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# Introduction

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# Introduction

## **Abstract**

[Excerpt] There is perhaps no more visible segment of the American economy than the arts and entertainment sector. When the Writers guild engaged its members in a strike against the Alliance of Motion Picture and Television Producers in 1988, the popular culture of the vast majority of the American public was deeply affected. New television shows were delayed and the networks scrambled to find replacement programming. Virtually everyone was aware of the labor-management conflict, though probably not of its cause, and conscious of its impact on their lives. It could be argued that strikes in any of a half-dozen industries over the course of that year had less impact on the average American life, even though many times the number of workers were effected.

## **Keywords**

American economy, arts, entertainment sector, writers, guild, motion picture, television, producer, public, union, worker, industries, music

## **Disciplines**

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## **Comments**

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## Introduction

*Lois Gray and Ronald Seeber*

The entertainment industry is now the driving force for new technology, as defense used to be.

—*Business Week*, March 14, 1994

There is perhaps no more visible segment of the American economy than the arts and entertainment sector. When the Writers Guild engaged its members in a strike against the Alliance of Motion Picture and Television Producers in 1988, the popular culture of the vast majority of the American public was deeply affected. New television shows were delayed and the networks scrambled to find replacement programming. Virtually everyone was aware of the labor-management conflict, though probably not of its cause, and conscious of its impact on their lives. It could be argued that strikes in any of a half-dozen industries over the course of that year had less impact on the average American life, even though many times the number of workers were affected.

No other product so universally affects us as the combined output of this sector of the economy. Whether it be film, television, music, or the live arts, everyone is a consumer of this industry. Everyone has opinions, not necessarily informed or well conceived, about this industry. These simple universalities would seem to make this sector of the economy worthy of much more attention than it has received in the past. While a voluminous bibliography could be constructed of books, articles, and popular press devoted to the artistic side of this industry, almost no attention has been paid to the people who work in it, finance it, and profit from it. We know very little about the

union-management relationships in this industry, which receive scant popular notice save when something like the 1988 writers' strike occurs.

This is a significant and important gap in knowledge, given the scope of change that has occurred in the industry over the past few decades. For not only does the product of this industry wield enormous influence over us, but some of the most important and far-reaching technological changes of our times have taken place in the workplaces of Hollywood, New York, and the other emerging entertainment production centers. It is this intersection of economics, labor relations, and technological change that will be addressed in this volume. Technological change has produced a dazzling array of new products and media for the enjoyment of entertainment. Technological change has also produced a difficult set of challenges for unions, workers, and managers in this industry. And technological change has influenced the economic structure of production and distribution throughout the industry. Within this volume, we will focus our attention on technological change and its impact on those institutions and individuals. Our future is dramatically influenced by these events and a deeper understanding of these changes is necessary for all of us.

### **Definition of the AEEM Industry**

In this study, the arts, entertainment, and electronic media (AEEM) industry is defined as including four sectors: live performing arts, recordings, motion pictures, and television and radio. While some might argue that this definition is either too broadly or too narrowly drawn (for example, it excludes sports, gambling, and theme parks), it works for the purposes of studying industrial relations because of the commonality of the work performed, the product produced, and the structure of collective bargaining and management.

The live performing arts sector consists of live theater (plays, musicals, and variety shows), performed primarily in larger cities and occasionally taken to smaller metropolitan areas through touring companies to be performed by local and regional theatrical compa-

nies; live music, which includes orchestras, opera, and concerts, including jazz, pop, and rock and roll; and dance, notably ballet companies based in major cities.

The recording sector is composed of several major record companies and many smaller ones, all of which produce and distribute vinyl records, cassette tapes, and compact disks (CDs). The motion picture sector includes companies that produce and distribute films and the networks of theaters that exhibit them.

The broadcast sector of the AEEM industry, like the film sector, includes both production and distribution. Producers of television films are mostly the same companies that produce motion pictures, except for news, sports, and game shows, which are produced by departments within the television networks. Four major networks and a host of minor ones distribute the television product over the air waves or through cable systems.

### Reasons for Studying This Industry

Many industrial relations scholars are finding that studies focusing on specific industries or sectors in the economy are the best way to understand current developments in industrial and labor relations (Lipsky and Donn, 1987). The era of theories of conflict and convergence in collective bargaining that can be broadly applied to all industries is more in question than it ever was. Different sectors of the economy have diverged in terms of both the employment problems they face and their approaches to industrial relations. Thus, each sector's industrial relations can be understood best by examining the specific economic and organizational context in which it occurs.

