CREATIVE DISRUPTION:

AI and California's Creative Economy 2022–2025

Otis College Report on the Creative Economy

April 2026

OTIS COLLEGE OF ART AND DESIGN

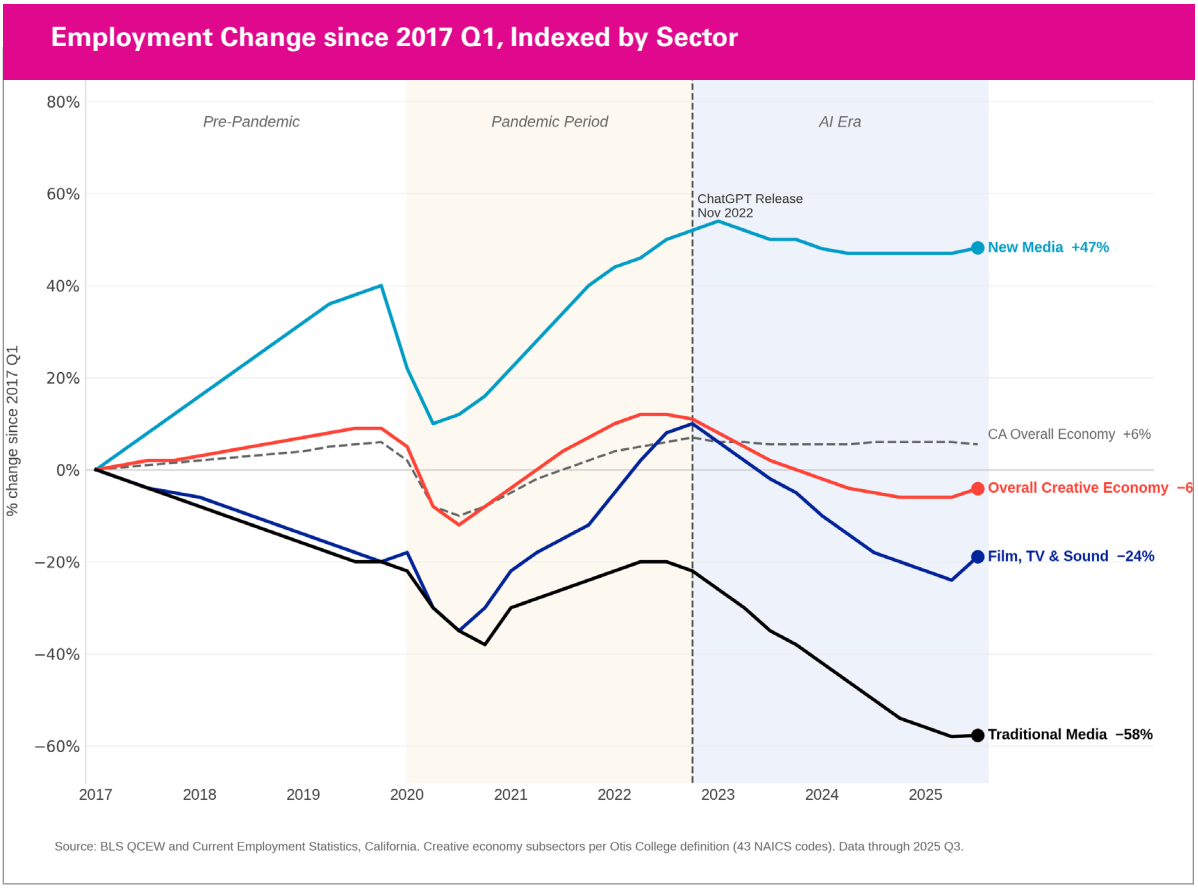
WESTWOOD
ECONOMICS & PLANNING ASSOCIATES

California's Creative Economy Is Shrinking, But Not Because of AI

Since late 2022, California has lost roughly 114,000 creative economy jobs, a decline of about 14%, from a peak of 848,000 to approximately 734,000. These losses have been concentrated in sectors most closely associated with California's creative identity. Film, TV, and Sound employment has fallen by 29.6%, while Traditional Media has decreased by 33.8%.

Before the pandemic, California's creative economy was adding jobs faster than the state's broader economy. Since late 2022, however, this pattern has reversed. Creative economy employment has fallen sharply while jobs have grown elsewhere in the state.

Figure 1: The Creative Economy Has Shrunk in the AI Era



If headlines are to be believed, there is an obvious explanation for this malaise. In November 2022, OpenAI released ChatGPT 3.5, triggering one of the fastest consumer technology adoptions in history. Almost overnight, these systems allowed users to draft text, write code, design images, analyze data, and create presentations at near-zero cost. California is also home to many of the companies leading this transformation: OpenAI, Anthropic, Google DeepMind, Adobe, and Meta. If generative AI were displacing creative economy workers, the irony would be striking. The same creative economy that helped pioneer these technologies would be among their first casualties.

This year, Otis College's Report on the Creative Economy assesses the impact of generative artificial intelligence (AI) on creative work in California. The report finds that AI is not responsible for recent job losses in California's creative economy.

Labor market data along with interviews with dozens of creative workers make the case clearly: California- and industry-specific forces have driven contraction in creative sectors.

However, the story does not end there. While AI is not yet pushing workers off payrolls, it is reshaping how creative work is performed, making some tasks obsolete, creating others, and generating new pressures and expectations. AI's full impact still lies ahead as these technologies further expand into creative workflows. If the creative economy is to absorb them without major disruption, creative workers—who remain the biggest bottleneck to adoption—will need to be persuaded that an AI future includes them.

Key Findings

Finding 1
AI isn't responsible for California's shrinking creative economy

There is little evidence that AI has led to a mass dislocation of creative workers. Jobs most exposed to AI have grown more quickly than those throughout the rest of the state's economy. Creative economy job losses are better explained by industry restructuring combined with California-specific cost pressures.

