Keeping the Score

The impact of recapturing North American film and television sound recording work

Executive Summary

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A NEW ECONOMY FOR ALL

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Governments across the U.S. and around the world are investing billions of dollars in the film and television industry in an effort to create and retain the high-quality jobs attached to the industry. Yet musicians – the highly-trained and highly-talented women and men who record the scores for movies and television shows – are being left behind. This report shines a light on this oft-overlooked segment of the industry by examining the trends and forces contributing to a dramatic decline in domestic employment for recording musicians working at the industry standard.

This report concludes that by increasingly offshoring recording work, Hollywood studios and production companies are saving relatively small amounts of money. These savings, however, have disproportionate costs for musicians, taxpayers, and the broader economy. Hollywood can easily afford to meet the top employment standards for musicians, thereby not only providing ample quality employment, but strengthening domestic economies.

Findings

Historically, recording work for film and television provided quality employment. Despite the precarious and freelance nature of the job, recording musicians established high working standards with good wages – bifurcated between session wages and deferred compensation (i.e., residuals) – and benefits including health care and a pension. North American musicians operating at these standards are the best in the world. Yet employment is in sharp decline, dropping by more than two-thirds over the past fifteen years for Southern California recording musicians. Session wages have dropped from nearly $50 million in 1998 to $15.5 million in 2013. As recently as 2003, 76 percent to 85 percent of films were recorded at the industry standard; in 2013, it was 33 percent to 46 percent.

Increasingly, recording work is being offshored – mostly in Eastern Europe and London – and below the industry standard. Production companies treat recording musicians differently than they treat other creative and technical workers: while hundreds of production companies have committed to quality employment for actors, writers, directors, and technical workers, only twenty production companies have made that commitment to musicians. These Hollywood production companies remain profitable, yet have shifted recording work for a variety of reasons, including changes in studio corporate structure, changes in the role of the composer, the rise of government incentives, and a broader devaluation of music. Long-established studios have created or acquired numerous production companies; by shifting work between companies within the same corporate structure, studios avoid obligations to provide quality employment to recording musicians. Additionally, new entrants to the market generally fail to meet established standards.

The cost to production companies of employing recording musicians at the top industry standard is equivalent to 0.36 percent to 0.52 percent of a typical film's production budget. By offshoring this work, production companies save less than one-quarter of one percent of the film's production budget—or $143,000 on a typical $65 million film – yet workers and the community lose $1.2 million. The average movie employs 75 musicians, yet domestic musicians must share the smallest slice of residuals of any union, and participate in residuals at a significantly lower rate than do actors, writers, or directors. Outside of North America, recording musicians typically receive no residuals at all.

Over the past decade, Los Angeles taxpayers have invested millions of dollars in the industry, yet the loss of recording work has cost the region $280 million. By bringing recording work in Southern California back to its year 2000 level, we have the potential to inject $37.5 million into the regional economy every year, and to protect critical infrastructure. Bringing work back to Southern

California would bolster our musical "cluster," an unusual cultural and economic advantage currently threatened by the loss of recording employment.

Production companies avail themselves of tremendous taxpayer-provided benefits in the name of quality employment, making all Americans de facto film and television producers. Federal subsidies have historically provided over $200 million annually. State subsidies provide $1.7 billion annually. Consumers are paying more at the box office, as ticket prices have outstripped inflation. Yet production companies may skirt the law with their score-recording practices if they are not paying required taxes when they import a score that was recorded with foreign subsidies, or when musicians are misclassified as independent contractors or paid under the table.

We argue that one new entrant to the market, Lionsgate, should now be ranked alongside the so-called traditional "majors." Lionsgate provides a useful case study of harmful industry practices. Despite its success and profits, and despite a strategy explicitly reliant on tax incentives, Lionsgate treats musicians differently than other workers: an analysis of Lionsgate's 2013 films shows that actors, writers, directors, and crew members worked at the industry standard on 80 to 100 percent of films, yet musicians only received the industry standard on twelve percent of films. Lionsgate's CEO's pay has increased over 4,770 percent since 2001, while session wages for L.A. musicians have declined 43 percent. The change in the CEO's *single-year* compensation between 2001 and 2014 is comparable to the *aggregate* change in session wages of *all* unionized Southern California recording musicians for *all* of those years. Were Lionsgate to employ recording musicians at the industry standard, employment opportunities for musicians would increase at least nine to twelve percent. A single year's slate of movies would cost the company $2 million (in total, *not* marginal), but would benefit musicians by $5.8 million, and would benefit the regional economy by $8.5 million.

464 Lucas Ave. Suite 202, Los Angeles, CA 90017

www.laane.org