

Industry Analysis



Los Angeles County Economic Development Corporation

Public Relations Agencies in Los Angeles County

Gregory Freeman and Christine Cooper, Ph.D.

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This report was prepared by the Economic and Policy Consulting Practice of the Los Angeles County Economic Development Corporation (LAEDC).

As the Southern California region's premier economic development organization, the mission of the LAEDC is to attract, retain and grow businesses and jobs in the regions of Los Angeles County.

The LAEDC Consulting Practice offers unbiased, fee-based custom economic and policy research for public agencies and private firms. The Consulting Practice focuses on economic impact studies, regional industry analyses, economic forecasts and issue studies, particularly in water, transportation, infrastructure and environmental policy. Projects are selected based on their relevance to the *L.A. County Strategic Plan for Economic Development* and the potential for the research to shape policy that supports the LAEDC mission.

Executive Summary

Public Relations Industry

In 2008, the public relations industry in Los Angeles County comprised 445 establishments with 3,030 payroll employees and at least 731 self-employed individuals. Together, we estimate that total employment in the industry was 3,761. The average annual wage in 2008 was \$78,129, approximately 50 percent higher than the average annual wage of all workers in Los Angeles County.

Through its multiplier effects, the total contribution of the public relations industry in Los Angeles County is more than the number of workers and their wages. Using our estimate of 3,761 public relations employees in 2008, we can estimate the total impact of the public relations industry in Los Angeles County. This is shown in the exhibit below.

Total Economic Impact of the Public Relations Industry in Los Angeles County	
Public relations employment (direct jobs)	3,761
Total employment (jobs)	6,430
Labor income (\$ millions)	\$ 445
State and local taxes (\$ millions)	\$ 45

Source: LAEDC

With the combined direct, indirect and induced effects, in 2008 the public relations industry in Los Angeles County helped to sustain a total of 6,430 jobs across all industries, with total labor income of \$445 million and state and local taxes of \$45 million.

Public Relations Professionals

In addition to employment within the public relations agencies industry, there are many public relations professionals who work for firms in a wide variety of other industries, such as aerospace, financial, government, automobile manufacturing, pharmaceuticals, etc. In Los Angeles County, there were 10,370 public relations professionals in May 2009: approximately 1,900 managers and 8,450 specialists.

The average annual wage for public relations managers across all industries in Los Angeles County in 2009 was \$113,070, and for specialists \$66,820. This is somewhat higher than the averages at the national level, \$101,850 and \$59,370 respectively. Total annual earnings for public relations professionals in Los Angeles County across all industries reached \$780 million in 2009.

Our industry employment estimate of 3,761 people includes many other occupations that are employed in the public relations industry, such as administrative assistants, general clerks, accountants, lawyers and maintenance workers. Therefore, we cannot combine our estimate of *industry* employment with *occupational* employment and conduct an impact analysis. Nevertheless, it is clear that the reach of public relations goes far beyond the single industry and is felt throughout the economy.

Introduction

Public Relations Industry

The Public Relations Agencies industry is defined by the North American Industry Classification System (NAICS) as follows:

“This industry comprises establishments primarily engaged in designing and implementing public relations campaigns. These campaigns are designed to promote the interest and image of their clients. Establishments providing lobbying, political consulting, or public relations consulting are included in this industry.”

NAICS places Public Relations Agencies within the Advertising and Related Services industry group, which is a component of the Professional and Business Services industry cluster as defined by the Los Angeles County Economic Development Corporation (LAEDC). Other industries in this group include Advertising Agencies, Media Buying Agencies, Media Representatives, Display Advertising, Direct Mail Advertising, Advertising Material Distribution Services, and Other Services Related to Advertising.

The Professional and Business Services industry cluster accounted for 267,744 payroll jobs in Los Angeles County in 2008, or 6.4 percent of all employment in the county. The largest industry within this cluster was Legal Services, with employment of over 49,000. Employment in Advertising and Related Services was just over 25,000, with average annual wages of \$86,438.