Finding 2
When AI is adopted, it is replacing tasks, not workers

The average creative organization is experimenting selectively with AI, rather than restructuring entire operations around it. Where adoption does occur, AI is used to perform specific tasks rather than entire roles.

Finding 3
Creative workers are critical players in shaping the pace and extent of AI adoption

Workers also have a critical role to play, especially relative to the speed and extent of AI adoption. Concerns about attribution and artistic integrity shape how workers engage with AI, while fear of displacement leads many to conceal its use.

Finding 4
Creative workers are caught between AI's limitations and rising expectations

AI is changing expectations around worker performance. Interviewees described working environments in which the technology has led to increased expectations by supervisors, even if the technology often underdelivers.

Recommendations

The success of AI depends on fighting the stigma surrounding its use while resisting the desire to rush AI products to market. Workforce development programs should frame AI as an assistant rather than as a replacement, build AI fluency into creative career pathways, and engage directly with ethical concerns that are driving resistance, recognizing that those concerns are grounded in experience, not ignorance.

Finding 1: AI Isn't Responsible for California's Shrinking Creative Economy

Why has California's creative economy lost jobs in the AI era? The most tempting explanation is that AI is replacing workers. However, there are other factors that are more likely at play.

A. The Jobs Most Exposed to AI Are Growing, Not Shrinking

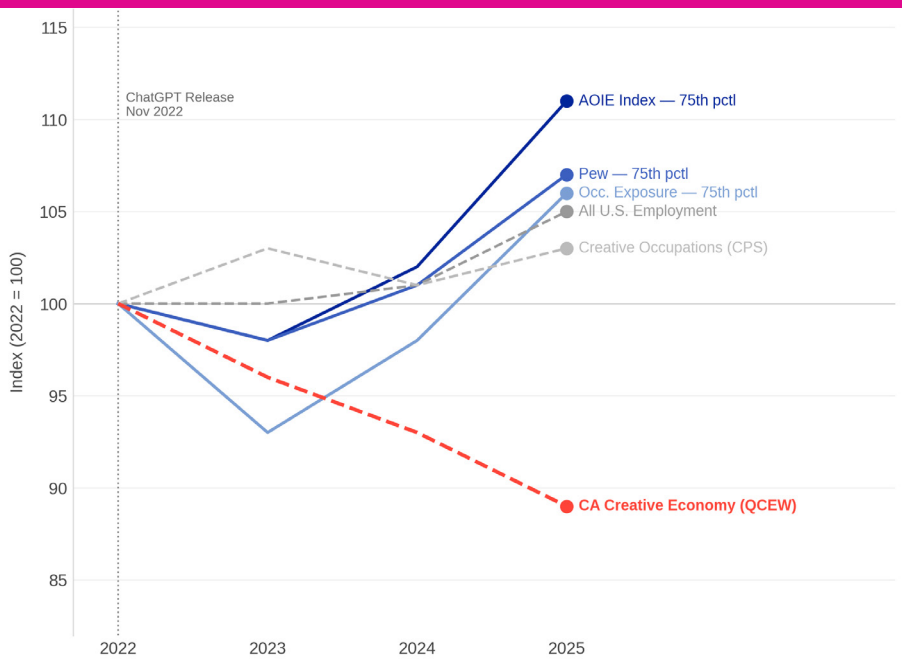
If AI was the primary source of worker displacement, the sharpest job losses would appear in occupations most exposed to it based on their core tasks. For three separate measures of job exposure to AI, the chart below tracks job growth for the most "exposed" occupations (the quartile of jobs most under threat from AI). These jobs have grown more quickly than jobs across the rest of the economy. Writers, software developers, and artists, whose work is most directly in AI's path, have added jobs since ChatGPT's release. Meanwhile, actors and dancers, occupations with far less obvious exposure to automation, have seen employment declines. The pattern suggests that where AI is most relevant, it may be functioning as a complement to human work rather than as a substitute for it, expanding the range of possible tasks rather than eliminating them.

Job postings tell a similar story. Since 2019, the number of job postings for occupations with high exposure to AI have consistently been two to three times higher than those for low-exposure occupations, and this gap has not narrowed during the AI era.

Several researchers have developed indices measuring the extent to which individual occupations are exposed to AI or more threatened to be replaced by the technology based on the tasks required to perform them. Incorporating three prominent measures of AI job exposure, Figure 2 displays job change for the quarter of creative economy jobs in California most susceptible to being replaced by AI. The chart reveals that these exposed jobs have grown faster than other sectors of California's overall economy, and much faster than in California's broader creative economy. The most exposed creative economy jobs have been a bright spot in an otherwise bleak picture for creative jobs in the state.

Figure 2: AI-Exposed Occupations Grow While the Creative Economy Contracts

Employment index, 2022 = 100. ChatGPT release: Nov 2022.

