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The Industry and the Unions: An Overview

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Abstract

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Keywords

economic structure, union, bargaining, labor, work, job, relations, arts, entertainment, American, technology, demographics, globalization, income

Disciplines

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CHAPTER ONE

The Industry and the Unions: An Overview

Lois Gray and Ronald Seeber

This overview chapter provides a framework for the chapters that follow by broadly describing the arts, entertainment, and electronic media (AEEM) industry and the problems confronting it. The overview is presented in four sections focused on: first, the economic structure of the industry; second, unions and bargaining structure; third, the impact of technological changes; and fourth, historical responses on the part of unions and the labor relations system to technological change.

Economic Trends in the Entertainment Industry

Altogether Americans spend more than nine hours a day and invest eight cents of every consumption dollar on entertainment (Vogel, 1994)[1] and the rate of spending for entertainment is growing, reaching a total of $360 billion in 1994 (U.S. Department of Commerce).

Key factors influencing demand are demographics, technology,

[1] Broadly defined, entertainment includes businesses devoted to all leisure activities: motion pictures, radio and television, recording, and live entertainment, which are the focus of this study, as well as sports, gambling, gardening, and other recreational pursuits.

and globalization. Both real income and life expectancy have risen steadily in the western world since World War II. This has allowed people to spend more time and money on leisure activities. Although the automobile was traditionally the top contender for consumer dollars, currently Americans spend more for entertainment, with expenditures increasing every year—even during recessions. Technological innovations such as videocassettes and compact disks have expanded the market for films and recordings and new developments like high-definition television and interactive media will further expand those markets.

Demand for entertainment has also been affected by the globalization of the U.S. economy. Indeed, one could say that America is to entertainment what South Africa is to gold, or the Saudis are to oil. Entertainment is second only to aerospace as the leading U.S. export. The privatization of television in western Europe and the changing political picture in eastern Europe are creating new markets for U.S. entertainment products, as appetite for them continues to grow in Asia, Africa, and the Middle East. After Europe, Japan is our second largest customer for movies, television programs, and records (*Economist*, 1989).

While economic structures vary among the major sectors of the entertainment industry, several characteristics are common to all of them. First *high capital costs and enormous marketing expenditures* discourage entry by new competitors, resulting in a structure of ownership in which a few large companies tend to dominate production and distribution in film, recordings, and television.

Given high capital and marketing costs, *risk* is another characteristic common to all sectors of the entertainment industry. In fact, launching any new production—whether on Broadway, in Hollywood, or in a recording or television studio—is often described as "rolling the dice." Because products and services are generally not standardized—each product has unique characteristics—production costs are difficult to project and overruns are common. Consumer tastes are notoriously unpredictable and constantly changing. Therefore, profits from a few very popular productions are required to offset losses from many others.

Globalization not only characterizes the market for American entertainment products but, increasingly, is reflected in ownership. For example, of seven major film studios, four are foreign owned.

Only one of the six dominant American-based recording companies is American owned.

Takeovers, which characterized so many American companies in the 1980s, reached gigantic proportions in the entertainment industry. In what the *Economist* (1989) termed a "feeding frenzy," $80 billion was spent on takeovers of entertainment companies in 1988–89, resulting in a snowballing of debts which add to both costs and risks. This trend continues in the 1990s.

Consolidation in entertainment ownership proceeds apace, progressing from vertical integration (in which producers gain control over distribution and sale of their products) to horizontal integration across media. The Time-Warner merger illustrates the advantages of establishing links among movies, broadcast, records, and books: one product can be sold in several different media (for example, a book can be made into a movie, with a soundtrack recording, and sold to television), greatly enhancing the potential profitability of the initial investment. Conglomerate ownership increasingly extends beyond entertainment to other industries, notably electronics. The United States is developing entertainment conglomerates that compare to Germany's Bertelsmann or Fujisaki Communications, which owns Japan's most popular television and radio networks as well as its leading record and video companies, and we are seeing a similar trend toward multimedia holdings and conglomerate ownership that joins entertainment to other industrial holdings.

Live Performing Arts

In an industry of high costs and high risks, technological innovation is a saving grace—one that can be counted on to reduce the cost of manufacturing, distributing, and receiving entertainment products and to create new markets to offset losses in the old. A partial exception to this rule is the live performing arts, which benefit from new markets created by technology but cannot expect cost reductions as a result of technological change. The creative fundamentals of theater, opera, dance, and live musical performances have remained basically unchanged for centuries. Although technology has made it possible to enhance the impact of a performance through improved sound, lighting, and staging and to transmit it to wider audiences, technological innovation has done little to reduce overall production costs.

Thus, the performing arts operate in a different economic milieu from that of other forms of entertainment. Most producing companies are nonprofit and need to be subsidized, but even those that aim for profits tend to operate in the red. The classic study of the economics of the performing arts, written by William J. Baumol and William G. Bowen in 1966, found that this market is dominated by upper-income, highly educated individuals who have both leisure time and money on their hands. The relatively limited demand for this form of entertainment is dramatized by these statistics: the average American adult spends only four hours a year on cultural events, a category which encompasses performing arts along with museum attendance and other activities—little more than one-tenth of a percent of the total time spent on all forms of entertainment. Despite talk of a "cultural explosion" in the United States, the live performing arts are barely holding their own in the stiff competition for recreation dollars. Little more than a penny of every dollar spent on entertainment goes to this sector (Vogel, 1994).

Sponsoring organizations tend to live on a financial precipice. Their potential audiences are limited both by the number of people a theater can accommodate and by the select population they attract. At the same time, costs for labor, capital, and rent have been rising faster than the general rate of inflation and faster than receipts. Live performances are, by definition, labor intensive (labor costs account for 40 to 75 percent of production costs), and, given the risky nature of the business, capital costs are also high. Compounding these problems is the fact that little can be done to offset these rising costs by increasing productivity, whether by substituting technology for labor or increasing individual output. "No one has yet succeeded in decreasing the human effort expended at a live performance of a forty-five minute Schubert quartet much below a total of three man-hours" (Baumol and Bowen, 1966). The only cushion to producers of live performing arts is the possibility of eventual sale of the product they introduce to the more profitable film and television media.

Commercial Theater

The commercial theater is largely centered in New York City. As a result of economic pressures already discussed, the number of new

productions on Broadway has declined over the past thirty years from nearly sixty per season to less than twenty (Goldstein, 1995). The number of touring companies is down 90 percent from early in this century. However, box-office receipts for stage shows showed an upturn throughout the 1980s, reaching $650 million in 1990 (Vogel, 1994).

Theatrical productions begin with a producer who selects the play, raises funds, and hires a director, designer, press agent, actors, and a general manager to supervise the business end of the production. Theater owners, who share in profits or losses, provide space, box office personnel, stagehands, advertising, and sometimes musicians.

Live theatrical productions are financed much like films: producers look for investors to provide needed capital. In theater these investors, known as "angels," face long odds against ever seeing a return on their investment. When there are returns, they come mainly from ancillary rights to film, cable TV, and foreign productions, not from the run of the play itself. Producers (along with theater owners) get a percentage of gross receipts until investors are paid off and then share the income from ancillary sales. Other sources of income include concessions, program advertising, and facilities rentals.

