



Economic Impact of the Creative-Cultural Sector in Monterey County 2017

On behalf of the Arts Council for Monterey County, ArtsMarket has created an impact profile of the economic value of the creative-cultural industries that are located in Monterey County. ArtsMarket's analysis is based on IMPLAN (Impact Analysis for Planning) system, which is one of the two major nationally recognized economic analytics methods widely used in all sectors. The IMPLAN model is used by more than 500 universities and government agencies to estimate the economic and fiscal impacts of investments and/or changes in industry, forecast tax revenue and employment generation, and conduct economic comparison studies.

To calculate the sector's role in the overall Monterey County economy, ArtsMarket used raw data of monthly employment data from Q4 2016, and averaged employment for an annual average monthly employment so as to respond to high and low employment periods in the sector. The creative-cultural sector consists of stand-alone NAICS sectors such as "performing arts companies" and "motion picture and video production" and also cuts across several other industry groupings, such as publishing and education, art galleries, and artists employed in commercial enterprises. To address this, ArtsMarket estimated subset employment that can be derived to the creative-cultural sector as compared to its companion industry group. For example, the researchers estimated total arts related K-12 educators and higher education educators in the County and entered these into the model. Impacts were constructed using 2017 dollars.

In any discussion of economic impacts, there are three terms that are important to understand. The first is the direct effect, or the effect of the sector itself. The next is indirect effect, which is the effect caused in other sectors because of the sector's activities. When people attend performing arts or museum venues, they often combine the excursion with dining out, and may pay for parking. When an arts organization purchases materials for construction of a theatrical set, lumber and hardware sales may go up at a local dealer. These are all considered as indirect impacts. Induced impact is defined as the increase in economic activity generated by local consumption due to increases in wages and salaries by employees of companies that receive the indirect impacts – for example, a hotel earns more revenue when arts festivals are successful and thus can employ more housekeeping staff.

Overview of Employment: Direct, Indirect, and Induced

The following are the direct, indirect and induced employment statistics for the creative-cultural sector in Monterey County, based on 2017 employment data.

FTE JOBS	2015	2017	Percent Growth
Direct Effect	7,379.0	7,727	5%
Indirect Effect	3,681.6	3,787	3%
Induced Effect	1,874.7	1,973	5%
Total Effect	12,935.4	13,487	5%

This employment leads to the following employment earnings:

	2015	2017	Percent Growth
Direct Effect	\$317,261,005	\$355,807,848	11%
Indirect Effect	\$176,261,593	\$209,926,630	17%
Induced Effect	\$84,269,099	\$99,626,197	13%
Total Effect	\$577,791,696	\$665,362,692.00	14%

The number of direct, indirect, and induced FTEs by the creative sector grew by 14% within the county in just two years. For 2017, the indirect and induced jobs created cut across 159 economic sectors or NAICS classifications, from accounting and legal to landscape and tourism transportation, to trucking, fast food restaurants, hotels, and general merchandise retail sales, nursing care and auto repair. (There are a total of 246 sectors evident in the county.) This compares to 109 impacted sectors just two years ago. Increasingly, the arts-culture-creative sector is impacting the entire economic well-being of the county. In 2015, 340 jobs (FTEs) in the broad retail sector within the county were the indirect and induced impacts of the creative-cultural sector. In 2017 we find that some 480 jobs in the broad retail sector were the indirect and induced impacts of the creative-cultural sector. Today, over 820 jobs across the professional services, from marketing and advertising and legal to financial services and administration are the combined indirect and induced impacts from the County's creative-cultural sector.

Overview of Total Impacts: Industry Revenues and Spending

Employment is only a portion of the sector's impact. Direct and indirect revenues of nonprofits, as well as value added revenues (profit less capital expenditures) realized by the for-profit enterprises both within the sector and the industries impacted. The combined impacts of the sector, nonprofit and for profit combined, account for just under \$2 billion of economic activity in Monterey County.

2017 TOTAL IMPACTS

Impact Type	Employment	Labor Income	Total Value Added	Output
Direct Effect	7,722	\$355,807,848	\$796,335,344	\$1,152,150,914.00
Indirect Effect	3,787	\$209,926,630	\$304,393,613.5	\$514,324,030.50
Induced Effect	1,973	\$99,626,197	\$181,319,678	\$280,947,848.00
Total Effect	13,482	\$665,360,675.00	\$1,282,048,635.50	\$1,947,422,792.50

Area of Particular Growth

There has been an explosion in the number of independent artists, writers, performers, film, sound and tech creatives in the county over the past two years, and their direct income has skyrocketed. The count of independent creatives has grown to 945, up from 560 in just two years. These 945 independent creatives may be employed by nonprofits, or they have enterprises of their own in which they employ others, or act as non-employer businesses. The growth here has largely come from self-employed and for-profit creatives rather than from the nonprofit sector. Their presence has both economic and social impacts of significant scale. Today, they account for \$28 million in direct economic impact into the county, more than doubling their economic value to the County in just two years. Socially, they are making it possible for academic institutions to benefit from artists who work in schools, and to stimulate the tourism economy through their many galleries and performance spaces and events.

