



# NEW YORK'S BIG PICTURE

## ASSESSING NEW YORK'S POSITION IN FILM, TELEVISION AND COMMERCIAL PRODUCTION

**A Report to The New York Film,  
Television and Commercial Initiative**

**Research Collaboration for  
Economic Vitality in the Creative Arts**

**Cornell University**

... ILR School

... Department of City and Regional Planning,  
**Fiscal Policy Institute**



**Cornell University**  
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*EXECUTIVE SUMMARY*

**Of the Report to  
The New York Film, Television and Commercial Initiative  
From  
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## EXECUTIVE SUMMARY

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### **The Dynamics of New York's Role in Film, Television and Commercial Production**

*Key Finding: Production in New York is expanding but primarily in television.*

- New York has some distinctive comparative advantages in film, television and commercial production. It is a creative hub for the industry – a substantial proportion of the directors participating in the Sundance Film festival are located in New York. Because of multiple employment opportunities for actors — in legitimate theater and commercials as well as in media entertainment — New York is a primary center for acting talent. More than a third of U.S. actors are found in New York City, 12% of film editors and 10% of set designers. New York also is a headquarters for Cable and Broadcast television and so has strong buyer-supplier connections in televised media.
- The available evidence indicates growth in film, television and commercial production in conjunction with the expansion of global entertainment and advertising markets. That said, there have been changes in production methods and product types, which affect the extent and type of production taking place in New York City. For example, while television production (in terms of number of productions and dollar volume) is increasing, at least a portion of that increase is in cable TV programming, a medium that is dominated by low budget productions and more likely to use independent contractors and less likely to use a unionized labor force.
- Significant new investments in sound stage capacity have enhanced New York's attractiveness as a production center. Tax incentives instituted by the state and city appear to have had a positive marketing impact. While these measures

support existing and previously committed productions as well as new projects, the state and city film offices report an upswing in shooting days, and industry experts report an increase in the number of TV pilots.

- Commercial production has continued to decline in New York City in conjunction with the loss of advertising agency headquarters. New York is now the home to one-third of all the advertising agency headquarters in the world as compared with one-half only twenty years ago. The loss of the ad agencies to L.A. and London has adversely affected production in New York.

### Employment Trends

***Key Finding: According to data reported by the government, employment in New York's film, television and commercial production firms has slowed or stagnated since the late 1990s, with some exceptions. Changes in total wages and salaries paid by firms reveal an increase in the level of activity in these industries since the third quarter of 2004.***

- Between 1995 and 2004, employment measured in terms of the number of full-time and part-time jobs in firms in New York State peaked in 2000 and declined for the rest of the period of study. However, total wages and salaries paid, which might be a better indicator of the level of activity in this industry, have shown significant recovery since the 3rd quarter of 2004.
- Compared with rest of the U.S. including California, New York's share of jobs in production and post-production firms increased between 1998 and 2001, but has declined from about 22 percent in 2001 to about 15 percent in 2004. Since 2001, California has strengthened its position as the top producing state with 63 percent of jobs in firms in 2004.

### **Demographic Characteristics**

- Census data on the demographic characteristics of selected occupations in the industry indicate that the labor force of key below-the-line occupations is predominantly male. In terms of its racial and ethnic composition, the labor force of the selected below-the-line and above-the-line occupations is predominantly white. These patterns differ from the demographic composition of the workforce as a whole in New York State.

### **Employment and Wages by Occupation**

*Key Finding: According to payroll and benefit fund records, while there are variations by profession and sector, New York employment, workdays and wages for above-the-line professionals show a slight upward trend from 2000 to 2004. For below-the-line crews, there were variations by occupation, but overall workdays and hours were slightly down, while earnings showed increases. From 2004 to 2005 there is evidence of increases in employment.*

- While overall employment in the New York film, television and commercial production industry is about the same as ten years ago, there are wide variations in employment and earnings by occupation.
- From 1994 to 2004, the number of New York SAG members with earnings increased but their total earnings remained the same, which means that more actors shared a shrinking pool of money (when adjusted for changes in the cost of living). A positive development is the fact that employment opportunities for background actors (extras) increased over the same period. This may have partially offset income losses for actors who sometimes cross lines between principal and background roles.
- For below-the-line crews, the employment trend was generally negative from 2000 to 2004, with the exception of film editors and teamsters who registered an increase.

- When analyzed by production segment, employment for both actors and studio mechanics remained stagnant in feature films, declined in commercials and increased in television.
- In the past ten years, while employment in these industries in New York was stagnant, Los Angeles saw increases. Regarding actors, total earnings for Los Angeles SAG members in film increased 93 percent, while those for New York grew only 4 percent. In television, total earnings for SAG members rose 63 percent for Los Angeles and dropped 19 percent for New York. In commercials, Los Angeles member earnings jumped to double the total for New York.

### **Location Patterns and Regional Competition**

***Key Finding: California has captured a disproportionate share of the growth in production and employment since 2000.***

- Overall, analysis of production/location trends indicates that New York has held onto its position as the second most important center for feature film production, averaging about 15% of total film starts. This appears to be due to New York's concentration of talent and expansion of sound stage capacity. Television production in New York has increased, with a higher portion of pilots being shot in New York in 2005 than in the previous five years. New York's dominance in information and education industries has strengthened its hand in cable production.
- Commercial production continues to decline, but this has been occurring for twenty years, and appears to be a result of a slow incremental relocation of the advertising industry to Los Angeles, the increasing use of digital technology, agency or director preferences, and labor flexibility considerations.