Public Relations Professionals

There are two occupations in public relations that are tracked by government statistics: public relations managers and public relations specialists. These are public relations professionals who work for firms in a wide variety of other industries, such as aerospace, financial, government, automobile manufacturing, pharmaceuticals, etc., and as such are not tracked in the public relations industry statistics.

The average annual wage for public relations managers across all industries in Los Angeles County in 2009 was \$113,070, and for specialists \$66,820. This is somewhat higher than the averages at the national level, \$101,850 and \$59,370 respectively.

The industry data are shown in the following two sheets. Thereafter, we review the recent performance of the industry compared to the advertising services industry group and to Los Angeles County as a whole. We then estimate the economic impact of firms in the public relations industry. We conclude with a look at public relations professionals – the people in public relations positions regardless of industry.

Professional and Business Services

Los Angeles County (2008)

Establishments



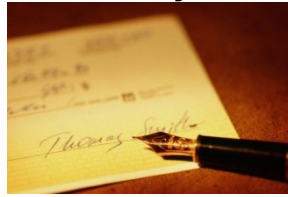
28,674
6.8% of total

Employment



267,744 Jobs
6.4% of total

Annual Payroll



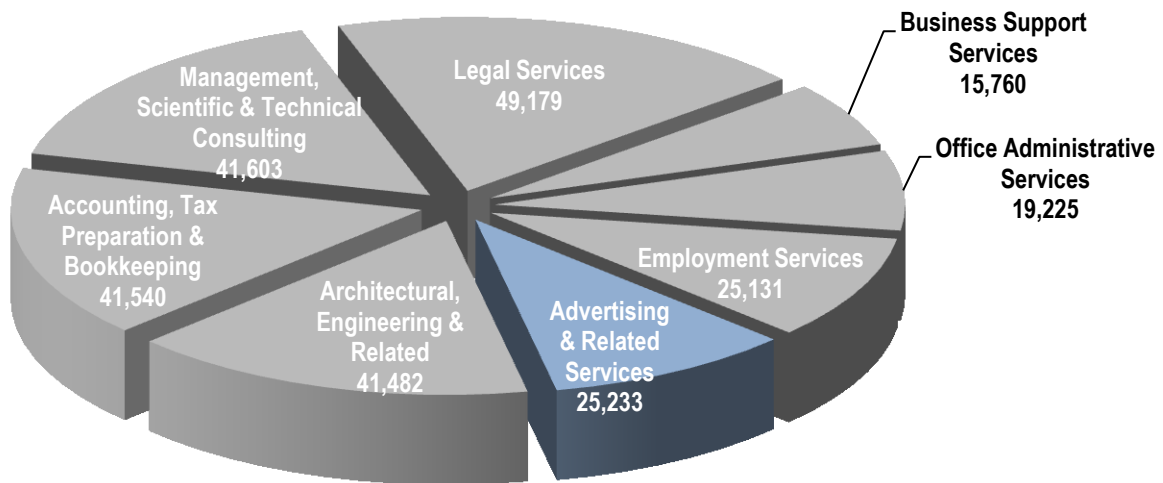
\$19,986 Million
9.3% of total

Output

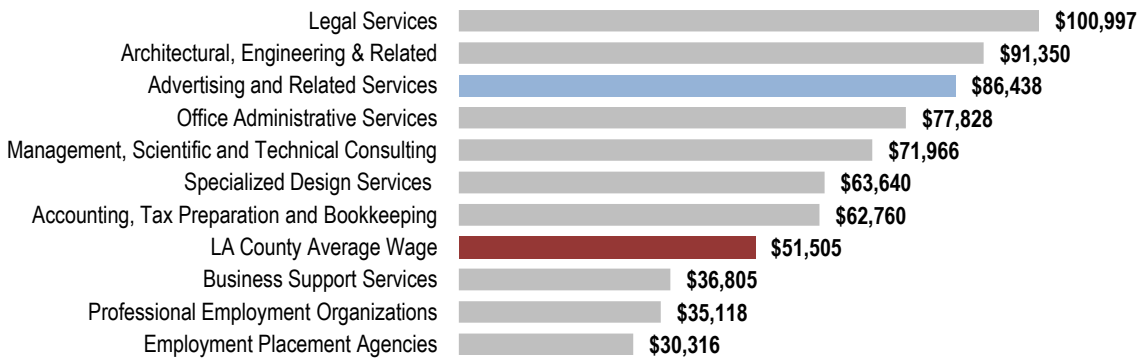


\$63.9 Billion
6.7% of total

Employment by Industry Group



Average Annual Wages



Sources: CA EDD; Minnesota IMPLAN Group, Inc.; LAEDC

Advertising and Related Services

Los Angeles County (2008)

Establishments



1,763

6.1% of the Professional and Business Services Industry Cluster

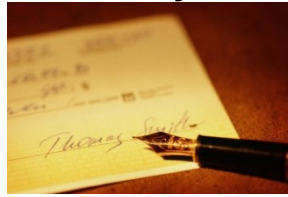
Employment



25,223 Jobs

9.4% of the Professional and Business Services Industry Cluster

Annual Payroll



\$2,184 Million

10.3% of the Professional and Business Services Industry Cluster

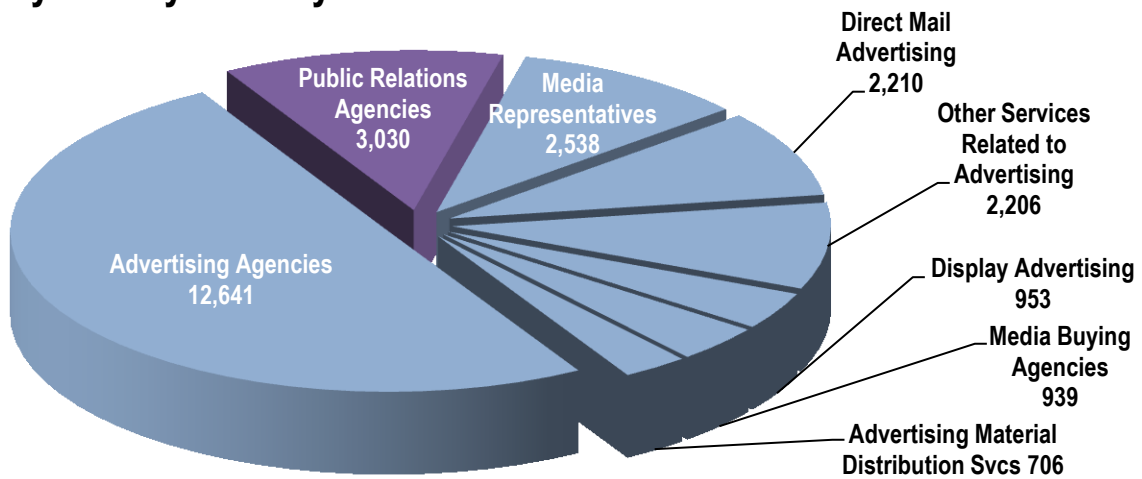
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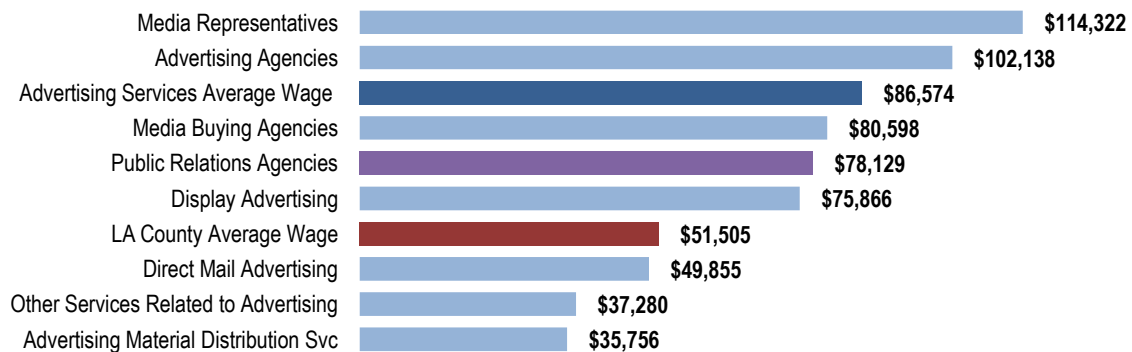
\$8.0 Billion