Theatergoers complain that ticket prices have soared in recent years. Attendance is about the same today as thirty years ago, but box office gross (adjusted for inflation) has increased by almost 60 percent. Overall, the profit record for Broadway and off-Broadway productions has been poor. Vogel (1986) reports that for the decade from 1972–73 to 1982–83, there were no winning seasons on Broadway, and these seasons piled up a total deficit of $66.6 billion. In 1989, according to the *New York Times,* five out of six new Broadway productions lost money. Today a typical Broadway play costs $1.5 million to mount, and musicals $4 to $7 million (Passell, 1989). Independent producers and small investors have been squeezed out (Dunn, 1988), leaving the development of Broadway productions mainly to three theater chains. The largest investor in new plays today is the Shubert organization, a charitable trust, which currently owns roughly half the theaters on Broadway.

The problem for theaters is that costs climb faster than does revenue. Rents in the all-important New York market have risen much faster than the rate of inflation. Even though many actors are paid less

for Broadway performances than for similar time investments in movies and television, star talent is expensive and wages for musicians and stagehands along with the fringe benefits and minimum crew standards required by union contracts are also costly. Technological innovations tend to increase rather than reduce costs. For example, while synthesizers are used to replace musicians elsewhere, the savings on Broadway are minimal because producers are required to employ the minimum number of musicians specified by the union contract.

Electronic and computer innovations in lighting can add to the appeal of plays and enhance the performances, but they also add to costs. Some producers and performers fear that "special effects" as in "Phantom of the Opera" and "Miss Saigon" will change audience expectations and reduce the demand for simpler theatrical performances in other settings. Most important, advertising costs, now constituting about one-third of all production costs (Vogel, 1994), have skyrocketed as theater owners have recognized the need to publicize plays through television commercials. There is a perceived lack of city support in terms of designated space for rehearsals and other auxiliary services, and the "landmark status" bestowed by the city on many theaters forbids nontheatrical use of the properties to increase revenues (Schoenfeld interview).

In contrast to Broadway, off-Broadway theater, which is growing in numbers and audience, is in effect subsidized by a differential price and cost structure. Theater costs, and all other costs, are cheaper for off-Broadway productions and those savings are passed on in the form of lower ticket prices. The form of price discrimination that is contributing to success off Broadway is currently the subject of experimentation by producers and unions as a means of salvaging little-used theaters on Broadway.

Nonprofit Organizations in the Performing Arts

Regional theaters and musical companies (opera, symphony, choral, and dance) present live performances under the aegis of not-for-profit organizations that differ in important respects from the commercial theater. In the United States, there are four major opera companies, twenty-five major orchestras, and nine major dance companies, along with scores of smaller organizations (Vogel, 1994). Each

has a board of directors responsible for setting organizational objectives and hiring an artistic director and business manager.

As is the case in commercial theater, costs have been rising faster than ticket prices. Even though salaries for talent tend to be lower in nonprofit organizations, labor is a major cost factor and sponsoring organizations have resisted raising ticket prices for fear of diminishing audiences. Unions question whether collectively bargained labor costs are the only force at play here and suggest that administrative costs are an escalating factor as well (Wolff interview).

To close the growing gap between box office revenues and costs, endemic in nonprofit performing arts groups, these organizations have increasingly looked to public and private donors to keep them afloat. The National Endowment for the Arts has been the major factor in the growth of regional theater, dance, and music companies and the Shubert Foundation is the leading patron of innovative off-Broadway theater. However, in recent years, grants from government and foundations have declined and corporate contributions have become more important. Now changes in the tax laws as well as mergers and consolidations among corporate sponsors threaten this funding source as well. The narrowing of financial resources for performing arts makes the producers increasingly dependent on "hits" that can be sold to television, movie, cable, and recording companies.

Recording

The recording industry, created by technology, has been on a roller coaster ride reflecting continual changes not only in musical tastes but also in the product itself and in the hardware on which it is played. The years since World War II have seen phenomenal growth in record sales along with a transformation of the product from vinyl record to cassette and compact disk. Currently, the compact disk, which stores more sound and is regarded as more accurate in transmitting it, has almost completely replaced vinyl records; but cassettes, which meet the demand for music while walking, jogging, or riding in a car, are holding their own and even growing in popularity. The rising demand for recordings is related to several demographic and cultural factors: an expanding population of teenagers and young adults; a thriving middle class that is heavily consumer-oriented; national advertising aimed at popularizing music; and improvements

in audio hardware and recording technologies. Over the years, domestic sales of recorded music have skyrocketed and the contagious demand for American music has fueled a similar growth in foreign sales. In fact, sales abroad are currently growing at a faster rate than domestic sales. Worldwide consumer spending on recorded music in 1990 was estimated at $24 billion a year (*Economist,* 1991).

While sales of recordings have risen over the long term, the industry has been characterized by cyclical downturns and upswings, mostly as a result of technological innovations that threaten old markets and create new ones. For example, sales dropped precipitously from 1978 to 1983 as a result of competition from home taping, made possible by the proliferation of cassettes and videotapes. The impact of these technological changes was compounded by an economic recession and a surge in oil prices, which increased the cost of producing oil-based vinyl (Berman interview). By the mid-1980s, however, the introduction of compact disks and the inauguration of music television (MTV), which helped to popularize new recordings, came to the rescue. Record sales have boomed since then.

America dominates world markets for recordings, accounting for half of all sales. As Robert Morgado, vice president of Time Warner Communications explained, music is not as bound by language as are other forms of entertainment. About 80 percent of records sold in Germany and half of those sold in Japan are recorded in English. Britain is the largest foreign market.

Six companies (five of them foreign owned) are responsible for almost all the records produced in the United States: Warner Music (United States), Sony (Japan), BMG (Germany), Polygram (Netherlands), EMI (Britain), and MCA (Japan). These companies currently account for 84 percent of all U.S. recording sales (Hofmeister, 1994). Their dominance stems from their rosters of artists and their distribution networks. On the fringe of the industry are small alternative companies that survive by introducing unknown artists and recording new or specialized forms of musical expression. Because profit margins on sales of compact disks and cassettes have been exceeding those from vinyl records, the current trend for producers is favorable.

The future of the recording industry is clouded by uncertainty about the impact of technological changes. Among the innovations already invented but not fully implemented are sound digitalization,

which can eliminate undesired noise and other recordings; digital sampling, which picks up and combines sound from other recordings; music synthesizers, computers with the ability to produce and to mix sounds; music video recordings, popularized through MTV; and recordable and erasable compact disks. The most threatening in the long run is the potential of satellite storage and broadcasting known as the "celestial juke box," which could wipe out the market for record sales (Berman interview), but the most immediate threat to record companies' sales and profits is home taping, a practice that four out of five Americans engage in, according to a congressional study. However, the study found that, while home taping displaces some sales, it can also stimulate sales by helping to advertise songs and performers (U.S. Office of Technology Assessment, 1989). Nonetheless, the study's recommendation against a government ban on home taping was contested by record producers (Wharton, 1989).