- New York is second only to California in terms of the number of state residents who can work in the film and television industries. The number of actors, directors and producers as well as individuals who work in key below-the-line occupations is overwhelmingly higher in California and New York compared to other producing states.
- Industry conglomeration is a major force driving producers -- of feature films and television series, pilots and made-for-TV movies, even commercials -- to assess locations on other than creative grounds. Concentration in film and television has reduced the number of gateways to distribution and allowed the conglomerates to transfer production risks to producers. In addition, the cost of production and distribution of feature films has risen dramatically because of higher above-the-line budgets and new marketing costs for distribution beyond theater exhibition via the multiple platforms where a feature film will eventually make most of its money (videocassette and DVD, network TV, cable, proprietary and foreign markets). Under increasing pressure from their financial backers/distributors as a result, producers are looking for locations that will not only reduce their production costs in below-the-line labor but also provide them with the up-front financing that is required for today's deals with conglomerate distributors.
- Canadian provinces provide significant production location alternatives because the Canadian and Provincial governments provide generous subsidies to non-domestic production companies, but also because Canada has invested for over fifty years in developing regional television-oriented production workforces and facilities. Canada also indirectly subsidizes production via state provision of healthcare. In addition, the low value of the Canadian dollar provided a cost advantage to U.S. producers between the early 1990s and the early 2000s. There have been significant differences between Canadian provinces in tax incentives and other benefits provided to foreign producers. British Columbia has been the most important center for foreign producers forced to find locations that will

reduce costs or provide financing. Ontario is still the headquarters for domestic production, but a distant second for foreign production.

## **Factors in Location**

### **Labor Costs**

***Key Finding: In comparing New York and L.A., actual differences in crew cost have become less significant, but there remains a perceived difference.***

- One of the attractions of New York as a center for film, television and commercial production is its deep pool of talent and crew. Labor unions (or guilds) represent the vast majority of these workers both in New York and major alternative locations. Reflecting the higher cost of living in New York and long traditions of unionization, union contracts provide stronger protections in a few categories of below-the-line employment, which may add to labor costs. In recent years, unions have moved to narrow or eliminate these differentials through national standardization of contract provisions and negotiation of special arrangements for low budget productions.
- Our analysis suggests that cost differentials between New York and Los Angeles are, if not insignificant, highly variable depending on the type of production and budget size.
- In practice, “boutique” contracts are negotiated taking into account the needs of individual producers and their budgetary constraints. Thus, union contract terms for New York producers are showing increasing flexibility.

### **Government Incentives**

***Key Finding: A growing list of U.S. states and other units of government here and in other nations have been persuaded to respond to the financial pressures on producers induced by industry restructuring, and now offer producers a widening array of tax-funded programs designed to defray part of project production costs or financing.***



## The Economic Impact of New York's Film, Television and Commercial Production Industry

***Key Finding: The direct value added by these industries to the New York State economy was an estimated \$5.4 billion in 2003. Total value added to the New York economy resulting from Film/TV/Com production — including direct, indirect, and induced effects — was an estimated \$11.7 billion in 2003. This study used 2003 (prior to implementation of the NYS and NYC tax incentive programs for film and TV production) as the baseline year for developing a detailed, rigorous estimate of the industry's economic magnitude. Based on the change in total wages paid in Film/TV/Com production, this report estimates that New York State's production industry grew by 7.2 percent in 2004 and by 6 percent in 2005. This resulted in an estimated total value added in 2004 of \$12.5 billion, and \$13.3 billion in 2005.***

- In the 2003 baseline year, New York State's industry *directly* employed 36,400, with an additional 31,200 people employed *indirectly* in industries supplying goods and services needed by Film/TV/Com production. Total direct employee compensation was \$3.3 billion, and Film/TV/Com production supported activity resulting in \$1.4 billion of employee compensation in the indirect industries.
- Because Film/TV/Com production in New York State has extensive backward linkages into local supplier industries, because of New York's unique talent pool and skilled workforce, and because the industry is relatively well paying, the industry has one of the highest employment multipliers among all industries in New York. With a type I employment multiplier of 1.9, every 100 direct jobs in the Film/TV/Com industry is associated with an additional 90 jobs in industries supplying goods and service to Film/TV/Com production. This industry has a type II employment multiplier of 3.1, meaning that every 100 direct jobs supports an additional 210 jobs in indirect (supplier) and induced industries (those related to consumption spending made possible by the compensation received by those employed directly or indirectly).
- This economic impact analysis breaks new analytical ground in several respects, and presents the first comprehensive picture ever of the economic impact of New York's film, television and commercial production. The federal government's new industry classification for motion picture production, introduced in the late

1990's, which classified several categories of motion picture-related occupations as "Independent Artists", and the growing utilization of independent contractors, meant that we had to develop a hybrid methodology to expand the specification of New York's Film/TV/Com production industry. Using the widely regarded IMPLAN input-output model as a foundation, a customized model of the New York film, television and commercial industries was developed to better reflect the characteristics of the local Film/TV/Com production industry.