9.4% of the Professional and Business Services Industry Cluster

Employment by Industry



Average Annual Wages



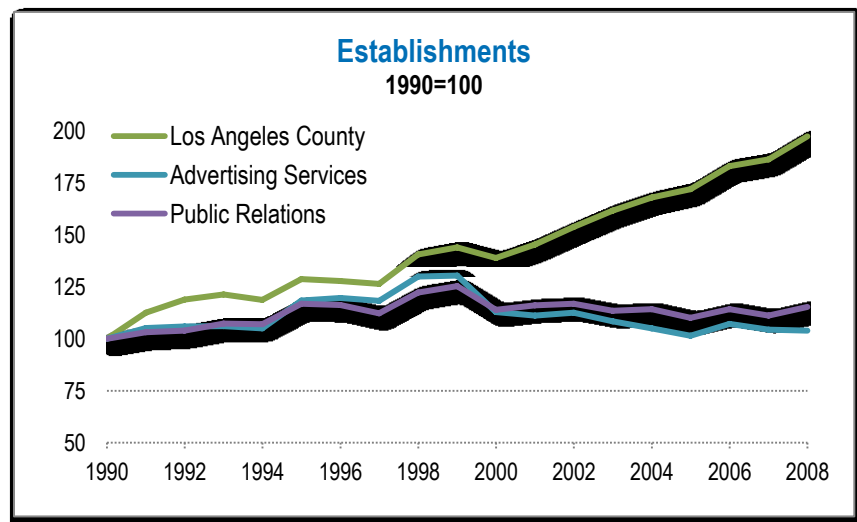
Sources: CA EDD; Minnesota IMPLAN Group, Inc.; LAEDC

Establishments, Employment and Growth Trends

In the exhibits that follow, we review the relative performance of the public relations industry compared to the advertising services industry group in Los Angeles County and to all industries in the county as a whole. To make the comparisons meaningful, we normalize the data by defining a base time period from which changes are measured. In the first two instances, we choose 1990 as the base time period. The third exhibit, showing recent employment changes by quarter, uses the second quarter of 2008 as the base time period since employment in the public relations industry reached a peak during this quarter.

Establishments

Since 1990, the number of business establishments in Los Angeles County has nearly doubled, from 211,130 to 417,020. This is due to the increasing numbers of small businesses as large corporations have begun outsourcing many business operations that were previously performed internally. The number of establishments in the advertising services industry group in the county, however, has risen only 4 percent during this period, from 1,696 establishments to 1,763. Public relations firms have done somewhat better, increasing in number by 15 percent, from 386 to 445 establishments.