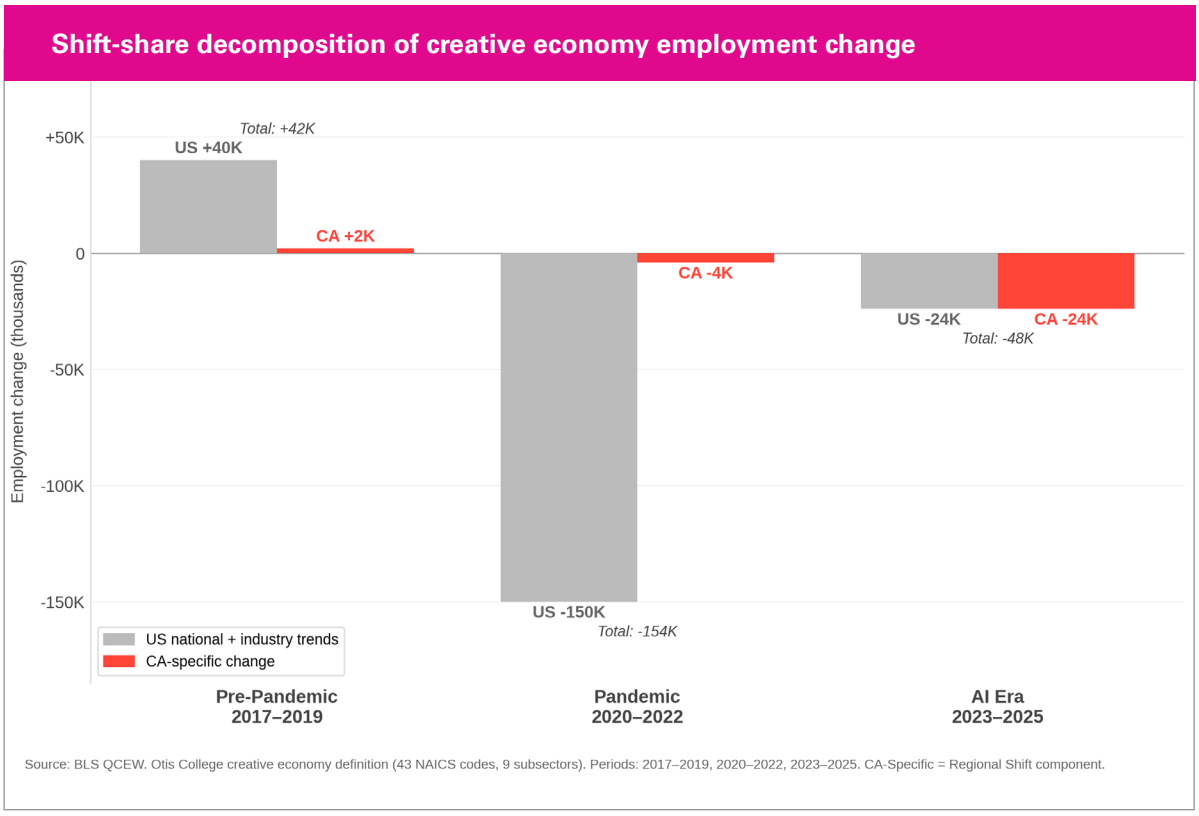


Source: CPS/ASEC microdata; BLS QCEW. AI exposure indices: AOIE (Felten et al.), Pew Research Center (2023), Eloundou et al. (2023).

B. Creative Economy Jobs Have Been Lost Due to Industry- and California-Specific Reasons

Understanding why California's creative economy has lost jobs requires separating the different forces that could affect employment in these industries. A shift-share analysis separates employment changes into three components: a national effect, driven by the performance of the larger U.S. economy; an industry effect, reflecting how the broader creative economy is performing; and a regional effect, capturing California-specific conditions that affect creative economy employment. In the AI era, regional and industry effects have dominated the performance of California's creative economy.

Figure 3. Half of AI-Era Job Losses are California-Specific



During the pre-pandemic period (2017–2019), the creative economy added 18,000 jobs in California. This aligned with a period of expansion for the national economy and the broader creative economy, reflecting a wider trend as opposed to California exceptionalism. During the pandemic period (2020–late 2022), the state gained 68,000 creative jobs. Again, this performance was driven primarily by national and industry-wide trends, while California-specific factors dragged slightly on employment gains.

During the AI era (late 2022–2025), the creative economy has shed 114,000 jobs in the state. While broader industry trends account for half of these losses, the other half reflect California-specific conditions. The state has lost 57,000 more jobs than it would have had it tracked national trends and the performance of the broader creative economy across the nation. All sectors underperformed national and industry trends; however California-specific losses were largest in Creative Goods (–4,500), Independent Artists and Managers (–4,500), Fashion (–4,100), and New Media (–4,000).

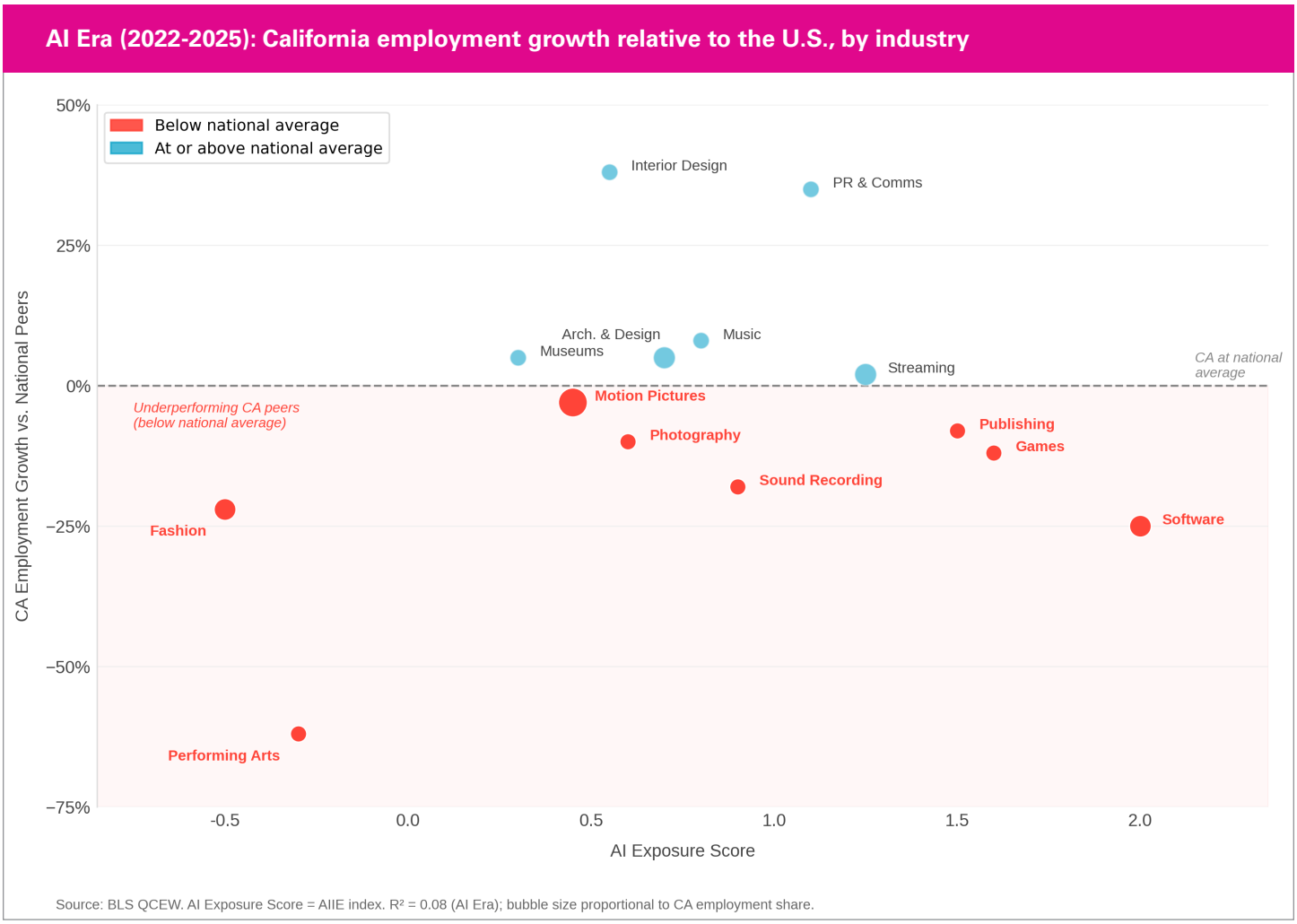
C. AI Exposure Does Not Predict Which Creative Industries Are Shrinking in California

