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The Impact of the Internet on Employment and Income in the US Media and Entertainment Business

David Viviano

7.1 Introduction

The US Media and Entertainment sector is vibrant and dynamic. By a variety of metrics it has been growing steadily for decades and consistently represents a positive net export (Vogel 2014). SAG-AFTRA is a US labor union that represents the talent that creates content for this industry: actors, journalists, recording artists, and other performers in film, television, radio, and digital media. SAG-AFTRA's members include a wide diversity of media talent: the Oscar-winning movie stars of big-budget Hollywood films, Grammy-winning recording artists, the character actors that are recognizable from various television shows, stunt performers, and thousands of other media talent, most of whom don't have much name recognition.

SAG-AFTRA negotiates employment agreements with various industry employers on behalf of its members for terms of minimum compensation and working conditions across a wide array of media work. SAG-AFTRA also negotiates the terms for residuals payments when its members' work is re-used or exhibited in a different market. While SAG-AFTRA is a US-based labor union, it ensures that its members are protected by the terms of its contracts wherever in the world they may work. As the representative

D. Viviano (✉)

Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA), Los Angeles, CA, USA

for these workers, SAG-AFTRA has unique access to granular employment and earnings data for this work.

The Internet, digital technology and digital media have had myriad impacts on the SAG-AFTRA talent who work in the media sector. The following analysis attempts to explain how the Internet has impacted the demand for labor, the supply of labor, and changes in the net employment and income for this population.

7.2 Consumption of Media

Understanding changes in how media is being consumed is important for understanding what is driving changes in the demand for labor. One truly revolutionary change in the media business that started decades ago is the growing “shelf space” for content. Before Multichannel Video Programming Distributors (MVPDs) connected the majority of television households to cable television and ultimately broadband Internet, the shelf space for audio video content was largely limited to broadcast signals (TV and radio stations) and physical media (cassettes, phonographs, discs). As a greater percentage of TV households became connected to cable television, the shelf-space for TV content took off.

First with audio recordings and then with video, the digital revolution opened up vast new shelf space for content, lowered the cost and barriers to entry for new competitors in this space, changed the entire nature of consumer advertising, and ultimately disrupted the business models for the traditional media companies that long-dominated this space.

No longer limited by the number of networks carried by their MVPDs, American consumers now had access to millions of hours of video content streamed through YouTube. Some of this content was crude user-generated video; some was polished, professional, and often illegally posted premium content; increasingly, much of the content was carefully crafted semi-professional content that sometimes featured professional-level production values and was simply posted by creators who aspired to express themselves through the medium of moving images.

Capitalizing on streaming technology, “Over-the-Top” platforms such as Hulu, Netflix, and Amazon Prime started offering consumers other ways to access content, and increasingly offered exclusive original programming. Awash with a wide variety of content and original programming, American consumers grew to expect to access content that specifically appealed to

them, when they wanted it, where they wanted it. With the diversity of audience tastes and the vast shelf-space, audiences fragmented to degrees not seen since the advent of recorded media. Gone were the days where large segments of the population regularly tuned into watch the same content.

As a result, both new and established media platforms must aggressively compete to build an audience. At the same time, the Internet is making it easier for audiences to access pirated content.

The net effects of these forces have resulted in three meaningful industry changes. The first is increased competition among producers for creating quality content. The second is the growth of niche content. The third, which in many ways results from the first two, is an increase in the aggregate global demand for American content.

7.3 Demand for Labor

So how do the changing consumption patterns impact the demand for labor in the media sector? The production of niche-audience content has had two meaningful impacts. More content production, even if intended for small audiences, drives up the number of jobs (roles). However, this content often has a shorter lifecycle, which means there is less of an opportunity for back-end (residual) payout. At the same time, competition for audiences increases demand for high-budget content, which bids up the wages of the top performers that are in the highest demand.

7.4 Supply of Labor

A major impact of the Internet on this sector is that it lowers barriers to entry. Whereas in the past television networks and other major media properties controlled access to audiences, the Internet has made it much easier for both producers and performers to reach audiences directly. For talent, this means it is much easier to “break into the business;” anyone can become a media personality now, and it’s not hard to monetize this work, even if to a minimal extent. More people see a career on camera or behind a microphone as a realistic career to aspire to. Many of these people are also more likely to continue to pursue this career, even if it takes them a while. Essentially, being a “media professional” is less of a black-and-white distinction than it was in the past. These factors have served to drive up the overall supply of labor in the sector.

7.5 Aggregate Employment

As may be expected by the changes in supply and demand for labor, the Internet appears to be a net job creator for performers. However, while positive, the impact is still relatively minimal. By 2014, about 3% of all SAG-AFTRA covered audio-visual entertainment jobs were for work in digital media (SAG-AFTRA 2016) (Fig. 7.1).

