COVID-19 and the Creative Economy: Necessary Not Discretionary

Why Supporting the Arts and Culture Sector is Critical for Economic Recovery

May 2020
The current public health crisis resulting from the novel coronavirus (COVID-19) pandemic has dealt a swift, heavy blow to the U.S. economy, and nowhere is this pain being felt more acutely than in the creative sectors. Moreover, despite accounting for a significant share of both U.S. and California GDP, the level of support being directed at arts and culture industries has fallen far short of other sectors. The creative economy as a whole is experiencing particularly alarming revenue and job losses in the wake of shelter-in-place orders across the country, with employment contracting by 54% year-over-year in the nation’s Arts and Entertainment subsector alone. The Leisure and Hospitality sector, which is made up of the Arts and Entertainment and the Accommodation and Food subsectors, contracted by 47.2% from April 2019 to April 2020, the worst job loss of any industry and more than double the next worst-hit sector, Other Services (21.2% contraction).

Even more concerning, the prospects for a rapid and robust recovery in Arts and Entertainment are low given that most of the subsector’s organizations and workers were some of the first impacted and will be among the last to resume normal operations under most state reopening plans.

1 New York City’s MoMA is taking a “chainsaw” to its staff, budget, and exhibitions. The city’s Natural History Museum is making budget cuts that will affect an estimated 450 employees.
These early stages of mitigation are adversely and disproportionately affecting the creative economy in both the U.S. as a whole, and specifically in California. Later this month, state employment numbers will no doubt mirror those at the national level and confirm the findings of a recent California Arts Council survey that highlights the dire economic hardship imposed on creative organizations and creative people by the pandemic.

### U.S. Employment Losses, Creative and Cultural Economy (in Thousands)

<table>
<thead>
<tr>
<th>Industry Subsector</th>
<th>Apr-2019</th>
<th>Apr-2020</th>
<th>Year-over-Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts and Entertainment</td>
<td>2,421.3</td>
<td>1,124.4</td>
<td>-53.6%</td>
</tr>
<tr>
<td>Performing arts and spectator sports</td>
<td>517.0</td>
<td>279.4</td>
<td>-46.0%</td>
</tr>
<tr>
<td>Museums, historical sites, and similar institutions</td>
<td>172.4</td>
<td>129.5</td>
<td>-24.9%</td>
</tr>
</tbody>
</table>

Source: U.S Bureau of Labor Statistics; Analysis by UCR Center for Economic Forecasting and Development

---

### NECESSARY NOT DISCRETIONARY

States across the country are beginning to convene stakeholders to map out recovery strategies. California and New York, for example, recently established teams to help guide the reopening of their economies. These teams include members drawn from industry, labor, academia, the public sector, and even major professional sporting organizations such as The Yankees. Yet, neither California nor New York are actively recruiting advisors from their many world-class museums, performing arts centers, theaters, or other cultural institutions.

The absence of such voices is worrying as arts and cultural activity account for 8.2% of total GDP in California, 7.5% in New York, and 4.5% in the United States as a whole. Given their large contributions to the broader economy, the creative sectors will, and need to, play a critical role in driving recovery efforts. Their lack of inclusion in key recovery discussions is even more problematic considering the severe job and revenue losses the creative sectors are experiencing.

Policymakers at the federal, state, and local level must recognize these sectors as foundational elements in both short-term interventions and longer-term planning. But to do so requires a shift in thinking and priorities. States can’t cede their sources of creativity, innovation, and resilience by following the old tired playbook that envisions these sectors as discretionary instead of necessary.\(^2\) As of April 16, a mere 1% of the loan monies approved in California under the Paycheck Protection Program of the U.S. Small Business Administration have gone to businesses in the Arts and Entertainment subsector. This stands in direct contrast to the value-added contribution these businesses make to the broader state economy.