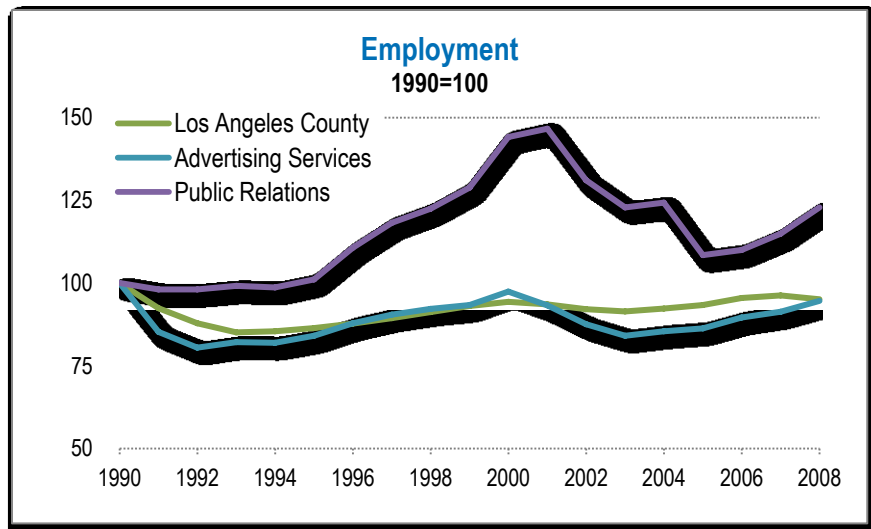


Source: CA EDD

Employment

Total employment shows a quite different pattern. Since 1990, employment in the public relations industry experienced healthy growth, and did not suffer as did other industries in Los Angeles County and in the advertising services industry group during the recession of early 1990s. As a result, though employment in public relations has declined significantly since 2001, it is still 23 percent higher than it was in 1990. Employment rose from 2,466 in 1990 to 3,030 in 2008. The same cannot be said for advertising services as a whole, which has seen employment decline by 5 percent

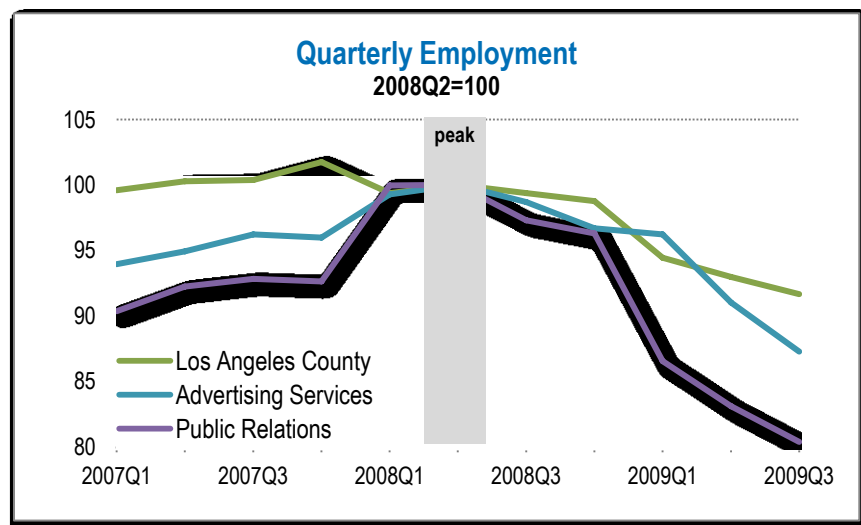
over the same period from 26,671 to 25,223. Los Angeles County as a whole experienced the same percentage decline, falling from 3.76 million in 1990 to 3.58 million in 2008.



Source: CA EDD

Recent Quarterly Employment

Employment in the public relations industry reached a peak of 3,079 in the second quarter of 2008. Since then, quarterly employment has fallen steadily, reaching 2,474 in the third quarter of 2009 (the most recent quarter for which this data is available). This decline of 20 percent was more severe than the loss of employment in the advertising service industry group, which also peaked in the second quarter of 2008 but fell by 13 percent during the same period, from 25,561 to 22,303. Employment in Los Angeles County as a whole peaked somewhat earlier, but has also been on a steady downward trend since the end of 2007.