A crackdown by legal authorities has largely curbed losses from domestic counterfeiting and piracy of recorded materials (most of the copying is for personal use), but despite negotiated bilateral treaties that retaliate against countries for violating U.S. copyrights, these practices continue abroad, resulting in millions of dollars of lost revenues. The potential for piracy posed by the introduction of digital audiotapes (DAT) was blocked for four years by the refusal of record companies to license their music for the new format and by threats to sue the manufacturers of DAT. In 1991 a tentative agreement called for manufacturers to pay royalties to record companies, song writers, and music publishers on the sale of digital tape recorders and blank tapes. Congress codified this agreement by passing the Audio Home Recording Act in 1992. Still to be decided is proposed protection for performer rights (Terry, 1993).

The future offers great promise of creating new markets and stimulating the public's taste for recorded music, but the potential for unlimited access threatens the current system of control and distribution and raises age-old questions about fair compensation for performers and producers.

Motion Pictures

Since its inception early in this century, the motion picture industry has experienced steady and rapid growth. In its formative period, the

motion picture industry had essentially one source of revenue—box office receipts—but over the years new outlets for films have opened up. Television, which at first challenged motion pictures for a share of viewers, quickly evolved into a new market for both new and old movies. The market expanded even more in the 1970s to include cable, pay television, and home video. Then came the foreign markets. Revenues from these ancillary markets, once labeled "secondary," currently exceed those from the original market. In the 1980s, admissions to movie theaters stagnated and box office receipts accounted for a diminishing share of total revenue, with cable and home video bringing in the lion's share of profits and foreign markets rapidly growing.

Whether these new markets have made motion picture production and distribution more profitable, however, is debatable. Nick Counter, President of the Alliance of Motion Picture and Television Producers (AMPTP), asserts that "cannibalization" of markets has led to deficits as producers are forced to wait—and pay high interest costs—for years until production expenses are offset by revenue from ancillary markets (Counter interview). On the other hand, Harold L. Vogel, a Merrill Lynch entertainment industry analyst, says that ancillary markets have had little overall impact on profit margins which, when adjusted for inflation, are about the same as they were before the introduction of the newer markets (Vogel, 1994).

The cost structure of motion picture production and distribution is extraordinarily complex. Producing the average Hollywood movie costs $26.1 million (Weintraub, 1992b), ranging up to $75 million for movies with special effects, like *Batman Returns* (Weintraub, 1992a). Production costs include story rights acquisition; preproduction expenses (e.g., script development, costume and set design, casting); expenses associated with filming; and postproduction expenses (e.g., editing, scoring, and special effects). The "entrepreneur" or producer puts all of these processes together, negotiating with agents and suppliers and generally overseeing the actors, musicians, directors, producers, writers, technicians, and laborers involved in creating the final product. With each step of the production come new negotiations with intermediaries. First, the writer sells the script through a literary agent. Next comes the search for financing. Major Hollywood studios fund their own productions or take out bank loans, while

independent producers have to piece together funding from a variety of sources, sometimes including the studios themselves, which serve as bankers and distributors. Other funding possibilities include common stock offerings and limited partnerships, which became popular as tax shelters during the 1970s. Once the story and funding are in place, the sponsor turns to talent agents, some of whom put together package deals involving all of the key players. After the filming comes the postproduction process which involves still another set of organizations to mix sound and color and make prints.

Movie production costs tend to rise faster than inflation because of the unique character of each product and the need to bid for scarce talent. In addition, the use of "other people's money" sometimes leads to fiscal sloppiness and inflated costs. The total annual cost of producing feature films in the United States is estimated at approximately $4 billion. Films produced for television add another $1.6 billion, and commercials approximately $2 billion, bringing total film production costs to $7.6 billion (KMPG Peat Marwick, 1988).

Production of films is labor intensive. Above-the-line costs (talent) consume 40 percent of a typical film budget, while below-the-line costs (crew) account for another 33 percent, and postproduction labor costs are 12 percent (KMPG Peat Marwick, 1988). These labor costs reflect the scale wages specified by the union contract; actual wage rates, which normally exceed the scale and are determined by market forces; fringe benefits; and work rules specifying hours and other conditions of employment. Nonunion crews generally receive the going rate of pay but not union-specified fringe benefits. In the absence of negotiated work rules, nonunion productions also have greater flexibility in the way crews are used.

As high as the costs of production (known as "negative costs") are, they constitute less than one-third of the total cost of delivering a film to the consumer. The costs of distribution, including advertising and actually exhibiting the films, account for the remaining two-thirds of the box office dollar. The distribution network involves yet another set of players, including advertising and public relations firms, the mass media, and theater owners and their employees. Generally, films are distributed first to the market that generates the highest marginal revenue over the least amount of time and "cascade" to those with the lowest marginal revenue per time unit (Vogel, 1986). Historical-

ly, this progression has begun with theatrical release, followed by licensing to pay cable, TV networks, home video duplicators, and finally local TV syndicators, but recently home video has moved up the ladder ahead of cable. With art and specialized films, the distribution process moves in the opposite direction, "platforming" from small theaters to larger ones.

Key points in distribution are *selling* (through advertising and other promotional strategies) and *timing* to hit peak audiences. Advertising and publicity may add 50 percent or more to the cost of releasing a new feature. Like production costs, distribution costs have been rising at a rate above that of inflation.

In the early years of motion pictures, production and distribution were vertically integrated through the studios that owned films, made them, and distributed them to their own theaters, which were also horizontally integrated among the studio owners through cross-licensing. This system ended in 1948 when the U.S. Supreme Court compelled major Hollywood studios to sell their theater chains. In *United States v. Paramount,* the court ruled that the studios' vertical and horizontal combinations constituted a form of price-fixing that violated the Sherman Anti-Trust Act. When the U.S. Department of Justice in 1984 reviewed the consent decrees that had served as the basis for enforcing the Paramount decision, the decrees were nullified and Hollywood studios reentered the distribution business (Cray, 1989). Meanwhile, the structure of the industry had changed drastically, with the studio system being replaced by a more complex network of ownership and alliances that prevented a return to the old way of doing business. (See Christopherson, this book.)

Aside from the legal environment other major forces influencing the growth and profitability of the motion picture industry are technology, the availability of capital, and the recent growth of independent production and service organizations.

Technology, already discussed in terms of its impact on profits and distribution, has been the most important force for change. From the development of "talkies" in the 1920s to the special effects of today (created with the help of computer-aided designs and electronic editing and composition devices), the public has been fascinated by the advancements that made possible such movies as *Batman* and *Jurassic Park.* But, while technology has revolutionized filmmaking and

distribution, it has also challenged the economic power of studios by making it possible for independent producers and services to flourish.

As capital has become increasingly important to the production, distribution, and marketing of films, financing methods have become more and more sophisticated. Since each movie is uniquely designed and packaged, financial arrangements draw on a variety of sources including the major Hollywood companies (which were originally studios but evolved into financial and distribution organizations) along with a growing assortment of small, specialized independent firms. Thus, in Hollywood, "energetic little fish often can swim with great agility and success among the giant whales, assorted sharks, and piranha" (Vogel, 1994).

Nonetheless, filmmaking continues to be dominated by the large studio conglomerates that account for 80 percent of box office receipts even though they produce fewer than one-third of the films released (*Economist*, 1989). This lead role is ensured by the studios' access to capital, the key to survival in a business where most of the costs are fixed and must be invested up front, with a long wait for payoffs and a high degree of uncertainty as to whether revenues will eventually cover sunk costs. The life cycle of *Heaven Can Wait* illustrates the need for staying power on the part of the sponsoring organization. This successful film was initially distributed for showing in U.S. theaters; in its second year it was distributed abroad and through home video and U.S. cable TV; network television began to show it in the third year and it was distributed through syndication in its sixth year.