What explains the regional effect behind the 57,000 jobs California has lost beyond what national and industry trends would predict? One credible hypothesis is that California firms, facing the highest business costs in the country, have adopted AI faster than counterparts elsewhere, substituting technology for workers to reduce costs. If that were true, California's competitive losses should be concentrated in industries most exposed to AI.

Figure 4 tests this hypothesis directly. Each bubble represents a creative sector while its level of exposure to AI is plotted on the horizontal axis. California's competitive performance is noted on the vertical axis (where competitive performance measures California's job growth relative to the national pace). If AI-driven substitution were driving California's job losses, high-exposure industries should be clustered in the lower right of each panel, which they do not.

Across all three periods, no meaningful relationship between AI exposure and competitive performance can be seen. During the AI era, higher-exposure sectors sit at or above zero on the competitive performance axis, while the lowest AI-exposure sectors are the worst competitive performers. California's recent losses are not concentrated where AI is most relevant.

Figure 4. CA Underperformance is Not Explained by AI Exposure



D. California's Losses Reflect Cost Pressures and Industry Restructuring

If AI does not explain California's creative economy job losses, what does? The answer lies in a combination of cost-driven displacement of lower-paying roles and structural changes within creative sectors that have hit California harder than the rest of the nation.

California is the most expensive large state in the country to live and do business, a fact reflected in federal price data. On average, prices in California are about 11% above the national average, with housing costs more than 50% higher.[2] These cost differences require that workers in the state be paid more than similar workers elsewhere, which has long been a drag on the state's broader labor market. Since February 2020, total nonfarm employment in California has grown roughly 2%, compared to approximately 4% nationally. As of January 2026, California's unemployment rate is 5.5%, more than a full point above the national average of 4.4%.[3] The California Department of Finance reported a net domestic outmigration

of approximately 140,000 residents in 2023–24 and 216,000 in 2024–25, driven primarily by the state's high cost of living.[4] For the creative economy, this dynamic means lower-paying roles are more likely to grow in less expensive parts of the nation.

At the same time, many creative industries have undergone a rapid restructuring over the past decade with the effects of those shifts being most acute in California, which has historically been the national leader in several of these sectors.

In Film and Television, prior Otis reports have documented how a race among streaming platforms to create new content generated massive losses as subscriber revenue failed to cover production costs, a period dubbed 'Peak TV.' Production budgets were substantially cut in response, and far less content has been produced since. These cuts have disproportionately affected California, which remains the primary hub of premium content production, while traditional studio-driven production has continued to lose ground to newer forms of content creation.

Fashion and Creative Goods employment has contracted both nationally and in California, affected by inflation and tariff uncertainty. These sectors rely heavily on design, supply-chain coordination, and manufacturing. While California leads in design and logistics, its higher business costs make it less competitive for manufacturing, accounting for the state's outsized losses in these sectors.

In Advertising, spending has shifted from linear television, radio, and print toward digital and streaming platforms, moving production away from the large-scale toward shorter, lower-cost formats. This transition has driven consolidation among major ad agencies concentrated in places like California and New York. Traditional Media has faced analogous pressures as consumers have migrated to digital platforms and on-demand content, eroding the production advantage that California has historically held.

The through line across these industries is not AI. It is the compounding effect of structural changes across multiple sectors. While some of these changes have accelerated since 2022, they predate the AI era and are reflective of forces that have already been reshaping California's creative economy.

Finding 2: When AI Is Adopted, It Is Replacing Tasks, Not Workers

Public debate on AI's labor market impact is most often focused on worker displacement, where discourse centers on the number of jobs that will be lost to AI and the occupations most at risk. As the previous section notes, job losses in California's creative economy are not consistent with this narrative.

Two findings in particular stand out. First, AI adoption remains both limited and uneven across organizations. Survey data reveals that one in five firms is using AI to perform business functions, while interviews with California's creative professionals reveal a range of AI adoption, from studios that explicitly ban the use of AI to software developers who have restructured their workflows around it entirely. Second, in sectors where AI is adopted, it is reshaping the nature of work far more than it is replacing the need for workers.