Furthermore, the newly created jobs in digital media are far from uniform. The majority of these new jobs are for roles in low-budget productions with small relative audiences. However, more and more of this work is done for original programming distributed on streaming services such as Netflix—programming that more closely resembles the higher-budget content produced for traditional pay TV services. While original digital video content has been produced for quite some time, it is only very recently that this type of content has been produced at budget levels comparable to traditional television.

Interestingly, these new higher-budget digital productions are apparently not cannibalizing traditional television work, and appear to be in some ways fueling the growth of traditional television production. As traditional television platforms face increased competition from streaming video platforms, their reaction has been to produce and order more original programming in order to retain viewers and subscribers. So some of the increase in jobs in traditional television may be in part due indirectly to competition from the Internet programming.

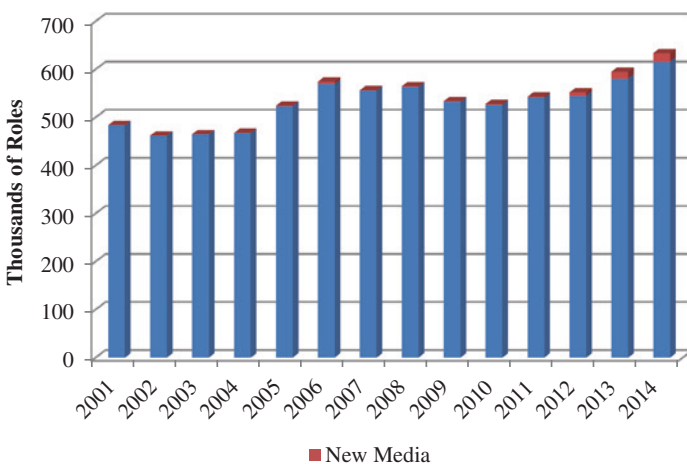


Fig. 7.1 SAG-AFTRA-covered audio-visual entertainment jobs

7.6 Performer Income

The impact of the Internet on performer income is a somewhat more complex issue. On one hand changes in supply and demand have generated some upward pressure. As new exhibition platforms have been opened (subscription streaming services, electronic-sell-through, etc.), more and more library content can be distributed. This increase has worked to drive up aggregate residuals earnings, as performers are being compensated with new residuals streams. Also, competition among producers has bid up the compensation for “star” performers. As the media landscape becomes more crowded, many producers are willing to invest top dollar to capitalize on the popularity of celebrities as a way to cut through the media clutter.

However, at the same time, there are forces at play creating downward pressure on performer income. With more performers in the workforce, increased competition for jobs exerts downward pressure on earnings for non-“star” performers. Since content now tends to have a shorter shelf life, the average residuals payment per job worked tends to be lower. The net effect of these changes is largely a further migration toward a “Winner-Take-All” labor market. Those workers at the high-end of the income spectrum are able to earn even more, while most other workers are seeing little-to-negative increases in their net earnings.

7.7 Benefits and Drawbacks for Labor

This further migration toward a “Winner-Take-All” labor market has various meaningful implications for professional performers. One substantial upside is an increase in the net number of jobs available to performers; another is the increase in aggregate compensation. For a select few “stars,” it has yielded even greater compensation. However, these changes bring significant downsides for performers as well. Professional performers on an individual basis are now seeing greater income variability from year to year, resulting from increased competition and lower average residuals. This ultimately means that its harder for many performers to maintain and sustain a career in the business.

7.8 Protecting Performers

As the labor union representing these performers, SAG-AFTRA is responsible for protecting these often-vulnerable workers. SAG-AFTRA uses the leverage of collective bargaining to ensure that performers in these sectors

receive fair initial compensation. Further, we negotiate to ensure that performers are paid fair residuals when their work is exhibited on emerging distribution platforms. Ultimately, these protections enable our members to continue to earn a living in a highly volatile and competitive industry.

7.9 Conclusions

The Internet has undoubtedly changed the labor market for talent in the media business. The Internet's impact on the sector is still evolving, but some insights can already be drawn. The Internet has added new jobs for performers; however, the vast majority of these new jobs tend to be at the lower end of the pay spectrum. The Internet has also created new ways to distribute and monetize library video content. While these new revenue streams are becoming more significant in the aggregate, they have, however, yet to become a significant source of income for individual performers. Furthermore, the Internet has disrupted this labor market by driving up competition and year-to-year income variability. At this point it is unclear whether the incremental gains in lower-paying jobs and new, but smaller, residuals payments are meaningful enough to outweigh the increased competition, wage compression, and income variability that professional performers now face in the Internet age.

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