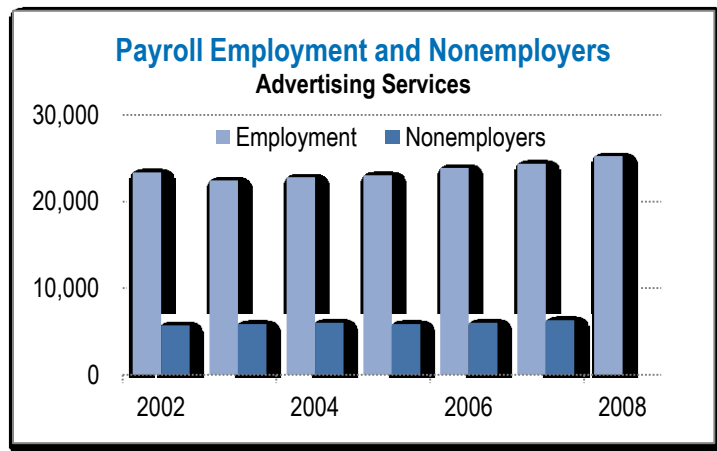


Source: CA EDD

Non-Employers

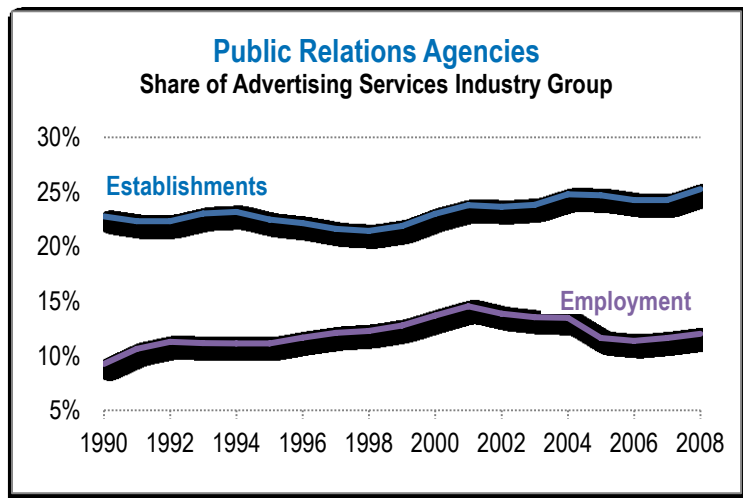
The previous exhibits reflect data for payroll employees only. However, we suspect that there may be many freelance or self-employed public relations professionals in the region. The data sources for determining the number of these so-called non-employers are less precise than those for payroll employees. The Internal Revenue Service reports the number of self-employed using Schedule C data filed with annual 1040 tax returns. These self-employed are categorized by industry group, not at the industry level, so we lack specific data about the number of self-employed public relations professionals.

In the advertising service industry group, there were 6,286 non-employer establishments, or self-employed persons, in 2007 (the most recent period for which this data is available). This is equal to approximately 25 percent of the 24,349 payroll employees.



Source: CA EDD

To estimate the share of the advertising services self-employed that are in public relations, we can assume that this share is approximately the same as the share of establishments or employment of public relations in the advertising services industry group. These shares are shown in the exhibit below.



Source: CA EDD

Public relations agencies accounted for over 25 percent of the establishments in the advertising services industry group in 2008, but only 12 percent of the payroll employment. Using these percentages as guidelines suggests that non-employers in the public relations industry numbered between 731 and 1,524 in 2008.

Non-employers cannot simply be added to payroll employment since many of these people may be moonlighting while holding a payroll job. To be conservative, we use the lower range as our estimate of individual non-employers, which, when combined with the payroll employment of 3,030, yields total employment in the public relations industry of 3,761 in 2008.

Economic Impact of the Public Relations Industry

In 2008, the public relations industry in Los Angeles County comprised 445 establishments with 3,030 payroll employees and at least 731 self-employed individuals. Together, we estimate that total employment in the industry was 3,761. The average annual wage in 2008 was \$78,129, approximately 50 percent higher than the average annual wage of all workers in Los Angeles County.

The total contribution of the public relations industry in Los Angeles County is more than the number of workers and their wages. The firms in the industry spend money on goods and services such as office supplies, rent and insurance, and the wages paid to their employees support households spending on goods and services such as groceries, clothing and medical care. This spending creates a ripple effect that helps support additional industries in the region, making the total economic impact of the public relations industry larger than just its direct activity.

Using our estimate of 3,761 public relations employees in 2008, we can estimate the total impact of the public relations industry in Los Angeles County. This is shown in the exhibit below.