Creative professionals use AI more surgically, targeting specific and well-defined tasks. Also, while AI saves time when performing certain tasks, this is often offset by the time required to supervise, correct, and perform quality-control of AI-generated output. This time required to supervise AI can be referred to as an automation tax. Furthermore, time savings are leading to greater expectations of worker output.

A. Limited AI Adoption Reflects Organizational Choices as Much as Technical Potential

The adoption of AI across sectors of the creative economy is lower than many would expect and varies widely across different sectors. National data from the U.S. Census Bureau's Business Trends and Outlook Survey (BTOS) provides a representative picture of firm-level AI use across industries. The survey asks: "In the last two weeks, did this business use Artificial Intelligence (AI) in any of its business functions?" As of late 2025, approximately one in five California businesses answered yes to this question.[1] California's overall adoption rate stands at roughly 21%, tracking almost exactly with the national average of 20%, which suggests that the state's businesses are neither leading nor lagging the country in AI use.

These aggregate figures, however, mask a wide variation in AI use among industries. As Table 1 reveals, the share of companies reporting that they use AI in some capacity ranges from roughly 10% in fabricated metal manufacturing to 46% in publishing, reflecting a fundamental difference in how amenable different types of activity are to AI integration.

Table 1: AI Adoption Rates by Industry Tier, 2024.

Tier	Industry (National BTOS)	AI Adoption Rate
Higher Adoption	Publishing Industries (excl. Internet)	46%
	Other Information Services	44%
	Motion Picture & Sound Recording	43%
	Broadcasting (excl. Internet)	41%
Reference	California (all industries)	21%
	United States (all industries)	20%
Lower Adoption	Performing Arts, Sports & Related	19%
	Miscellaneous Manufacturing	21%
	Merchant Wholesalers, Durable Goods	15%
	Fabricated Metal Product Manufacturing	10%

Source: U.S. Census Bureau, Business Trends and Outlook Survey (BTOS).
Note: Industries shown are illustrative selections from the full BTOS sample. CA and US figures reflect all-industry averages, not creative economy subsectors specifically.

The aggregate figures capture the number of firms using AI, but not why adoption rates vary so widely or what that looks like in practice. Interviews with more than 20 creative professionals in California reveal that the decision to adopt AI is shaped as much by organizational values, audience relationships, and legal risk as it is by technical capability.

Some firms have ruled out AI adoption entirely, not because the technology cannot perform relevant tasks, but because their audiences and brand identities will not tolerate it. Video game studios, for instance, face vocal and organized fan communities that treat AI-generated art as a breach of the creative contract between developer and player. One art director described an explicit internal policy against AI use:

> "In the studio I work for, we don't use AI at all. The fans of games are pretty aggressively not into it. [...] It's just not quite efficient enough at drawing 2D art."

Others have embraced AI widely, and again, the determining factor is organizational as much as it is technical. Software developers, particularly those working in freelance or smaller firms, have restructured their workflows entirely around AI-assisted code generation, not simply because the technology works, but because their professional identity is defined by outcomes rather than the creative process. A developer who is judged on the amount of product that they 'ship' has less to lose by delegating its production than an animator who is judged on whether the work is original.

Even among firms that have adopted AI, the technology is often confined to functions far removed from creative production. Several production studios reported using AI primarily for back-office tasks such as email management, billing, and vendor coordination. In a 2026 letter to shareholders, Netflix indicated that its AI adoption was focused on advertising and merchandising activities rather than content production.[5]

The pattern across these examples is consistent: adoption decisions are being made on the basis of the identity of these firms and the expectations of their audiences, not only on the basis of what AI technology can do.

B. AI Adoption Targets Specific Tasks Rather Than Entire Roles

Labor economists have long observed that new technologies usually automate specific tasks within an occupation rather than eliminating the occupation in its entirety, a phenomenon known as the "task model" of technological change.[6] Research interviews revealed that AI adoption in the creative economy is following a similar pattern. No single respondent described AI as having replaced an entire role or workflow. Where AI is used, it is deployed for well-defined activities where the output is verifiable, time savings are clear, and the quality of output meets expectations. Where tasks require judgment, style, or intentional creative choice, AI typically does not work well.

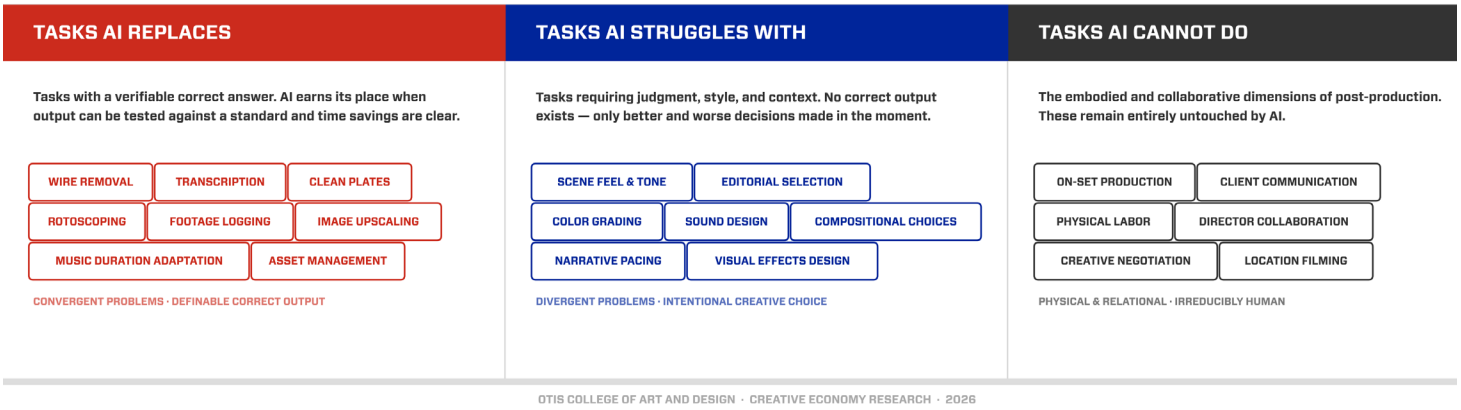
Post-production provides a good example of this process. In post-production, the tasks AI performs most reliably are labor-intensive but procedurally straightforward, including rotoscoping, wire removal, footage logging, music duration adaptation, and image upscaling. What these tasks share is a definable clear output: the wire is gone or it isn't, the footage is logged or it isn't.