---

\(^2\) We already see the old tired playbook being dusted off in Philadelphia with proposed elimination of the Cultural Fund and the Office of Arts, Culture and the Creative Economy as well reductions in the Mural Arts Program and the Museum of Art. New York City has proposed a 35% budget reduction for the City’s Department of Cultural Affairs (DCLA), and cuts have been announced for the City of Los Angeles and San Diego. Similarly, Dallas has announced it will furlough half of the staff in the Office of Arts and Culture.
2017 Value Added by Arts and Culture, California (%)

- 92% in All Other Industries
- 8% in Arts and Culture

Source: Arts and Cultural Production Satellite Account, Bureau of Economic Analysis; Analysis by UCR Center for Economic Forecasting and Development

Loan Amounts through 4/16/2020, California (% of approved monies)

- 99% in All Other Industries
- 1% in Arts, Recreation, Entertainment

Source: Paycheck Protection Program Report, U.S. Small Business Administration; Analysis by UCR Center for Economic Forecasting and Development
FOCUS ON POLICYMAKING

Returning the economies of California, New York, and the United States to pre-pandemic growth and output levels with minimal scar tissue, will only be successful by applying a holistic and cohesive framework that places the creative economy on equal footing with other key industries. Officials in the European Union are already thinking strategically about how to integrate their support of cultural institutions and workers into long-term recovery plans. Without a similar approach, key creative industries in the United States will face additional headwinds from countries that safeguard their creative assets – both workforce and institutional.

Now is the time to revisit federal legislation in the vein of the Comprehensive Resources for Entrepreneurs in the Arts to Transform the Economy (CREATE) Act. This Act would support art-specific small businesses through the U.S. Small Business Association, steer federal economic development tools such as incubators and grant programs towards the creative economy, and drive the U.S. Department of Housing and Urban Development to support creative placemaking through community development partnerships.

Additionally, in California, state legislators and regional authorities need to solve the land use crisis once and for all. Rising real estate prices in and around urban employment centers are driving creative workers out of city-centered housing markets and preventing those with fewer financial resources from accessing commercial space for work and performance.
At the local level, cities need to review and update their business licensing procedures and fee structures as they relate to the creative sectors (with the state legislature supporting local jurisdictions in this process). A cursory review of local codes reveals, albeit implicitly, that Californians accept limiting arts and culture-oriented opportunities for creative workers (especially those belonging to marginalized groups) who very often cannot afford to use commercial space during normal business hours. In LA County, for instance, it’s cheaper to purchase a business license to operate a rifle range than it is to open an entertainment venue\(^3\) that showcases “song and dance,” “poetry recitation[s]” or old fashioned campy “review[s]”. The assumption that valuable economic activity doesn’t occur between the hours of 2:00 am and 6:00 am is outmoded at best and self-defeating at worst.

It is essential for creative economy stakeholders, which effectively includes all Californians, to understand the important role the creative sectors play in the state’s overall economic health and prosperity. State and local leaders need to identify the economic challenges unique to the creative ecosystem and take collective steps to address those challenges by leveraging local, state, and federal resources. COVID-19 may strike another blow in the future, but if state and local policymakers heed the call to act now, California’s vital creative economy will be in a better position to absorb the next shock.

* * *

The researchers and analysts at The Center for Economic Forecasting have been collaborating both within our own team and with partners, clients, and stakeholders across the public and private sector to develop best-practice strategies for recovery and beyond. This includes creating industry-specific plans that help redesign systems and institutions so they’re stronger and better able to react to future shocks to the economy and workforce. Contact us to learn more about our practical and conceptual approaches.

---

The UC Riverside School of Business Center for Economic Forecasting and Development opened its doors in October 2015 and represents a major economic research initiative in one of California’s most vital growth regions. The Center produces a wide variety of research both independently and in collaboration with academic, business, and government partners. Research products include monthly employment analyses, quarterly regional economic forecasts, a quarterly business activity index, a white paper series, and a major regional economic forecast conference, hosted annually.

About the Authors

Adam J. Fowler is Director of Research at the UC Riverside School of Business Center for Economic Forecasting and Development. Mr. Fowler is responsible for overseeing the Center’s research staff and leading projects related to housing, land use, and real estate; sustainable growth and development; environmental economics and domestic energy; public opinion and attitudes; public policy analysis; and regional economics.

Mazen Bou Zeineddine is a Senior Research Associate at the UCR School of Business Center for Economic Forecasting and Development. Mr. Bou Zeineddine is responsible for supporting a diverse range of the Center’s principal projects and initiatives with a special focus on regional economic analysis. In addition to his role at the Center, he is also a Practice Lead in the area of Economic, Fiscal, and Social Impact Analysis at Beacon Economics LLC.