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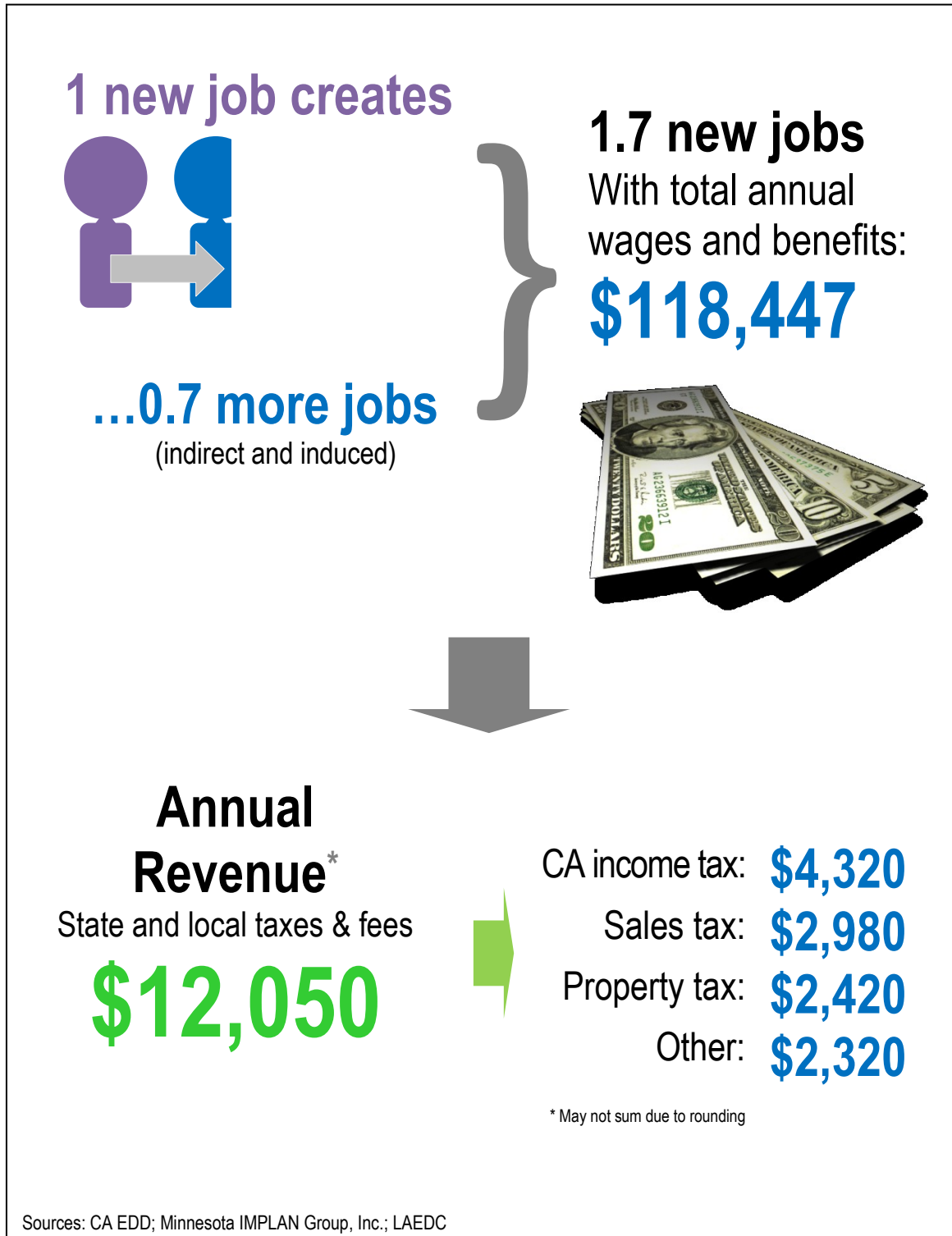
State and local taxes are derived from the income taxes paid by workers and firms, the sales taxes generated on the purchases of goods and services by workers in the industry and by households whose wages are supported by the industry, and property taxes. The breakdown of state and local taxes is shown in the exhibit below.