The independents, originally competitive, are teaming up with the studios that fund and distribute their creative products. Currently the three major Hollywood studios are Paramount, Warner, and Disney, all of which have strong distribution systems and financial backing. In 1988, Paramount accounted for 22 percent and Disney and Warner 18 percent each of total box office shares (Stevenson, 1989a). However, the business of moviemaking is subject to constant change; therefore, no leadership position is ever secure. Innovations in technology—which place the distribution function in the hands of wholesalers of pay television programming, sharply reduce per-person viewing prices, and give pirates easy access to the software they

produce—offer continuing challenges to the majors that have dominated this field.

According to industry sources, a small majority of films, only four out of seven, are ever profitable, even taking into account ancillary and foreign sales; so studios depend on a few big hits to wipe out losses from the failures. Even though the average film loses money,[2] the major companies are profitable. Since the heart of their business is distribution and financing, the brunt of the risks involved in marketing and production can be deflected to (and sometimes written off by) investors and producers. Smaller companies, which depend on production for their income, in contrast, have been hard hit by fluctuations in the stock market and the high risk involved in this type of enterprise.

Output of motion pictures has been subject to a long-term business cycle with fluctuations over a twenty-five-year period. However, within the cycle, this industry sector has been relatively recession resistant (Vogel, 1994) and in recent years growth of ancillary markets has dramatically increased the demand. Therefore, while costs rise at an above-average rate and competition has been increasing, major producers continue to be profitable.

Broadcasting

The broadcasting business began with radio, which was introduced and gained popularity in the 1920s. Television was introduced on an experimental basis in the 1930s and ownership of TV receivers became widespread in the 1950s. Today radio and television account for the largest share of entertainment industry revenues with television sets in nearly all American homes. The average American adult spends 1,160 hours a year listening to radio broadcasts and 1,550 hours watching television (Vogel, 1994), a time investment of more than seven hours a day.

In 1994 more than 11,500 AM and FM radio stations (up from less than 1,000 in 1946) and more than 1,500 television stations (up from six in 1946) were broadcasting in the United States. Over a thirty-

[2] Hollywood accounting practices with respect to profit and loss reports on individual films have been challenged in the *Buchwald v. Paramount* case (see O'Donnell and McDougal, 1992).

one-year period, advertising dollars spent for radio broadcasting rose by 62 percent annually; for television the annual growth rate was 126.4 percent. Given this explosive record, broadcasting has been projected to end the century as a $50 billion-a-year business (Vogel, 1994).

Radio and television are unique in the entertainment industry in that their revenue comes not from consumers but from advertisers. The success of a television or radio station in attracting an audience is measured in "rating points," reflecting the percentage of households able to receive its signal that are actually tuned to the signal. A station's "share" reflects what percentage of all households actually using their sets are tuned in to a specific program. These ratings, known as Nielsen ratings, named for the service that conducts the surveys and publishes the reports, are used to determine advertising rates for radio and television time. In broadcasting, ratings make the difference between profit and loss and growth or decline in the volume of business. Ratings leaders garner higher prices for advertising and have more secure relationships with their affiliates, the local stations that carry the networks. A single prime time ratings point won or lost, on a year's average, is estimated to be worth at least $80 million in revenues (Vogel, 1994). As the competition for shares of prime time audiences has intensified, the accuracy of the measurement systems, based on electronic monitoring of a sampling of households, have come under fire.

For example, in 1990 a Nielsen-reported decline in viewers threatened to cost the three networks $360 million in lost advertising revenues because commercial time is sold with a guaranteed cost per thousand viewers and, when the audience falls below the guarantee, the advertiser receives free "make good" time on other shows. Broadcasters demanded a change in the way the rating service collects data and/or an alteration in the guarantee system (Carter, 1990). But the demise of the only potential rival ensured that this unloved system will continue to determine the annual allocation of $30 billion in advertising (Carter, 1992b).

Technology has resulted in a proliferation of alternative media outlets that have increased competition for the advertising dollar. Cable television, whose prime time audience share rose from 6 percent to 20 percent between 1982 and 1989, and independent stations (up

from 12 to 18) are eating away at the dominant market position of the three major networks, whose share of ad dollars dropped from 80 percent to 69 percent in 1990 (Kleinfeld, 1990). Nonetheless, the pie has continued to grow though the rate of growth is slowing (Vogel, 1994), and the vast majority of advertising dollars still go to the networks' coffers.

Further fragmentation of the home viewing audience has come from videocassettes, which now can be found in nearly all homes with television sets. On the drawing boards is delivery of television direct to home by satellite, following the example introduced by Rupert Murdoch in England (Andrews, 1992). In addition, fiber optics, another technological innovation, has encouraged telephone companies (recently unleashed by FCC ruling) to enter the home entertainment field by bringing a number of channels into the home through telephone lines.

The production and distribution of television, as for movies, increasingly reach beyond U.S. borders. The television exports are not just entertainment programs—exports of news and sports programming have also been growing. Deregulation of the European market (where TV was formerly for the most part publicly owned) multiplied the number of television stations and created a booming demand for programs to fill the available airtime. European stations paid more than $1 billion for American program rights in 1989, triple the level of five years earlier (Greenhouse, 1989). While the United States is also importing more programs as a result of cable expansion, these consist mainly of English-language productions and represent only a small fraction of the international exchange (Carter, 1989b). The importance of foreign markets in the television industry has led to international coproductions and encouraged globalization of investment.

Unlike other sectors of the entertainment industry, broadcasting is regulated by the government, specifically the Federal Communications Commission (FCC), which was created to allocate scarce space in the broadcast frequency spectrum. The FCC regulates the number of stations a single company is allowed to own, limits cross-media and foreign ownership of stations, and on children's shows, limits the number of commercials that may be aired. The 1980s brought deregulation, removing many of the rules governing radio and loosening

those directed at television, placing reliance on market forces to keep broadcasters in line. Recently regulation has reemerged, but only in relation to children's programming.

Of crucial importance to the television networks have been the financial interest and syndication rules, enacted by the FCC in 1970 and known as "fin-syn," which barred the networks from the syndication business and prevented them from taking an equity position in programs they put on the air. As the business began to change in the 1980s with competition from cable, the networks protested more and more vigorously. When the FCC decided to reconsider the rules, motion picture producers entered the fray to protect their exclusive control of the lucrative syndication business. While the issue was being debated, cable and "independent" television businesses were permitted to produce their own programs and sell them to other stations here and abroad, and the networks were gearing up for more in-house production (Fabrikant, 1989). In 1991, a bitterly divided FCC voted a compromise, allowing networks to acquire full resale rights to 40 percent of their prime time schedules and royalties for the rest of their shows, as well as rights to sell reruns in foreign markets, but continued to prevent them from distributing shows produced exclusively for syndication, including popular game and talk shows (Stevenson, 1991). After that order was struck down by the U.S. Court of Appeals, the FCC reversed itself and granted the television networks the right to own all of the prime time shows they carry (Andrews, 1993).