There are compelling reasons for studying the AEEM industry in particular.

1. The AEEM industry is a prime example of high technology development and application. Indeed, technology has been the driving force behind change in the industry, and understanding its effects could help to anticipate and resolve future problems in other rapidly changing industries. Leading spokespersons from both labor and management have stated that the rapid pace of technological change is the single most important influence on labor-management

relations and is at the root of most labor-management disputes in the industry (Counter and Chassman interviews).

2. The AEEM industry, while small in comparison to, say, the automobile industry, is a highly visible and thus important sector of the economy. When a few thousand television writers go on strike, the economic activity affected is relatively small in the total economy, but because of the public's familiarity with the product involved (i.e., television programs), the strike has a significant effect on public consciousness and can change consumers' behavior patterns in a way that almost no other kind of industrial conflict can.

3. The AEEM industry, unlike most of the American economy, is a major net exporter of product and as such is one of a recently dwindling set of industries that contribute positively to the U.S. balance of trade. The export of American films alone contributes well over a billion dollars to the balance of trade (Stevenson, 1989b). When television and other forms of entertainment are included, this industry becomes a significant contributor to this country's economy at a time when it is bleeding from trade deficits in nearly all other sectors. Films, television, and recordings produced in the United States set the standard for consumers around the world. No other country has a film or television industry comparable in size, and no other country exports as much of its film and television product as the United States. If we are to solve this country's balance of trade problems, we need to understand the dynamics of industries that have continued to be successful exporters.

4. At a time when unionization is in decline in the United States, the AEEM industry has continued to be heavily unionized. However, as the workforce changes and the proportion of unionized craft workers shrinks, primarily as a result of technological change, the terms and conditions of employment are becoming less and less dominated by collective bargaining. The future of the AEEM craft unions certainly could have implications for other craft unions in the United States that face obsolescence or large reductions in membership in the face of technological change.

5. The industry was influenced by conflict in the 1980s which brought ~~strikes in creative~~ (known as above-the-line) occupations and craft (below-the-line) occupations in the film industry. Most highly publicized have been strikes by writers and actors, but the

International Brotherhood of Teamsters and unions representing related workers and technicians have engaged in conflict too. We have also witnessed strikes at two major television networks (CBS and NBC), while negotiations at ABC have reached the brink of conflict several times in recent years. The American Federation of Musicians has been engaged in continuing disputes with employers, including symphony orchestras, night clubs, and recording companies. That this conflict has occurred in an era when many industries in the United States have had relatively peaceful relations between labor and management is of great interest to industrial relations scholars and policymakers who seek to understand the roots of conflict.

6. As a result of these conflicts and growing recognition of mutual labor-management stakes in survival of a rapidly changing industry, joint consultations are beginning to emerge in sectors of motion picture and television production, suggesting further areas for exploration with respect to the dynamics of labor-management relations. This development may have implications for other industries.

### The Difficulties of Studying the AEEM Industry

Everyone knows something about this sector of the economy, because everyone is a consumer of its product. This knowledge, although widespread, is superficial. Real, in-depth knowledge or analysis of the industry is extremely scarce.

We are all aware to some extent of the technological revolution in the production and distribution of art and entertainment. Technology has allowed the production of both audio and video to be completed at a higher quality with more widely available equipment. While this equipment is not always a less costly production medium, and in many cases is significantly more costly, it has often allowed the product to be created with fewer and fewer people. This outcome is mostly invisible to the consuming public. News reports are now produced by one or two people who are able to go anywhere, rather than the previously more unwieldy and limiting three- or four-person crews. Music is recorded with the assistance of synthesized instruments and digitally sampled voices, rather than live musicians and singers.

Cable television has given many households a plethora of video alternatives, rather than the three choices of an earlier era. Even the live arts are changed by advances in lighting and sound, which enhance the performance and replace a more labor-intensive production crew.

While we are aware of these changes, we don't often think about or know much about their impact on the economics and labor relations of the production and distribution of art and entertainment product. Because the employment characteristics of the AEEM industry differ from almost all others in the economy, conventional measures of employment and earnings tell us little. We need to study the unique features of this industry.

The unusual characteristics of the employment and labor relations system include the following:

1. The AEEM industry is characterized by an exceptionally high rate of unemployment. Officials of unions representing entertainment talent estimate that as many as 90 to 95 percent of their members are unable to find work in their chosen line on any given day. For example, Actors Equity reported in 1988 that only 11.9 percent of its members were employed per week (Hummler, 1988).