Fiscal Impact of the Public Relations Industry (\$ millions)	
Income taxes (including profits taxes)	\$ 16.3
Sales taxes	11.2
Property taxes	9.1
All other taxes and fees	8.7
Total *	\$ 45.3

* May not sum due to rounding

Source: LAEDC

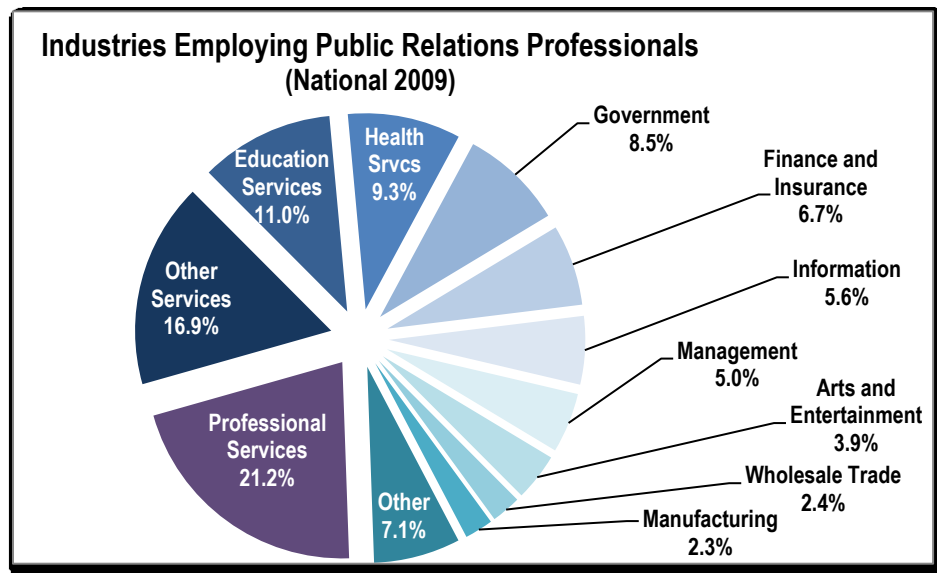
What is the Value of a Public Relations Job in Los Angeles County?



Public Relations Professionals

The discussion has focused on employment within the public relations agencies industry. However, there are many public relations professionals who work for firms in a wide variety of other industries, such as aerospace, financial, government, automobile manufacturing, pharmaceuticals, etc. These individuals are not included in the employment numbers above because they are employees of firms outside the public relations agencies industry *per se*.

There are two occupations in public relations that are tracked by government statistics: public relations managers and public relations specialists. The distribution of all public relations professionals by industry at the national level is shown in the exhibit below.



Source: BLS

At the national level, there were almost 300,000 public relations professionals employed in 2009 (this number does not include any self-employed individuals). Of these, approximately 10 percent were employed in the advertising services industry (a segment of the professional services industry group). Others were employed in government, educational services, health services, finance and insurance, and arts and entertainment. The industry called “other services” in the chart includes charitable organizations and political and advocacy organizations, which employed approximately 16 percent of all public relations professional nationwide.

The distribution of occupations by industry is not available at the state or county level. In Los Angeles County, there were 10,370 public relations professionals in May 2009: approximately 1,900 managers and 8,450 specialists. If we assume a similar distribution at the county level as that at the national level, approximately ten percent were in advertising services, with an additional 9,300 in other industries.

The average annual wage for public relations managers across all industries in Los Angeles County in 2009 was \$113,070, and for specialists \$66,820. This is somewhat higher than the averages at the national level, \$101,850 and \$59,370 respectively.

Our industry employment estimate from the preceding section of 3,761 people includes many other occupations that are employed in the public relations industry, such as administrative assistants, general clerks, accountants, lawyers and maintenance workers. Therefore, we cannot combine our estimate of industry employment with occupational employment and conduct an impact analysis. Nevertheless, it is clear that the reach of public relations goes far beyond the single industry and is felt throughout the economy.



Los Angeles County Economic Development Corporation
444 S. Flower Street, 34th Floor
Los Angeles, CA 90071
(888) 4-LAEDC-1
www.LAEDC.org