

CREATIVE ECONOMY COVID UPDATE

Current Status:

Much like hospitality and tourism, the creative sector experienced an immediate shut-down of income producing opportunities due to COVID-19 social distancing. The impacts have reverberated across all parts of the sector and impacted the City's general fund. In the months to come the city's economy will need the creative sector to deliver its unique services and also catalyze economic activity in other devastated industries. An investment in the city's creative sector is an investment in Minneapolis' ability to drive economic activity, generate creative solutions to problems, support the health and well-being of communities and educate and inspire life-long learners.

Creative Workers:

Creatives with some form of traditional employer/employee relationship, and those who derived only a small portion of their income from their arts practice have found some resources to fall back on for the *short term*. However, those whose livelihoods rely on multiple income streams within the creative economy experienced an overnight removal of all forms of income earning opportunities. As shut-downs continue long term, creatives who cannot adapt their work to new conditions will be forced to leave the industry.

A large portion of the sector practices within the gig economy **and are struggling severely to find resources commensurate with their pre-COVID income.**

Unemployment Insurance (UI) resources have proven difficult to access for all gig workers and are **only available for 2 months.**

Racial disparities in creative employment are likely to grow post-COVID as the top 5 occupations for BIPOC creatives are in fields that are impacted by COVID shut downs: photographers, musicians & singers, writers & authors (book launches/tours), graphic designers, public relations.

The creative sector, pre-COVID-19 is a growing industry within the larger knowledge economy and is therefore at the forefront of future job growth as evidenced in national studies on freelance workers¹.

For Profit:

The story is the similar in for-profit creative businesses, especially those whose revenues rely on the delivery of events (music) and services (advertising). These businesses are interconnected and part of an **ecosystem** that provides services to each other and intersects with the gig economy (sound recording, event lighting etc). Thus, when events shut down the ripple effects impact other parts of the creative this sector.

Recent Small Business Administration (SBA) survey statistics on industry impacts due to

COVID-19 shows Arts, Entertainment and Recreation (NAICS 71) are the 2nd most

¹ Freelancing American, 2019 report shows that nationally, 75% of freelance workers are creative sector workers

Creative Workers:

National data sources ¹ indicate:

Unemployment rate was 47% in April
95% show some loss of total income
\$24,000 of income loss on average per creative worker
80% have no post COVID plan

¹ Bureau of Labor Statistics
[Americans for the Arts COVID survey](#)

13,640 creative workers are currently unemployed in Minneapolis (Mpls has 22,000 creative workers - approx. 5% of the total workforce)

This data is reinforced by DEED numbers on UI claims showing creatives in top 4 job losses

SOC Occupation	MPLS Workforce	MPLS UI Claims	% Difference
Food Preparation & Serving Related	7.5%	25.5%	18.0%
Personal Care & Service	2.7%	6.9%	4.2%
Sales & Related	9.1%	12.1%	3.0%
Arts, Design, Entertainment & Media	4.1%	6.9%	2.8%

2. Mpls Workforce Board

Creative Businesses:

National studies indicate: **two months of lockdown could result in a 30% failure rate of small (ad) businesses.**

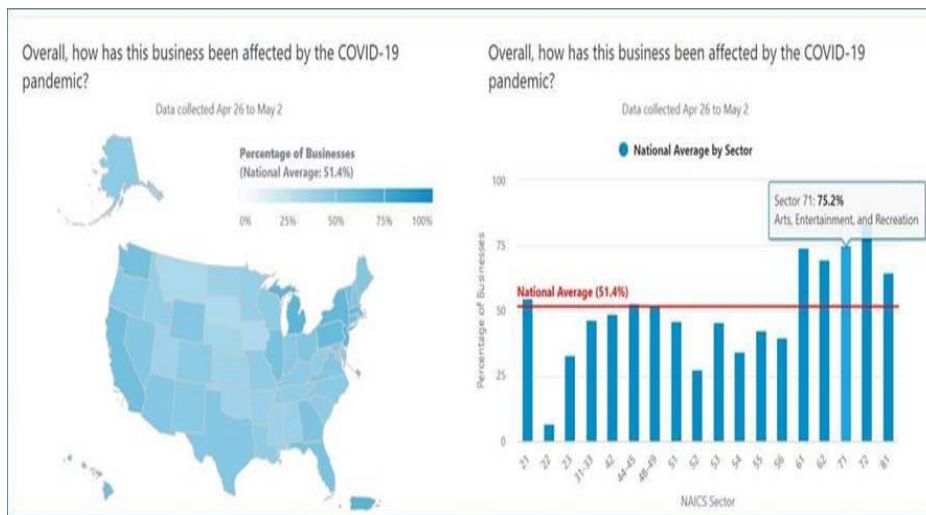
Economic cost to City: \$5.3 billion in lost sales revenues (9 times the size of sports) and make up 5% of total industry sales.