As one VFX professional noted:

> "Objectively clear tasks are going to be taken over by AI. Creative tasks that impart someone's style and way of speaking or sharing ideas are still going to need to be in that chain of communication."

Figure 5 maps this structure across the full range of post-production functions, distinguishing those that AI can reliably replace from others that it struggles to replace, and functions it cannot perform at all.

Figure 5. Post-Production Tasks Where AI Works, Struggles, and Fails



Source: Author interviews, California creative economy, 2025-26

This rubric also holds true for software, where AI adoption is more pervasive but the underlying structure of the tasks AI can and cannot perform is identical. Multiple respondents reported that AI now drafts the majority of their code. One describes implementation as "mostly automated." However, this has not eliminated the role, but rather has evolved it. As one developer explains:

> "We're the context bridge between users, subject areas, and AI. We're stewards and shepherds of code at a higher level, making sure it stays maintainable. If you let AI tools go off on their own, they will create spaghetti code."

Code generation is automated; software engineering is not. Across both domains, a shared pattern has emerged: AI is absorbing the convergent work—the tasks with a right answer—and returns the divergent work to humans. This is not changing if workers are needed, but has shifted which parts of their jobs can be performed by AI.

C. Users Must Supervise Every Task They Delegate to AI

While AI can complete some tasks, it also creates new ones in the process. New monitoring and coaching work is immediately generated whenever AI is assigned a task. This includes reviewing the output, identifying its shortcomings, iterating to make it better, and providing general quality control. These supervisory tasks are not optional, and they accompany every automated task without exception. Any decision to automate a task must therefore weigh the labor saved by any delegation against the labor required for supervision.

This supervision burden exists as a result of something fundamental to how AI models work. Large language and image models are trained on a vast corpora of existing text, images, and video. They learn to produce output that resembles what appears most frequently in the existing body of data. This is not a bug that better models will fix, but rather it's an operating principle upon which AI models are built. What these models cannot do is produce output that is intentionally correct for a particular project. A precise color grade, a character whose movement serves the narrative, a shot that matches a director's exact vision—these are not probable outcomes, they are intentional ones. Closing the gap between what training data predicts and what a specific creative project requires is where supervision time is spent.[7]

Such supervision burdens can be substantial enough to erase the gains from automation entirely. A VFX company owner describes the use of AI on a high-profile television production:

> "They have 15 artists that are sitting at workstations fixing the AI…When you multiply the rate of the artists by 15 and put that against the cost of the work you're doing, it negates any savings that AI is giving you."

In this case, the production studio spent more on human supervision of AI than it would have to complete the same work traditionally.

Finding 3: Creative Workers Are Critical Players in Shaping the Pace and Extent of AI Adoption

There are numerous accounts of the enormous sums creative organizations are spending to develop AI capacity. This includes Meta's decision to invest $600 billion to advance AI infrastructure and agent capacity; the creation of Amazon MGM's "AI Studio;" and Netflix's $600 million acquisition of InterPositive, an AI-powered filmmaking tool. Yet AI adoption within organizations cannot only be driven from the top down. Workers also have a critical role to play.

A. Creative Workers Influence the Speed and Extent of AI Adoption

Creative professionals are active participants in AI adoption decisions and their influence operates at all levels, from formal union contracts to individual workflow choices.

The stance of organized labor is the most visible form of worker influence on the speed and use of AI. In 2023, the WGA and SAG-AFTRA strikes created contractual guardrails around the use of AI in writing and performance, providing unionized creative workers with a formal veto over certain forms of AI adoption.

Yet outside of this formal framework, interviewees revealed that their day-to-day decisions shape AI adoption. On the frontlines of implementation, workers are uniquely placed to determine when AI is able to support the creation of their artistic vision. A client or supervisor may know how they want a VFX shot or ad campaign to look, but the technical and aesthetic judgment required to produce it resides with the worker. Adopting AI at an organizational level therefore requires more than subscribing to an AI platform. It requires the active cooperation of the individuals leading the work.

And that cooperation is far from uniform. The same discretion that allows one worker to restructure an entire workflow around AI might permit another to abandon a tool after two failed prompts, with equal justification. A worker who believes in the technology will iterate patiently; a skeptical one may conclude that AI is not yet able to perform a particular task. Both views were present among interviewees. The difference between them shapes whether AI delivers net productivity gains at the organizational level or quietly disappears from the workflow.

B. Some Workers Ask Whether to Use AI at All, Not How

Organizations are not the only ones drawing boundaries around AI adoption. For individual workers, questions of professional identity, ethics, and audience trust shape AI decisions in ways that are often more personal and more absolute.

For workers, ethical concerns loom large. A recurring concern among interviewees is how generative AI models are trained on the creative work of others without attribution or compensation. This issue was at the center of the 2023 strikes in the entertainment industry and continues to govern day-to-day decisions about AI tool use.

> "I really get worried that if I use AI generation to help ideate, I will be ripping off somebody's work unbeknownst to me. The craft is very important to me." – *3D Animator*

For workers whose professional identity is defined by the originality of their work, this is not an abstract concern. It is an insurmountable barrier to AI use, separate from questions of whether a particular AI tool would improve their work.

C. Concealment of AI Use Slows the Adoption of Healthy Practices

Among workers who use AI, a second dynamic is at play: concealment. Workers who discover that AI makes them faster have strong incentives to hide these gains to avoid the risk of demonstrating their own expendability.