On another front, television broadcasters successfully pressed for congressional action to force cable companies to pay for programs they pick up by satellite and transmit as part of their service to subscribers (Goldman, 1992). So, while broadcasters may decry government regulation, they also use it as a weapon in the competitive struggle for profits.

The major costs incurred by radio and television are for programming and operating. In television, programming expenses have risen faster than operating expenses, which tend to be more predictable.

In recent years, the costs of news and sports broadcasting have come under intense scrutiny. Although television news programs cost substantially less than most entertainment programming, the expenses of maintaining worldwide news-gathering networks great-

ly outstrip revenues. Originally viewed as a public service, news programs were considered obligatory even when they lost money; but deregulation, which eliminated the public service obligation, and rising costs, fueled by fierce bidding for star anchors and the need for worldwide travel, led to drastic budget cuts in network news departments and opened discussion of the possibility of eliminating coverage and leaving it to the cable networks that can provide it more cheaply. Despite these problems, however, Roper polls have found that news programs are one of the two types of shows (along with full-length movies) that most viewers "really like to watch on regular TV" (Kubasik, 1987). So the networks continue news programming but seek ways to cut costs. NBC, for example, bought into Visnews, Ltd., an internationally owned news-gathering service, to share production expenses (Gerard, 1988).

Intense competition for sports broadcasting among the networks, independents, and cable networks has driven up the price of sports contracts. When CBS acquired the rights to broadcast major league baseball in 1988, it paid as much money for a four-year contract as NBC and ABC combined had paid for the previous six years. While the major networks claim to be losing millions of dollars on professional football, they continue to bid for sports as part of an overall strategy to capture the top position in Nielsen ratings. In this struggle, sports broadcasting becomes the loss leader to attract viewer attention.

In addition to their programming and operating costs, networks have paid out considerable sums to compensate affiliates that carry their programs. (This compensation constitutes about five percent of affiliates' revenues.)

Although there are thousands of radio and television stations in the United States, the business of broadcasting has been dominated by the Big Three networks—National Broadcasting (NBC), CBS, and American Broadcasting Companies, Inc. (ABC), which feed programs to local affiliated stations and compete with one another for listener and viewer ratings. In recent years, the competition has intensified, first by the entry of Fox, and more recently by other virtual networks and cable.

The trend toward cross-ownership, seen in other sectors of the

entertainment industry, also characterizes television, where networks acquire cable properties. Recent takeovers have come from conglomerates with holdings in other lines of business and telephone companies are beginning to enter the bidding war. (See Les Brown, this book, for detailed discussion of these trends.)

Foreign firms have been buying U.S. media facilities at a faster rate than U.S. counterparts invest abroad, a phenomenon attributed to the decline of the dollar against foreign currencies.

Changing patterns of ownership have brought about increased concentration in all of the mass media, including newspapers and magazines as well as the electronic media (radio, recording, television, and motion pictures). While there are currently twenty-five thousand media companies in the United States alone, worldwide twenty-nine leading corporations are alleged to do most of the business. It is predicted that this number will shrink to six by the year 2000 (Bagdikian, 1983).

Despite the concentrated structure of ownership in broadcasting, technological change stimulates competition between cable and independent companies and the networks, leaving some room for smaller companies to work around the edges (Vogel, 1986).

Because operating costs (at least in the short run) are relatively stable, profitability in broadcasting is largely a function of the revenue stream from advertising. Historically, trends in broadcast company profits have tended to follow general trends in the economy, rising in prosperity and declining with recession (Vogel, 1986).

Pretax profit margins for broadcasting have historically been well above the average for other industries. However, recent challenges for home audience share by cable and videocassettes, along with debt accumulated in buying and selling broadcast holdings, raise questions about future profitability. In general, the networks have been faring less well than their affiliates and the studios from which they purchase films, both of which make about a 30 percent return on their sales. The comparable rate of return for networks is only 3 percent. Network strategies for coping with the profit squeeze, in addition to cost cutting and advertising lures, focus primarily on producing their own programs and taking advantage of the opportunities afforded by foreign sales.

Unions and Bargaining Structure

The arts and entertainment industry broadly defined employed almost one million people in 1992, including 380,700 in motion picture production and distribution; 244,900 in radio and television broadcasting; and 134,000 in cable television (U.S. Department of Labor, 1992). Average weekly earnings for this industry are relatively low: $326.70 for motion picture and $472.93 for radio and television broadcast employees (U.S. Department of Labor, 1992). These averages mask a wide range of salaries from "stars," who are extremely highly paid, to intermittently employed performers and technicians with minimal annual earnings. The average employee in the industry is attached to his or her craft more in spirit than in measurable employment. For the many who seek work in the industry and are unable to find it, earnings and hours attributable to AEEM approach zero.

The industry is highly unionized. Unfortunately, there are no accurate figures for the extent of unionization by sector. Knowledgeable observers say that almost all performers are union members and work under union contracts. For technicians and production workers, it is universally accepted that the union sector has declined. One observer has estimated that 85 percent of Hollywood productions were unionized in 1983 and that the figure had declined to 60 percent by the end of the decade (Cooper, 1988). The broadcast, recording, and live entertainment sectors are highly organized but the cable sector is not.

According to union and industrial officials interviewed for this study, talent unions (with the exception of those for musicians) have registered explosive growth in recent years, while membership in craft unions has remained stable. Raw union membership figures support the above generalizations.

Table 1.1 provides a list of the major labor organizations representing employees in the AEEM industry, with areas of jurisdiction and most recent membership figures. Each of the four AEEM sectors involves two types of unions: above-the-line unions representing creative employees (actors, musicians, writers, etc.) and below-the-line unions representing craft and technical workers.

Membership in above- and below-the-line unions in entertain-

Table 1.1. Membership in Major Labor Organizations in the Arts, Entertainment, and Electronic Media Industry.

Union	Year Formed	Jurisdiction	Membership 1988	Membership Change 1979–88	Membership 1994	Membership Change 1988–94
		Above the Line				
1. Performers Unions						
Actors Equity Association (AEA)	1913	Actors, singers, dancers, and stage managers in theatrical live performances	40,000	+82%	36,000	−10%
American Federation of Musicians (AFM)	1896	Musicians in all forms of entertainment, except concerts	207,000	−38%	150,000	−27%
American Federation of Television and Radio Artists (AFTRA)	1937	Actors and announcers in live and taped performances for radio and television; performers in recordings; and technicians in local television	63,000	+63%	75,000	+19%
American Guild of Musical Artists (AGMA)	1936	Singers and dancers in opera and dance; and all solo artists	5,700	+14%	5,287	−7%
American Guild of Variety Artists (AGVA)	1936	Performers in night clubs, circuses and variety shows	5,000	+6%	N.A.	N.A.