Tax Impacts

The sector's effect on state and local taxes is significant. When all tax types are compiled, including income tax, social security, personal taxes, as well as property tax, motor vehicle tax, and sales tax – both direct, indirect and induced, the annual benefit to governments at the state and local levels is \$73.2 million. In addition, significant tax is paid on production related to creative works and locations, and on household taxes of creative workers, amounting to an additional \$23 million. Including all taxes, Monterey County and the State of California benefit by \$98 million from taxes derived from the County's creative sector.

Comparing the Creative-Cultural Sector to Other Major Employment Sectors in Monterey County

Because the creative-cultural sector is comprised of a number of smaller subsets, its impact as a larger industry type is often overlooked in comparison to singular sectors such as wholesale trade, or vegetable farming. However, as the above statistics show, the creative-cultural sector's total employment and output in the County puts it among the largest of the County's economically important areas of activity. In 2015 and in 2017 in employment, it ranked 8th, in labor income it ranked 9th, and in total direct output, it ranked 6th.

County Ranking	Description	Employment 2015	2017
1	Support activities for agriculture and forestry	33,217	42,200 ¹
2	Employment and payroll of local govt., education	10,401	10,805
3	Fruit farming	10,100	10,605
4	Real estate	9,203	10,101
5	Vegetable and melon farming	8,464	8,620
6	Employment and payroll of local govt., non-education	8,043	8,300
7	Full-service restaurants	7,677	7,907
8	Creative-Cultural Sector	7,379	7,722
9	Employment and payroll of federal govt., military	6,860	6,963
10	Wholesale trade	6,463	6,721

2017 Creative Sector Impacts on Specific Industries

The continued growth of Monterey County's creative sector has powerful positive impacts on a number of key industry partners. The following impacts are created by the creative sector to the benefit of these other sectors, impacts that would not exist without the creative sector and the synergies it fosters:

Retail: \$21 million

Real Estate: \$18 million

Health Care: \$15.2 million

Financial and Legal Services: \$15.2 million

Hospitality, Travel and Tourism Services: \$10.6 million

Restaurants: \$9.63 million

Wired and Wireless Communications, Broadcast and Cable: \$7.1 million

Government Enterprises, Education: \$4.4 million

¹ Data sets do not align, accounting for the significant increase.

2017 Impacts of the Creative Sector on Employment in Other Sectors: List of Significant Impacts

	Other Sectors That Benefit from Impacts Caused by the Creative Industries	Indirect FTE	Induced FTE
440	Real estate	129.6	53.6
464	Employment services	49.3	10.4
460	Marketing research and all other miscellaneous professional, scientific, and technical services	25.7	3.6
448	Accounting, tax preparation, bookkeeping, and payroll services	25.3	5.6
468	Services to buildings	23.3	15.7
474	Other educational services	18.6	11.6
462	Office administrative services	16.5	2.5
501	Full-service restaurants	15.3	48.4
438	Insurance agencies, brokerages, and related activities	15.2	5.1
512	Other personal services	14.5	13.5
455	Environmental and other technical consulting services	14.0	1.7
489	Commercial Sports Except Racing	12.8	1.8
454	Management consulting services	12.2	1.5
395	Wholesale trade	11.3	23.8
469	Landscape and horticultural services	11.1	9.5
415	Couriers and messengers	10.8	2.0
447	Legal services	10.7	7.8
414	Scenic and sightseeing transportation and support activities for transportation	10.2	2.0
62	Maintenance and repair construction of nonresidential structures	9.7	4.4
412	Transit and ground passenger transportation	9.6	3.0
461	Management of companies and enterprises	9.5	3.6
467	Investigation and security services	8.8	4.1
502	Limited-service restaurants	7.1	47.4
425	Radio and television broadcasting	6.8	1.2
518	Postal service	6.4	1.8
411	Truck transportation	6.1	7.7
503	All other food and drinking places	5.8	24.9
403	Retail - Clothing and clothing accessories stores	5.6	9.1
450	Specialized design services	5.5	1.2
465	Business support services	5.5	1.9
470	Other support services	5.4	1.1
407	Retail - Nonstore retailers	5.2	9.6
433	Monetary authorities and depository credit intermediation	5.0	8.9
499	Hotels and motels, including casino hotels	4.7	2.0
524	Local government passenger transit	4.5	1.4
436	Other financial investment activities	4.2	15.7
423	Motion picture and video industries	4.2	1.4

449	Architectural, engineering, and related services	4.2	1.4
406	Retail - Miscellaneous store retailers	3.7	12.3
435	Securities and commodity contracts intermediation and brokerage	3.2	4.1
417	Newspaper publishers	3.1	0.9
416	Warehousing and storage	3.1	1.6
445	Commercial and industrial machinery and equipment rental and leasing	2.9	0.7
507	Commercial and industrial machinery and equipment repair and maintenance	2.8	1.1
405	Retail - General merchandise stores	2.7	25.2
508	Personal and household goods repair and maintenance	2.7	3.1
434	Nondepository credit intermediation and related activities	2.6	3.4
471	Waste management and remediation services	2.5	1.9
504	Automotive repair and maintenance, except car washes	2.4	15.5
401	Retail - Health and personal care stores	2.3	10.2