> "I try to keep AI use to myself. I don't necessarily want to say that out loud, because I could be seen as expendable." – *Video Editor*

The success of AI depends on the creation of defined organizational standards and practices on when and how it's used. Organizations cannot converge on these best practices when they do not fully understand how and when the technology is being used. This makes an accurate assessment of AI's impact impossible. Covert AI use can also lead to legal and contractual exposure, particularly with respect to client agreements and intellectual property (IP) infringement. Furthermore, if experienced workers do not disclose their AI workflows, junior workers cannot learn from them. The result is not only slow adoption but adoption that proceeds without the organizational learning to make it sustainable.

Refusal, ethical objection, and concealment are not a failure of imagination or an irrational fear of change. They reflect rational responses to flawed incentive structures. Workers who resist AI are making accurate predictions: that adoption will raise output expectations without raising compensation, that disclosed productivity gains will be captured by employers rather than shared with workers, and that the supervision burden will fall on them regardless of whether the technology delivers. Until those incentives change, AI adoption will face barriers.

Finding 4: Creative Workers Are Caught Between AI's Limitations and Rising Expectations

Although AI is not yet eliminating jobs, it is changing what employers ask of workers. Interviewees described workplaces where supervisors raised expectations even as the technology routinely underdelivered. Productivity gains became the new baseline rather than a shared benefit, while quality standards were quietly lowered to match AI's limitations.

A. AI Raises Expectations, Creating Pressure on Workers

Clients, managers, and executives who believe AI has made production faster and cheaper have adjusted their demands accordingly, creating an escalating cycle that is placing added strain on workers.

> "It sets unrealistic expectations for how fast things can be made and puts extra pressure on artists. It does then become an arms race."
> – *3D Animator*

Interviewees reported that any efficiencies AI generated were absorbed into higher output expectations, tighter timelines, and expanded scope. The direct gains flowed to organizations while the pressure landed on workers.

B. Workers Face Pressure to Accept Work They Know Is Not Good Enough

Rising output expectations are compounded by a quieter pressure: an incentive to sub-optimize. When AI tools generate output quickly, and supervisors cannot distinguish between acceptable and excellent work, the financial incentive for improvement dissolves.

> "The creative director said, "At a certain point, you just have to say it's good enough," which I think is the biggest danger of AI. We lower our standards."
> – *Motion Creative Director*

For workers who define themselves by the quality of their work, this is an affront to professional identity and integrity. The danger they describe is not a future of unemployment but a future of mediocrity, one in which the economic incentives to produce quickly overwhelm the creative incentives to produce well.

C. Budgets That Once Funded Collaborators Now Fund Tools

The pressure on individual workers is compounded by a parallel shift in how budgets are allocated. AI accelerates a structural change that predates the technology: the compression of specialist teams into solo generalists. As AI tools handle tasks that once required dedicated junior staff, organizations are redirecting budget lines from people to software. The work gets completed; however, the collaborative fabric of creative production frays.

> "We don't have a budget for an assistant editor anymore, but we heard all about these great tools that you could use." – *Video Editor*

The loss is not purely sentimental. Collaborative teams serve a developmental function. Junior members learn by working alongside senior practitioners, absorbing tacit knowledge that cannot be replicated by a tutorial. When those positions disappear, the pipeline for the next generation of creative workers narrows. The workforce that remains is more capable in some respects and more isolated in many.

Recommendations: Steps Toward a Worker-Centered AI Future

The downturn in California's creative economy is not primarily the result of AI, but rather is a reflection of pressures specific to the state including rising costs, industry restructuring, and shifts in how creative content is produced and distributed. This, however, is not the end of the story. AI adoption within the creative economy is proceeding more slowly than the public discourse implies, and AI is replacing tasks, not workers. It is creating new forms of work and while adoption remains uneven, workers are critical to its success. The technology is improving, the automation tax will continue to fall, and the competitive pressure on firms to adopt AI is intensifying.

The gap between today's modest labor market effects and tomorrow's potentially larger ones is not a reason for complacency, but rather it is a window in time. Organizations and policymakers who use this period to build frameworks that center worker interests, skills, and voices will be better positioned than those who wait for the disruption AI may cause.

A. For Creative Organizations

Fight the stigma around AI use

When AI use is hidden, organizations cannot learn which tools work, which workflows improve, or where the automation tax makes adoption counterproductive. Studios, agencies, and creative firms should provide structured environments for experimentation and disclosure, decoupling AI adoption from staffing decisions so that workers can share their learning without fearing the consequences. One way to develop such trust is through firing freezes. Workers who know they will not be adopting themselves out of a job will experiment more openly, share insights more freely, and invest genuine effort into making AI tools work.

Do not rush AI products to market

The quality skepticism expressed by creative professionals interviewed for this report is not irrational; it is empirically grounded. An art director describes AI output as "watered down" and "generic." A motion creative director reports "serious issues with resolution, hallucinations away from your image reference." A VFX company owner calculates that the cost of fixing AI output on one production exceeded the cost of doing the work traditionally. Organizations that deploy AI tools prematurely to impress clients, cut costs, or signal innovation, risk producing inferior work, damaging client relationships, and confirming the worst fears of their creative workforce. AI adoption should be selective and quality-tested, not performative.

B. For Workforce Development Professionals

Frame AI as an assistant, not a replacement

describe AI as a tool that handles mechanical subtasks while freeing them to perform higher-level creative and strategic work. A developer describes himself as a "steward and shepherd of code at a higher level." An editor uses AI for transcription and logging while retaining full control over narrative decisions.

Workforce development programs should adopt this framing explicitly. AI literacy training for creative professionals should teach practitioners how to direct, evaluate, and integrate AI output, not how to be replaced by it. The task model documented in this report provides a concrete curriculum framework: which tasks are convergent (and automatable), which are divergent (and require human judgment), and how to manage the boundary between them.