(continued)

Table 1.1. (Continued)

Union	Year Formed	Jurisdiction	Membership 1988	Membership Change 1979–88	Membership 1994	Membership Change 1988–94
Screen Actors Guild (SAG)	1922	Actors, singers, and dancers in motion pictures and filmed television productions	70,000	+80%	78,000	+11%
Screen Extras Guild (SEG)	1946	Nonspeaking performers in motion pictures and television (recently merged with SAG)	5,000	+28%	5,000[b]	N.A.
2. Nonperforming Unions						
Directors Guild (DGA)	1936	Directors in motion pictures, radio, and television	8,600	+72%	10,098	+14%
Writers Guild (WGA) (divided into Writers Guild East and West in 1979)	1954	Writers for motion pictures, radio, and television	9,900	+38%	11,154	+13%
Society of Stage Directors and Choreographers	N.A.	Live performances	N.A.	N.A.	N.A.	N.A.
		Below the Line				
1. Craft Unions Exclusively in AEEM						
International Alliance of Theatrical and Stage Employees (IATSE)	1893	Skilled production and technical workers in stage, motion pictures and television production; operators in movie theaters	60,000	−3%	50,000	−17%

National Association of Broadcast Engineers and Technicians (NABET)	1933	Technicians in radio and television	12,000	+64%	18,500	+54%

2. Other Unions	Jurisdiction in AEEM	AEEM Membership 1988	AEEM Membership Change 1979–88	AEEM Membership 1994	AEEM Membership Change 1988–94
International Brotherhood of Teamsters (IBT)	Drivers and production workers in motion pictures and television productions	12,000[a]	N.A.	N.A.	N.A.
International Brotherhood of Electrical Workers (IBEW)	Electricians in motion pictures and technicians in radio and television	14,000[a]	N.A.	N.A.	N.A.
Other Basic Crafts (AFL-CIO Building Trades Union)	Construction crafts in motion picture production	Unknown	Unknown	N.A.	N.A.

Source: All figures are from Gifford, 1994, except where noted.
[a]These estimates are from phone interviews with union officials.
[b]Prior to merger with SAG in 1992.
N.A. = Not available.

ment is, with few exceptions, based on narrowly defined occupations. It is worth noting that many of the AEEM craft unions owe their existence to a new technology or art form that was neglected by an existing union. For example, in the early days of motion pictures, Actors Equity (AEA) considered film acting to be outside its primary craft jurisdiction; and, after a preliminary try at organizing, allowed the formation of the Screen Actors Guild (SAG) rather than seeking to represent actors on film (O'Neal interview). Likewise, the American Federation of Television and Radio Artists (AFTRA) was born out of the desire of SAG members to separate themselves from the new communication form of radio, which formed the basis for later organizing in television. While these early distinctions have grown less and less important over time, particularly between SAG and AFTRA, they still describe significant distinctions between the unions. SAG and AFTRA have entered into merger discussions more than once, and currently they jointly negotiate contracts for television commercials. Also, many performers hold multiple memberships in AEA, SAG, and AFTRA and work under their contracts. Thus, while there are multiple performing unions, those distinctions have blurred in practice within the performing community.

Such a trend is not the case with the below-the-line unions. They are also craft-dominated, with the exceptions of the Teamsters (IBT) and the National Association of Broadcast Engineers and Technicians (NABET), but multiple membership is not an important force and the distinctions between unions, and even locals, are critically important. NABET is the most significant of the industrial-type unions, representing employees in many kinds of craft or technical occupations within the television industry. In recent years, NABET had begun to make forays into the film industry, where it was applying the same basic principles of industrial-based union organization. In October, 1990, the NABET film local (15) affiliated with the International Association of Theatrical and Stage Employees (IATSE), which represents the majority of skilled employees in motion pictures and all skilled craftspeople in live production, thus ending a small movement toward industrial unionism in film production, at least for the time being.

Perhaps in part as a result of multiple union memberships in

above-the-line organizations, potential combinations and mergers of unions in the industry have been hinted at for some time. Longtime discussions between SAG and AFTRA have yet to result in a merger but have led to significant cooperation between the two organizations. A major impediment to merger is the difference in structure between these organizations. The SAG is a national union with no local affiliates, while AFTRA is decentralized with locals holding major decision-making power. Also, because AFTRA's membership is increasingly influenced by television, sports, and news personalities, and behind-the-camera employees rather than actors who hold dual SAG/AFTRA memberships, it may be that interest in a merger will decline rather than increase. Meanwhile, the Screen Extras Guild has merged with the Screen Actors Guild, ending a long debate about the desirability of this union.

Below-the-line unions have also entertained notions of merger in recent years. Cooperative arrangements among IATSE, IBEW, and NABET, the dominant below-the-line craft unions, have fueled speculation about mergers. Informal discussions and proposals for merger have been floated without yielding tangible results. In 1993 NABET worked out an affiliation agreement with the Communications Workers of America (CWA).

Table 1.2 graphically defines the bargaining structure in the industry by sector and gives more of a sense of the representational scope of each of the unions. Above-the-line unions in the live performing arts sector include Actors Equity (AEA), the American Federation of Musicians (AFM), the American Guild of Musical Artists (AGMA), and the American Guild of Variety Artists (AGVA). Announcers in live performances may belong to the American Federation of Television and Radio Artists (AFTRA). Below-the-line workers are represented by the International Alliance of Theatrical and Stage Employees (IATSE).

Bargaining in the live entertainment portion of AEEM is the most decentralized. While employer associations exist in some major metropolitan areas and regions with significant theater and ballet activity (particularly New York City, where the League of New York Theaters negotiates contracts with all the unions), live entertainment bargaining is largely characterized as single-employer, single-union.

Table 1.2. Bargaining Structure in the Arts, Entertainment, and Electronic Media Industry.

Employer Group(s)	Scope of Agreements	Unions
	Live Entertainment	
Theater		
League of New York Theaters (LNYT)	Local or regional, often multi-employer	AEA, IATSE, AFM
League of Regional Theaters (LRT) and other associations		
Individual Theaters		
Opera		
Individual Companies	Local, single-employer	AGMA, AFM, IATSE
Symphony		
Individual Orchestras	Local, single-employer	AFM, IATSE
Ballet		
Individual Companies	Local, single-employer	AGMA, AFM, IATSE
Solo Concerts	Local, single employer	AGMA
Night Clubs/Variety/ Arena Concerts	Local, single employer	AGVA, AFM, IATSE
	Motion Pictures	
Production		
Alliance of Motion Pictures and Television Producers (represents studios, independents, suppliers, payroll, and post-production houses) (AMPTP)	National, multi-employer	SAG, SEG, AFM DGA, WGA, IATSE, IBEW, AFL-CIO, Basic Crafts, IBT
Independents[a]		Same
Distribution		
Theatrical Exhibitors	Single employer, multi-site	IATSE
	Recorded Music	
Recording Industry of America (RIA)	National, multi-employer	AFM, IBEW, AFTRA
	Television and Radio	
AMPTP	National, multi-employer	SAG, SEG, AFM, DGA, WGA, IATSE, IBEW, AFL-CIO, Basic Crafts, IBT
Networks		
ABC	National, single employer	NABET, AFTRA, IATSE, WGA, DGA
CBS	National, single employer	IBEW, IATSE, WGA, DGA, AFTRA

(*continued*)

Table 1.2. (continued)

Employer Group(s)	Scope of Agreements	Unions
NBC	National, single-employer	NABET, AFTRA, DGA, IATSE
Local Radio/Television	Local, single-employer	AFM, AFTRA, NABET, IBEW
Commercial Television	National	AFTRA, SAG

Note: Full union names are given in Table 1.1.
[a]All production companies not affiliated with AMPTP.

