30, 2004.

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APPENDIX A

Assembly Bill No. 2410*

CHAPTER 1042

An act to add Section 14998.55 to the Government Code, and to add Section 335 to the Unemployment Insurance Code, relating to employment, and making an appropriation therefor.

[Approved by Governor September 28, 2002.
Filed with Secretary of State September 28, 2002.]

The people of the State of California do enact as follows:

SECTION 1. Section 14998.55 is added to the Government Code to read:
14998.55. The commission shall release annually the number of motion picture starts that occurred within the State of California.
SEC. 2. Section 335 is added to the Unemployment Insurance Code to read:
335. The department, in consultation and coordination with the film and movie industry, the Technology, Trade, and Commerce Agency, and the California Film Commission shall do all of the following, contingent upon the appropriation of funds in the annual Budget Act for these specified purposes:
(a) Research and maintain data on the employment and output of the film industry, including full-time, part-time, contract, and short duration or single event employees.
(b) Examine the ethnic diversity and representation of minorities in the entertainment industry.
(c) Determine the overall direct and indirect economic impact of the film industry.
(d) Monitor film industry employment and activity in other states and countries that compete with California for film production.
(e) Review the effect that federal and state laws and local ordinances have on the filmed entertainment industry.
(f) Prepare and release biannually a report to the chairpersons of the appropriate Senate and Assembly policy committees that details the information required by this section.

* The Legislative Counsel's Digest is omitted.

APPENDIX B

Assembly Bill 2410 Workgroup Meeting
Hollywood, California
November 12, 2003

Attendees: Paul Arney, Assemblyman Dario Frommer's Office; Joyce Baron, Director's Guild of America; Leslie Simon, American Federation of Television and Radio Artists; Sarah Walsh, Motion Picture Association of America; Kathleen Milnes, Entertainment Industry Development Corporation; Belle Cole, Kathleen Lee, The PMR Group, Inc.; Michael Dardia, Sphere Institute; Martha Jones, California Research Bureau; Karen Constine, California Film Commission; Richard Holden, Phil Hardiman, Ron Beam (Facilitator), Brad Kemp, (Recorder) Employment Development Department/Labor Market Information Division; and, Eric Alexander, Employment Development Department.

I. Welcome and Introductions
Richard Holden opened the meeting by welcoming all, giving an overview of the agenda, briefly reviewing AB 2410, and facilitating introductions.

II. Purpose of the Workgroup
Ron Beam discussed several provisions of the legislation that are difficult to address from EDD data alone. They are ethnic diversity within the industry, legislation and local laws affecting the industry, and economic impact of the industry (i.e., runaway production). Paul Arney provided clarification regarding the intent of the legislation. In addition, the entertainment industry as addressed in AB 2410 was defined as motion pictures and television. As a follow up, Ron Beam stressed the importance of workgroup participation from those entities representing below-the-line workers, since they are most affected by runaway production.

Phil Hardiman stated the initial report, of the biannually required report, would be submitted to the legislature by December 2004. In response to the legislative request for the economic impact of the industry, he suggests obtaining IMPLAN software, originated at the University of Minnesota.

Richard Holden discussed project funding and assistance from workgroup partners in achieving this report. Karen Constine stated that counting of film starts is problematic due to their existing resources, but they are working on an alternative approach. Ron Beam pointed out that the group must be realistic in the timeline and data that can be collected, given resources available.

III. Data Analysis and Methodology
Martha Jones presented some findings from a study she conducted for Assemblyman Frommer's office (*Motion Picture Production in California*) showing a great deal of

variation between the different entities reporting employment in the motion picture industry. Her report concludes, in part, there are no current accurate counts of employment in the industry. The report was distributed to workgroup members.

Phil Hardiman suggested that the group explore various data sources. He felt that the Local Employment Dynamics (LED) program (http://lehd.dsd.census.gov) would be helpful in obtaining information on employment levels, wages, and turnover rates. He said the methodology EDD employed in counting agricultural employment would be useful as applied to the AB 2410 project (i.e., tracking entertainment employee wages versus other non-entertainment employment wages they receive). This may help in measuring employment and earnings of entertainment industry workers also working for payroll companies primarily serving the motion picture and television industry. He cited that LMID has both industrial and occupational projections to help understand future impact of the industry (www.calmis.ca.gov). Two other sources of data are the Mass Layoff Statistics program (information on large layoffs to track major industry changes) and EDD's Unemployment Insurance program. UI data can identify the age, gender and, to a limited extent, ethnicity of the claimants, although there are some limitations to this data collection method.

Kathleen Milnes explained they are working to define businesses that are involved in the motion picture industry. They are identifying which firms should be included in "other entertainment", such as payroll firms and vendors. They will conduct a survey of "other entertainment" firms to find out what percentage of those firms jobs are for the entertainment industry. The EIDC wants to count the number of production events (movies, commercials, etc.) to provide reliable industry output and production data. They have created a production database, and are now working on a summary and trend report.

Kathleen Lee presented the results of the study they did in partnership with the EIDC. Presented here are just a few of the study's findings:

- The number of feature films has steadily increased since 1991
- Budgets for feature films are getting larger
- Compared with the rest of the nation, California is the preferred location for filming, although the numbers have dropped over the last two years
- Entertainment employment has gone up faster than all other California employment
- Within the entertainment industry, payroll gains are faster than employment gains
- The number of entertainment workers grew by 35 percent in 10 years (1991-2001), but dropped over the last 2 years
- The average earnings for entertainment workers is higher than the state average
- More UI claims are filed by production workers vs. TV and cable broadcasting, services allied to production and distribution, and other entertainment

Kathleen Milnes said they are seeing a move from production jobs to services within the entertainment industry in California and want to identify which occupations are changing specifically. They have seen a drop off in the number of feature films being produced in California, but TV production has more than made up for that loss. Also, with the emergence of digital technology, smaller budget productions will become more common.

Sarah Walsh reported MPAA revised how they calculate industry employment estimates and will publish 2002 data using the new methodology. Their data on direct and indirect employment is based on industry payroll expenditures and vendor payments. There were $33.4 billion in industry expenditures (payroll and contractors) in California for the year 2000.

Open Discussion

Kathleen Milnes informed the group they are beginning to look at the questions that have emerged from their findings. They want to find a way to count how many productions outside California return for postproduction.

Richard Holden related that the economic impact (both direct and indirect) of the industry on the state is of most importance. The group needs to set an agenda for what it can deliver in the short term then build on that.

Belle Cole explained that first the stable databases must be identified, and then a model created, but this would be very difficult in the short term.

IV. Wrap-up

Ron Beam proposed the group meet on a quarterly basis, with the next meeting being in the February – March period.

Kathleen Milnes reports EIDC meets with a group of entertainment entities vis-à-vis the Entertainment Data Project. She suggested the possibility of dovetailing the two together.

Richard Holden suggested that although we are doing this work for the legislature, the group should think about its application to the workforce development community as well.

Thanks to Kathleen Milnes and EIDC for providing the meeting facilities and refreshments.