2. The data on earnings and hours are notoriously unreliable. Because actors, writers, and performers often hold other jobs to sustain them while they look for work in their chosen profession, it is difficult to gather information on earnings and hours that is not contaminated by outside employment data.

3. In the AEEM industry, as in professional sports, collective bargaining defines only minimum working conditions; union members are free to and generally do negotiate individual contracts that supersede the collectively bargained minimum agreements.

4. Nearly all AEEM unions draw their membership exclusively from the AEEM sector of the economy and operate relatively isolated from other unions and bargaining. (The exceptions are the International Brotherhood of Electrical Workers [IBEW], the Teamsters, and the basic crafts from the AFL-CIO building trades.) What impact this characteristic has on bargaining and union points of view is open to speculation, but it is possible that such exclusivity in membership prevents the cross-fertilization of ideas and practices from other industries. While this is not unique to AEEM, it is particularly intense here.



5. The dominant employment model for the industry is casual employment on a project-by-project basis rather than attachment to a single employer. While this feature is not unique to the AEEM sector, it does present special bargaining problems. Workers, for example, develop loyalty to their union, their craft, and to individuals with whom they have worked rather than to their employer.

6. Many workers in the industry hold multiple union memberships, making it difficult to obtain accurate figures on the structure or extent of unionism in the industry. Typically, for example, many performing artists belong simultaneously to Actors Equity (AEA), the Screen Actors Guild (SAG), American Federation of Television and Radio Artists (AFTRA), and perhaps the American Guild of Musical Artists (AGMA) and American Guild of Variety Artists (AGVA). The sum of these unions' membership therefore does not reflect the number of performing artists who are union members, but rather a larger number that is exaggerated by the multiple union memberships.

Some of these issues have been examined but not since the early 1980s and only for members of the five performing unions (Ruttenberg et al., 1981). All these factors serve to make conventional employment data and relationships difficult to gather and analyze. The uniqueness of the sector requires further basic data collection to provide a context for the available information.

### Highlights of the Chapters

The chapters in this book examine current dilemmas in labor relations presented by the dramatic technological changes that have occurred in the arts, entertainment, and electronic media industry. It has become increasingly clear in the past decade that the AEEM industry is distinct from most others, in terms of both labor relations issues and the range of possible outcomes. At times the problems facing labor relations professionals in the industry have seemed insurmountable. In many other sectors of the U.S. economy, labor-management conflict abated during the 1980s, but in the AEEM industry negotiations were increasingly characterized by the tactics of confrontation. It has been reported that the average annual num-

ber of work stoppages declined from 2,660 in the 1970s to 1,250 in the 1980s (USGAO, 1991). Visible strikes in television and film during the 1980s stand in sharp contrast to that trend. Why does conflict seem so prevalent in this industry? How does the AEEM sector fit into the dominant industrial relations themes in the United States today?

The idiosyncracies of the industry's labor relations and the idea that technological change might be the factor that differentiates AEEM from other industries inspired this research project. Although there were no in-depth studies of the forces driving the industry, the researchers involved in this project believed that, in one way or another, rapid technological change played a key role in the problems that were surfacing during collective bargaining.

The first chapter by Lois Gray and Ron Seeber gives an overview of the economics of the entertainment industry as well as the unions that represent entertainment employers and their collective bargaining relationships. Here are a few of the economic highlights described in chapter 1.

With output increasing at a record rate each year, entertainment is one of our major growth industries. Americans currently spend more money on entertainment and recreation than on any other product. At the same time the explosive demand for American recordings, broadcasts, and films from consumers throughout the world gives an added impetus to growth. Entertainment products are second only to aerospace as our leading export (U.S. Department of Commerce, 1991). Although each segment of the entertainment industry has its own unique features, there are common characteristics: high capital investment, enormous marketing expenditures, and exceptional risk. Since the production process is labor intensive, labor relations play an important role in the cost structure of the industry. A few large producers dominate sales of recordings, films, and broadcasting with a trend toward integration among all market components. For example, a musical is made into a movie and shown on television with its music marketed in recordings.

American production facilities are increasingly attractive to foreign investors. While foreign ownership of television and radio is prohibited by law, five out of six major U.S.-based recording companies and four out of seven leading film studios are foreign owned, and

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foreign investors are increasingly a source of capital for others. As in other U.S. industries, mergers and takeovers have characterized recent economic history, bringing in new owners from outside the entertainment field. There are wide differences in profitability among industry sectors. The commercial theater and nonprofit music and dance companies, for example, struggle to stay alive while other entertainment producers have above-average profit margins.