This should not be interpreted in the same way one might look at a single-factory, single-union structure, however. Spheres of influence on bargaining emanate from the most important contracts in New York. Thus, conditions in Chicago or Atlanta are at least loosely connected to bargaining outcomes in New York. In symphony orchestras and ballet, moreover, the AFM seeks more formally to coordinate activities nationally, as does IATSE with its locals; therefore, while salaries and working conditions around the country are not uniform, patterns are replicated to some extent.

Unions in the recording sector include the AFM, AFTRA, and the International Brotherhood of Electrical Workers (IBEW). An employer association, the Recording Industry of America (RIA), negotiates primarily with the AFM for recorded music contracts. Live music contracts in cities with significant activity in this area (Las Vegas, for example) are negotiated locally with local employers' associations and the AFM.

In filmmaking, above-the-line workers are represented by the Screen Actors Guild (SAG), Writers Guild (WGA), Directors Guild (DGA), Producers Guild (PGA), and AFM. Below-the-line workers are represented primarily by IATSE. Other below-the-line unions include the IBEW; the IBT, representing drivers; and Basic Crafts, which consist of the AFL-CIO Building Trades Unions representing construction workers.

One set of collective bargaining contracts dominates the entire motion picture industry. The Alliance of Motion Picture and Television Producers (AMPTP) negotiates contracts with actors, directors, writers, and musicians above the line as well as the major below-the-line unions in Hollywood and New York. With film now dominated

by seven or eight major studios, collective bargaining in motion pictures is the most centralized in the AEEM industry. However, it should be noted that the employers, while representing divergent interests, bargain jointly through AMPTP while the unions currently negotiate separately with this association.

In the broadcast sector, each of the major networks negotiates individual contracts with unions representing their employees on a national basis. These contracts are supplemented by local agreements for individual local stations and cable networks. Actors are represented by AFTRA and SAG. Other above-the-line broadcasting unions involved in the television sector are the DGA, WGA, PGA, and AFM. Below-the-line radio and television unions include NABET, IATSE, and IBEW. Negotiations in this segment have been particularly difficult as a result of rapid technological change and the explosive growth of competing cable television.

The Impact of Technology on Employment and Labor Relations

Business and labor leaders agree that technology has been the single most important influence on employment and labor relations in the AEEM industry. Changes in technology have an impact on the number and types of jobs available as well as on the compensation and working conditions of employees. Also affected are union jurisdictions and the relative bargaining strength of unions and employers.

Employment

Explosive technology has been responsible for long-term growth in all sectors of the industry except the live performing arts. Although millions of jobs have been created, employment growth has been selective, generally creating jobs for performers and other above-the-line personnel while eliminating jobs for technicians and skilled craft workers. In a special category among performers are musicians, whose employment opportunities have dwindled over the past century, first as a result of sound movies that eliminated jobs in movie

theaters and then by recordings that were used to replace live musicians in night clubs, radio, and other media. Today the synthesizers that simulate all musical sounds threaten to eliminate musicians from most forms of paid employment (Seltzer, 1989).

Early in the history of moviemaking, many performers lost work in the switch from silent to sound movies. While performers in recent years have largely been exempt from technological replacement, a synthetic nonhuman voice is in development (one called Dectalk has already been introduced). Digital voice sampling is being used as a substitute for live choruses in recorded commercials and could spread to other forms of entertainment, and computer graphics, which are already substituting for performers in special effects, have the potential of displacing middle-level performers.

Many below-the-line occupations have become obsolete through the introduction of new equipment. For example, handheld cameras created a revolution in television employment by sharply reducing the number of workers needed on a camera crew from three to one. Some news operations are suggesting that reporters carry their own cameras, which would completely eliminate the need for camera operators. The proliferation of lighter and more mobile equipment has caused full-time traveling crews in television and movie productions to be replaced by part-time local contractors.

Because the pace of innovation in broadcasting is so rapid, equipment is replaced rather than repaired when it breaks down, thereby reducing the need for repair technicians. Movie theater projectionists have been hard-hit by shrinking employment opportunities since the invention of equipment that makes it possible for a single operator to deliver several movies simultaneously in different locations. Projectionists who previously worked in race tracks and airplanes have also lost jobs through the introduction of videotape.

In radio broadcasting both FM and AM radio stations have been proliferating. The number of translators (short-range boosters) has multiplied tenfold in the last decade, and new FCC regulations and technological innovations, such as the vastly improved walk-around personal stereos, could lead to a thousand new FM and five hundred new AM stations in the mid-1990s. Nevertheless, employment opportunities at local broadcasting stations are threatened by innovative technologies such as satellite transmission, which makes it pos-

sible for stations to broadcast network programming instead of employing local announcers and disc jockeys. The Satellite Music Network already makes such programming available to stations around the country.

Job Content and Working Conditions

Technicians in the AEEM sector complain that technological innovation has "deskilled" their jobs. As traditional functions are increasingly performed by computers that make it possible for employers to hire more part-time and temporary workers, technicians no longer consider themselves indispensable and see their jobs becoming less and less secure.

Technology is also being used to shift work previously covered by collective bargaining agreements into the domain of management. For example, after the introduction of computers at NBC, NABET insisted on maintaining control over the new jobs that were created, since they involved the use of technical equipment and replaced work formerly done by NABET members. NBC management maintained that computer operators perform managerial functions that cannot be separated from technical work and therefore should not be included in the bargaining unit. According to a NABET representative, "the promise of no layoffs plus high salaries for the existing workers suggests that the introduction of computers is not in the traditional mode of cost-saving, but rather an attempt to take away the workers' control which workers exercise over the workplace through their jurisdiction over the technological equipment" (Moffett interview).

For above-the-line unions, technological changes—notably the introduction of new media—have also led to the renegotiation of rules governing working conditions. Moreover, technology has created new occupational safety and health hazards, particularly for employees involved in special effects. With each technological innovation, these issues of employment and work rules resurface.

Compensation

Because technology affects productivity, it influences rates of payment in all categories of work. Of special concern to above-the-line

personnel—writers, producers, directors, and performers—is the dilemma posed by the proliferation of media outlets created by new technology. For example, old movies are being rereleased as videos and shown on cable television, sometimes after "colorization." Old music performances are being cleaned up electronically and reissued as compact disks, a process that can be five to twenty times cheaper than recording new performances. Ironically, some performers today are finding their current performances in direct competition with their own previous work.

The distribution of profits realized from reissuing old works has created immense problems in the past and has sharpened concern by unions over how residuals (payments to artists for works reissued) will be handled in the future. In 1960, for example, SAG and WGA struck over the issue of artists' residuals for films shown on television. A 1973 writers' strike was precipitated by the introduction of pay TV and the anticipated proliferation of videocassettes. SAG in 1980 and WGA in 1981 struck again over pay TV residuals. When innovations in film editing technology made it possible to introduce fifteen-second-commercials with smooth transitions (the previous minimum was thirty seconds), SAG narrowly averted another strike by negotiating a new formula for performer residuals in 1985. In 1988 the WGA struck again, this time over syndication residuals related to the network programming and its eventual foreign sales.

When video disks were introduced, the major issues in union-management negotiations were the amount of the initial payments, the time before extra compensation would be due, and the rate and calculation of the extra pay. Six different unions were involved in the discussions, and there were three strikes before they ended.