Top 4 Creative Industry Sales in Mpls

- Advertising 24%
- Publishing 19%
- Design services 13%
- Music & media production 12%



impacted industry with three quarters (75%) of responding businesses reporting a “large negative effect”. The Arts have received 10 times fewer PPP dollars than construction which is reporting lesser impacts. Yet the arts and culture sector constitutes 4.5% of the national economy, while construction is 4.0%.



Creative for-profits also work within the professional services sector providing design services for non-creative organizations (advertising for travel and tourism etc). Advertising is suffering acutely due to COVID as ad buyers who have no reason to sell their goods and services have responded to the business shut-down by cutting their marketing budgets. According to Barrons², the impact is being seen across the industry as a whole including print, TV, radio and outdoor, and digital advertising is not stepping in to fill the gaps. In an ordinary year, digital ads carry 55% of the national market, but **due to COVID, that figure has dropped down to 22%**. A fall in advertising buys are also having a commensurate impact on digital marketers and companies such as print media and TV that rely heavily on ad revenues.

In Minneapolis, ad revenues are the largest revenue generators in for-profit industry sales at 24% or \$1,172,095,240³, followed by publishing (19%) and design services (13%). The creative sector is an economy and industry that produces revenues **totaling \$5.3 billion dollars** fosters business and organization growth, and creates jobs, as articulated in the Minneapolis Creative Index⁴.

Non-Profits:

The future also looks grim for creative nonprofits – a recent report⁵ from the **MN Council on Nonprofits shows that the arts are #1 among nonprofits disrupted by COVID.**

Arts nonprofits in Minneapolis receive 38% of their total revenue through ticket sales and special events, and 58% from charitable giving. Thus, social distancing and

² [Advertising is Getting Crushed by COVID – Google and Facebook Can’t Save the Advertising Industry](#)

³ See the 2018 MCI

⁵ [2020 MN Nonprofit Economy Report, an annual study of the MN Council of Nonprofits](#)

Creative Nonprofits:

The Minneapolis nonprofit creative sector generated \$346 Million in revenues in 2016², 38% from ticket sales & special events, 58% from continued income, **35% of program revenues come from theatre ticket sales.**

29% of MN arts nonprofits say they will exhibit financial distress in 1 month, 68% will be in financial crisis in 4 months. The most vulnerable of these organizations are those with fixed overhead costs, small cash reserves with no pathway to generate revenues during COVID forced shutdowns.

While Payroll Protection Program (PPP) loans & other emergency relief supports through the SBA have provided some relief for creative nonprofits, however, a large part was left out (see SBA data).

2. Minneapolis Creative Index 2018

Legacy Fund grants (administered by the MN State Arts Board) are tied to MN sales tax revenues. It is estimated that due to COVID, Legacy Funding for the arts will be reduced by at least 20% in 2021.

The MN State Arts Board (MSAB) and the MN Humanities Center received \$960,000 collectively from the NEA CARES ACT to support statewide arts and cultural organizations. Yet there are some concerns:

Eligibility for MSAB resources is restricted to MN organizations who had already received NEA support.

The MSAB also reallocated uncommitted grant resources from FY2020 into a pool of \$6-7 million. These funds are directed to nonprofits so they can adjust programming due to COVID shut downs. However, the MSAB has yet to distribute these funds and time is running out for some organizations.

cancelled large group gatherings has led to financial challenges and operational disruptions for these organizations. Cancelled special fundraising events are another serious pain point. **Arts nonprofits are not only financially impacted by the cancellation of live performances and events, but they are even more impacted by the cancellation of special fundraising events.** ⁶

It is estimated that 68% of arts nonprofits in MN will be in fiscal crisis in 6 months.

Analysis:

Stating the obvious: we are in unprecedented times – COVID-19 impacts on the creative economy have exposed deep structural funding gaps and inequities for arts and culture organizations and businesses. Additionally, it has exposed the vulnerabilities of the gig economy which makes up a part of the employment landscape for a majority of self-employed creatives, therefore structural issues within the gig economy must also be addressed. Access to resources is a priority issue and culture change throughout the industry itself must be addressed through **education and technical assistance**. As the location of the largest arts ecosystem in the state of MN, the city of Minneapolis must take a leadership role along with our system partners to address the sector's immediate and long-term needs.

Without action, the city will likely see a drastic decline in the creative economy across all parts of the sector (an estimated 68% failure rate in nonprofit orgs and economic stress for creative businesses) with the most severe affects will be experienced by smaller, less adaptable organizations and individuals who were already experiencing disparities in funding, employment and pay (small orgs and businesses, BIPOC creative entrepreneurs and women).

⁶ Historically, arts, culture and creative endeavors are the first target of government budget cuts and the last to return to the balance sheet