Another distinctive characteristic of this industry is its dependence on public policy decisions. Broadcasting was created by government, which continues to exercise the power to assign air waves. The economic well-being of the film industry is challenged by the power of the Federal Communications Commission (FCC) to decide whether filmmakers or networks will dominate the production of prime time entertainment and its syndication. Exports, which are major growth sectors for films and recordings, depend on the negotiating clout of the U.S. government to break through the competitive barriers that other countries seek to impose. And given piracy as a growing threat, all sectors of the industry look to public policy decisions to protect the intellectual property of artists, writers, performers, and producers.

Chapter 1 documents that the entertainment industry, which employs about one million people, is highly unionized. Above-the-line (performer) unions have been growing while the membership of below-the-line (technician) unions has been shrinking, reflecting both technological displacement and a shift to nonunion production in some sectors of the industry. Also described is the complex structure of bargaining. In recording and film production, craft organizations negotiate agreements with multiemployer associations while one-on-one bargaining between unions and employers is characteristic of live entertainment, radio, and television. Business and labor leaders agree that technology has been the single most important influence on employment and labor relations.

Technological innovations create more jobs for actors, writers, and directors while eliminating work for musicians and technicians. Technology has also changed job content, challenged union jurisdiction over work, and raised questions about gain sharing. As a result, the entertainment industry has been racked with strife over alternative strategies for protecting jobs and advancing rates of compensa-

tion. Chapter 1 concludes with the observation that, after decades of conflict, employers and unions are beginning to explore areas of mutual interest and methods for anticipating and resolving disputes.

The next two chapters analyze changes in technology and business structures and their influence on labor-management relations, particularly in film and television. Les Brown, former editor of the media section of the *New York Times* and *Television International*, points to “the end of television as we knew it” in an era of “revolutionary” changes brought about by technology and innovation, deregulation, corporate restructuring, and internationalization. Noting that technology both creates jobs and eliminates jobs, he underscores the crucial role of public and private decision making. While technology creates the opportunity for change, its implementation depends on business and public policies. The technology that created cable, videocassette recorders, and satellite dishes changed the nature of television broadcasting from “table d’hôte to à la carte,” giving viewers a broader range of choice. This ended the dominance of the networks, which were locked into an old system of relationships with affiliates and advertisers, and left them in a cost squeeze with declining profit margins.

New owners, free of broadcast tradition and saddled with debt from buyouts, looked for ways to slash expenses. Automated equipment, a partial answer to rising costs, has resulted in job losses for technicians and has brought changes in their terms and conditions of employment. Growing domestic competition has encouraged the globalization of ownership and markets. Brown cites public policy decisions that could drastically change the playing field by altering financial syndication rules which open new profit-making opportunities for networks and permit local telephone companies to compete with cable. Thus he concludes that the interaction between technology and private and government policy decisions will determine the future of the television industry and predicts that changes to come will be more convulsive than ever as television is reinvented.

Susan Christopherson, professor in Cornell’s Department of City and Regional Planning, deals with the changing production structure in television and moviemaking, which she views as a major challenge to the bargaining power of unions. Her chapter describes the transformation of the industry from vertical integration, which charac-

terized the era of the studio system in motion picture production and network dominance of television (1920–59), to a vertically disintegrated system in the 1970s in which a substantial part of production was carried on by independent companies while control over financing and distribution remained in the hands of the major companies. Employment ties were loosened and unions lost much of their influence over labor supply. Nonetheless, they negotiated contracts and created institutional arrangements that made it possible to deliver to their members personnel services that had been provided in-house by employers, including health and pension benefits for technicians, a roster system to certify skill and experience, and, for performers, a system of supplementary payments which gave them property rights in their jobs.

Christopherson describes the current industrial structure in entertainment as “virtual integration” in which major firms, increasingly internationalized in both markets and ownership, are tightening their control of production in multiple markets and moving toward merger in film, television, and cable distribution. Rather than owning the facilities and hiring the personnel, the major companies are currently integrated through contract and investment. Among the industrial relations results of structural transformation coupled with technological and regulatory changes are fragmentation in terms of gender, race, and occupational identities and breakdown of traditional boundaries between labor and management. While the technician unions have stagnated or declined and the talent guilds have expanded in membership, all confront a potential weakening of bargaining power. Assessing these developments as intensifying conflict between and within work groups and undermining the fragile balance between individual recognition and common interests, Christopherson calls for new forms of collaboration among unions and between unions and management to deal with industrywide problems.