Union Power and Jurisdiction

Because employees in the AEEM industry have traditionally been organized along carefully drawn craft lines, changes in production have a profound effect on union jurisdiction. In recent times, technological changes have led to turf wars among existing unions which jealously guard traditional jurisdictions.

The switch from live television to taped or filmed programming,

for example, stimulated intense interunion competition both above the line (between SAG and AFTRA) and below the line (among IATSE, IBEW, and NABET). The introduction of the minicam resulted in a transfer of work from IATSE, which represents film crews, to NABET and IBEW, which represent engineers (see Goldstein, 1978 for a detailed description of the ensuing litigation). Video editing and computer graphics are also affecting union jurisdictions in film production. As graphic artists are replaced by technician/artists, who will represent them—WGA, NABET, or IBEW? Of great concern to film unions has been the long-awaited introduction of high-resolution video, which threatens to end celluloid production and could cause "the greatest transfer of bargaining unit work ever seen in the history of the industry" (Tajgman interview).

Technological change can also influence, positively or negatively, the bargaining strength of unions and employers. For example, the automation of broadcasting may make strikes obsolete for certain below-the-line units (Moffett interview), as illustrated by the disastrous NBC strike in 1986, in which striking technicians were quickly and easily replaced by supervisors and vendor representatives. On the other hand, competition among media created by new technology may strengthen the strike threat for above-the-line unions, as illustrated by the 1988 writers' strike, during which many viewers and advertisers switched from network to cable television.

Labor-Management Conflict

Technology has been the source of conflict both between unions and between unions and employers. An official of SAG contends that all of the major strikes of the talent unions have been "technology driven." While the introduction of new media, from movies to television to cable, VCRs, and satellites, has expanded the demand for talent, each of these innovations has also created conflict over compensation and working conditions (Chassman interview).

As previously noted, strikes by above-the-line unions have focused primarily on the issue of compensation, or residual payments, but below-the-line unions have also had their share of conflict generated by changes in technology. IBEW workers at CBS struck in 1971 over the introduction of the handheld camera, and the NABET strike of

1986 revolved around the issue of crew size for filming of television broadcasts.

On the other hand, common interest in resolving problems created by technological change gave rise to labor-management cooperation efforts between IBEW and CBS, and more recently stimulated periodic joint consultations among AMPTP and IATSE, the Writers Guild, SAG, and AFTRA.

Union Responses to Technological Change

Given the diversity of unions and employers in the AEEM industry, it is not surprising to find a broad spectrum of reactions—ranging from confrontation to cooperation—when new technology is introduced.

The AFM, the first union to experience the threat of wholesale job displacement, fought back against the use of recorded music by urging its members to boycott the innovation. When a labor boycott failed, the union appealed to the public to join a consumer boycott. Most recently, the AFM has used labor boycotts and public appeals in its campaign against the use of taped music in Atlantic City and Las Vegas night clubs and the use of synthesizers on Broadway.

Perhaps because of the limited effectiveness of strikes and boycotts, the AFM has initiated other strategies to curtail the loss of jobs. Particularly innovative was its attempt to secure compensation for the loss of musicians' jobs through the creation of a Performance Trust Fund. The fund, supported by employer contributions, is used to provide free concerts that create new jobs for unemployed musicians. (See Seltzer, 1989 for a detailed description of AFM strategies in the 1930s and 1940s.)

The AFM has also negotiated increased rates of pay for performers who utilize new forms of technology. To discourage the use of synthesizers that replace groups of musicians with a single player, for example, the AFM has negotiated a much higher rate of pay for the musicians who operate the synthesizers. This tactic, like the Performance Trust Fund, is a form of sharing in the increased revenue created by introduction of new technology while at the same time raising the price of innovation to discourage its use.

In recent years, IATSE has attempted to create jobs by persuading

manufacturers to train its members in the use of newly designed lighting systems. In response to cutbacks in employment of theater projectionists, IATSE has also pursued the idea of job enlargement, that is, adding other duties to the projectionists' jobs to protect incumbents faced with job loss.

The tools most widely used by unions to save the jobs of technicians and skilled workers in the AEEM industry are work rules and minimum crew size. For example, AFM and IATSE contracts with the League of New York Theatres specify the number of persons to be employed in each function. Similar specifications of minimum crew size are written into contracts with filmmakers and broadcasters. Union officials contend that minimum crew size provisions also benefit employers by providing a flexible pool of labor to meet changing job requirements. Work rules that prohibit employees from performing work other than that specified in the contract are another form of protection from displacement when new labor-saving technology is introduced. Unions have also negotiated employment guarantees and employee buyouts (i.e., early retirement) for members facing job loss, as was the case when NABET and IBEW confronted the introduction of the minicam.

While below-the-line unions have concentrated on protecting jobs, above-the-line unions have focused on sharing in the gains, a difference in collective bargaining goals which reflects the differential employment impacts of technology on performers and technicians; as indicated, job openings for performers have increased as a result of the proliferation of media outlets for entertainment while employment of technicians has declined. Residuals, introduced in the late 1950s in contracts negotiated by AFTRA and SAG and later adopted by other unions, compensate performers for past work that is reissued in another medium or outlet. This is a form of gain sharing that enables the employer to delay payment until costs have been recovered, thereby reducing risks. Direct profit sharing, a practice that is spreading in other industries, is rare in entertainment, however. The only current example is the Metropolitan Opera Company, whose contract provides its performers with a share of the proceeds from the sale of opera reproduction rights to the electronic media.

All of the strategies discussed thus far have evolved from the collective bargaining process. Unions have also turned to the political

arena to achieve their objectives. For example, the talent unions have lobbied extensively for changes in copyright laws to protect "intellectual property" from invasion by new forms of technology. They have also been active in campaigns for increased funding for the National Endowment for the Arts.

Technological threats and other challenges to union bargaining power have encouraged interunion cooperation, including joint bargaining committees and merger talks between SAG and AFTRA. Below-the-line unions, traditionally competitive, are beginning to exchange information and cooperate in both organizing and bargaining. AEEM unions in the United States also look to their counterparts abroad for cooperation in resisting threats to their bargaining power. A decisive factor in settling SAG's thirty-day strike in 1988, for example, was an understanding with unions in Canada, Britain, and Australia that prevented producers from substituting commercials produced overseas for domestic ads (Greenspan interview).

Labor-management cooperation, a strategy that has found increasing acceptance in other industries coping with change (see Kochan, Katz, and McKersie, 1986, for examples and analysis), is also being tried in the broadcast and film sectors. Since 1971, for instance, CBS and the IBEW have been meeting on a quarterly basis to discuss trends and long-range solutions. SAG and AFTRA have developed a similar relationship with the council representing the advertising industry, and for the first time, the AMPTP has entered into periodic consultations with IATSE, Writers Guild, SAG, and AFTRA. Going beyond consultation, employees in some symphony orchestras participate on the board of directors.

Whether labor-management cooperation continues to spread depends, of course, on results. While the examples cited above are suggestive, it is too early to tell whether such cooperation will become the rule in the industry.

This survey of the major forces affecting labor relations in the AEEM industry will serve as background for the chapters to follow. Contributions by Brown, Christopherson, Amman, and Paul and Kleingartner each focus on a specific issue or area of the industry and present primary research findings to illustrate central points about that segment.