Establish AI-assisted career pathways for emerging creative professionals

If AI reduces the time required for mechanical production tasks, entry-level roles that traditionally served as training grounds—assistant editor, junior compositor, production assistant—may contract or change in character. This is not yet happening at scale, but several respondents expressed concern about new talent pipelines. Workforce development programs should proactively design career pathways that integrate AI fluency from the beginning, teaching young creatives to work with AI tools as part of their foundational training rather than as an afterthought. Community colleges, arts institutions, and programs like those found at Otis College of Art and Design are natural delivery vehicles.

Recognize that resistance is rational, not retrograde

Ethical concerns and displacement fears expressed by creative professionals in this report about training data provenance, the devaluation of craft, and the erosion of collaborative work, are grounded in legitimate grievances and real experience. Workforce development efforts that dismiss these concerns as technophobia will fail. Effective programs should acknowledge the ethical complexity of generative AI, engage directly with questions about intellectual property and consent, and create space for creative professionals to articulate what they are unwilling to delegate to machines.

Methodology

This study combines employment data analysis, AI exposure measurement, and interviews with creative professionals to assess whether AI is driving California's creative economy job losses. No single method can answer this question, hence the multimethod approach.

Quantitative Analysis

Employment data are drawn from the Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW), which provides comprehensive industry-level employment counts derived from unemployment insurance records. California's creative economy is defined according to the industries identified in the Otis Creative Economy Dashboard. The analysis uses a shift-share approach to distinguish national trends from state-specific dynamics. This separates employment change into:

- National growth (overall U.S. conditions)
- Industry mix (national performance of each industry)
- Regional shift (California's competitive position relative to the rest of the U.S.)

The analysis covers three periods: 2017–2019 (pre-pandemic), 2020–late 2022 (pandemic), and 2023–2025 (AI era). The analysis also examines national occupation-level employment trends using CPS microdata to determine whether AI-exposed occupations are contracting.

Measuring AI Exposure

Because AI exposure can be defined in multiple ways, three independent measures are employed:

- Task-based exposure (Eloundou et al., 2024): share of occupational tasks substantially automatable by large language models
- Activity-based exposure (Pew, 2023): concentration of work activities classified as highly AI-exposed
- Ability-based exposure (Felten et al., 2021 AOIEE Index): alignment between AI capabilities and core occupational abilities

Using multiple measures reduces reliance on any single operationalization and strengthens robustness.

Qualitative Research

The report's project team conducted more than 20 semi-structured interviews with creative professionals working in post-production, visual effects, animation, motion graphics, and software development. The selection of these fields was deliberate. California's creative economy is anchored by two large industrial complexes: entertainment (Film, TV, and Sound – 19% of the state's creative employment) and technology (New Media – 25%). Together, these two complexes account for nearly half of California's creative workforce. VFX artists, animators, editors, and motion graphics professionals sit at the intersection of these complexes; they are the workers most directly exposed to both the entertainment industry's structural contraction and AI's encroachment on visual creative tasks. Software developers serve as a contrast case. They represent the occupation with the deepest and most enthusiastic AI adoption, offering a window into what full integration looks like in practice.

Interviews were conducted between late 2025 and early 2026, typically lasting 45–90 minutes. The conversations explored current AI use and workflow integration, perceived effects on productivity and job quality, client and supervisor expectations regarding AI, disclosure and concealment of AI use, ethical concerns around training data and intellectual property, and respondents' assessment of whether AI or other forces are driving the current downturn. Transcripts were coded thematically using both deductive categories derived from the research questions and inductive themes that emerged from the data.

End Notes

[1] As in prior Otis reports, the creative economy comprises nine sectors: advertising; architecture; creative goods; fashion; film, TV and sound; fine arts; independent artists; new media; and traditional media.

[2] Bureau of Economic Analysis, Regional Price Parities by State and Metro Area, 2024. https://www.bea.gov/data/prices-inflation/regional-price-parities-state-and-metro-area

[3] Bureau of Labor Statistics, Local Area Unemployment Statistics, December 2025. https://www.bls.gov/news.release/laus.nr0.htm

[4] California Department of Finance, Demographic Estimates (E-2). https://dof.ca.gov/forecasting/demographics/estimates/E-2/

[5] Netflix, Inc. (2026). Q4 2025 Letter to Shareholders. https://s22.q4cdn.com/959853165/files/doc_financials/2025/q4/FINAL-Q4-25-Shareholder-Letter.pdf

[6] David Autor, Frank Levy, and Richard Murnane, "The Skill Content of Recent Technological Change: An Empirical Exploration," *Quarterly Journal of Economics* 118, no. 4 (2003): 1279–1333.

[7] This limitation is sometimes described as the difference between interpolation and extrapolation: models perform well within the distribution of their training data but struggle to produce output that requires genuine specificity outside it. For a technical account, see: Yann LeCun, "A Path Towards Autonomous Machine Intelligence," Meta AI (2022).

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Acknowledgments

Otis College of Art and Design and Westwood would like to thank the following partners for their support of this project: Richard Florida, Avi Goldfarb, Grady Miller, and Sunil Rampersad. In addition, they would like to thank all anonymous informants from California's Creative Economy who supported this project. All interview respondents agreed to be quoted anonymously. The research team thanks them for their candid feedback.

About Otis College of Art and Design

Established in 1918 as Los Angeles's first professional school of the arts, Otis College of Art and Design is a non-profit 501(c)3 institution and a national leader in art and design education. The College educates a diverse community of 1,300 creative students to become highly skilled, well-informed, and responsible professionals—empowering them to shape the world. Alumni and faculty are Fulbright, MacArthur, and Guggenheim grant recipients, Oscar winners, legendary costume designers, leaders of contemporary art movements, entrepreneurs, and design stars at influential companies including Apple, Abercrombie & Fitch, Pixar, DreamWorks, Mattel, Nike, and Netflix.

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Scan the QR code to access the **Creative Economy Dashboard**, an interactive tool that tracks real-time trends and regional data across California's creative industries.