Chapter 4, written by John Amman who undertook this study as a graduate student in Cornell’s School of Industrial and Labor Relations and went on to work as a business agent of Local 644 of the International Alliance of Theatrical and Stage Employees (IATSE), deals with the bargaining history and present status of craft unions in television and motion picture production, also projecting an erosion of union

power. He traces the evolution of below-the-line unionism from its origin in the assembly line factory style of the Hollywood studio system in the 1920s. Through competitive struggle IATSE emerged as the dominant union in motion picture production. Like the studios, which owned theater outlets, IATSE's bargaining was reinforced by its ability to control distribution through effective organization of movie theater projectionists. IATSE assumed many personnel management functions for the industry. Its contracts specified work rules which restricted crossover of jobs. Other craft unions tended to follow the IATSE pattern in wages and benefits and all enjoyed steady employment during the studio era. Labor relations practices in television evolved from experience in radio, since ownership was under the control of the same three networks. Technicians had full-time permanent positions and were represented by three major unions—IATSE, the International Brotherhood of Electrical Workers (IBEW), and the National Association of Broadcast Employees and Technicians (NABET). The last of these was organized along industrial lines while the first two were structured by craft. Union wages and benefits reflected scarce skills translated into effective bargaining power.

Amman points out that the 1970s brought a transformation in labor-management relationships in both film and television emanating from the combined effects of deregulation, advancing technology, and changing business ownership. Like Brown, he emphasizes the role of public policy changes; the 1948 Supreme Court decision that separated moving picture production from distribution and the Federal Communications Commission decision that restricted the networks' right to make and sell their own programs opened both industries to competition. Technological changes abolished jobs and rendered some established union work rules obsolete; therefore, new owners not bound by past practices challenged existing agreements. The result has been a growth of nonunion production, spread of part-time and intermittent employment, and a decline in bargaining power for below-the-line unions. Amman highlights possible union strategies for coping with their new circumstances. These include organizing the unorganized, developing new approaches to represent freelance employees, researching production practices, providing greater flexibility in contract terms, and seeking mergers and cooperative agreement between unions.

Chapter 5 analyzes the transformation of industrial relations in the talent sector of the motion picture and television industry, complementing Chapter 4's emphasis on craft and technical workers. Written by Ph.D. candidate Alan Paul and Archie Kleingartner, professor of management and director of the Arts and Entertainment Management Program at the University of California, Los Angeles, and originally published in the *Industrial and Labor Relations Review*, this chapter affords an in-depth treatment of how performers successfully respond to changing technology and market pressures through their traditional and adversarial collective bargaining system, not only staving off concessionary demands from owners but advancing their power and influence. Paul and Kleingartner focus on the three-tier compensation system consisting of minimum pay rates, individually negotiated contracts, and an industrywide system of supplemental (residual) payments which evolved over four decades of bargaining between the talent guilds and the Alliance of Motion Picture and Television Producers.

In contrast with the craft and production unions, which have had to fight to retain the same size membership as members became a shrinking percentage of total entertainment employment after the early 1970s, talent guilds have grown in size and have retained their dominance in representation of television and movie performers.

Paul and Kleingartner attribute these results to the role that the talent guilds have played in creating and administering a compensation system that not only serves the needs of their members but places the guild in a position to monitor the business records of the producers and share in their success. While producer resistance to the spread of residuals (payment for replays) resulted in repeated strikes as distribution moved into new markets, residual payments have multiplied to a point where they equal initial compensation for performers, writers, and directors and serve as a cushion during periods of unemployment. As a result of their involvement and stake in management, talent guilds, in Paul and Kleingartner's view, have moved to a more advanced stage of labor-management relations in which they share managerial decisions.

The final chapter projects current trends as the industry confronts further technological change (for example, interactive media); regulatory decisions authorizing local telephone companies to offer video

services, which promise competition from a new sector while encouraging further conglomeration of ownership; and the rise of the common market, which vastly expands the demand for U.S. products while threatening retaliatory trade restrictions. Critical issues for collective bargaining are job content, as jurisdictional lines and work divisions are rendered irrelevant; training for new work; and sharing the proceeds of new markets.

The authors conclude that facing dramatic changes in technology and government policy, both employers and unions seek new strategies and predict that collective bargaining in the arts and entertainment industry will undergo continuing analysis, experimentation, and change.