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HOLLYWOOD GOES INTERNATIONAL:
IMPLICATIONS FOR LABOR RELATIONS,

by

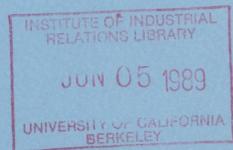
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HOLLYWOOD GOES INTERNATIONAL: IMPLICATIONS FOR LABOR RELATIONS*

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QUESTIONS CONCERNING THIS PAPER MAY BE ADDRESSED TO ARCHIE KLEINGARTNER C/O ANDERSON GRADUATE SCHOOL OF MANAGEMENT, U.C.L.A., LOS ANGELES, CALIFORNIA, 90024.

Hollywood Goes International: Implications for Labor Relations

Introduction

This paper will explore the effect of the internationalization of U.S. film and videotape production on the unions and guilds that bargain collectively for the core workforce of directors, writers, performers, and of craft and technical workers.¹

Union organizing emerged almost simultaneously with the film industry itself, with a collective bargaining agenda dominated by expansion and retention of job opportunities for members along with the issues of compensation and protection of creative rights.² Throughout their history, the craft and professional unions have been involved in a continuous struggle to adapt their methods and goals to remain relevant in the face of industry changes. Entertainment unions maintain a higher profile than unions in U.S. industry generally, although serious deterioration of influence, even if not membership, is taking hold in several sectors.³ Different unions

¹By internationalization we mean movement of the creation, distribution, and exhibition of movie and television products for commercial purposes to locations outside of the U.S. We recognize the larger dimensions of internationalization -- that is, the effects of American film products on other cultures. However, we limit ourselves to economic and labor relations issues here.

²The definition of creative rights varies depending on the occupational group involved. Film directors, for example, have used collective bargaining to fight for the right to hire their assistants. And in the 1985 strike of the Writers Guild of America against Hollywood producers, a "creative rights" controversy revolved around control over the script after it has been completed. Writers wanted to be involved in rewriting of their own script, to be on the set when the film was being shot, and to be able to buy the script back if it is not produced.

³One recent example of reduced influence followed the Screen Extras Guild strike in 1987 against Hollywood producers. The final disposition included a 25 percent cut in daily wages, and returned to employers the ability to hire nonunion extras at about

and guilds get involved at different stages of the film/video product life cycle, with different implications for labor relations. The production stage is what gets the headlines, but many of the jobs and much of the budget are in the pre- and post-production stages.⁴

In this paper we first explore the implications of "runaway production" -- to overseas destinations -- for employee organizations and union management relations. (We define runaway production here to include the pre- and post-production phases of filmmaking as well as the "shooting" or production phase.) Second, we explore the issues raised for unions by foreign distribution and exhibition of U.S. movie and television products. Finally, we consider the implications for international union cooperation given the dominance of the U.S. in the world movie/television industry.

Before we consider these issues, we will provide some background about the movie/TV industry -- how it developed and how it is organized today. We

one-third the union scale and eliminated overtime pay. Los Angeles Times, February 14, 1987.

⁴The making of a film/video for theatrical exhibition or television involves three more or less distinct stages: pre-production, production and post-production. For those unfamiliar with this terminology, pre-production refers generally to hiring key production personnel, beginning casting and location scouting, and arranging studio rentals; production -- also called "principal photography," "shooting," and "lensing" -- covers the actual filming, and post-production refers generally to editing, sound engineering, and film processing. The stages may be spatially separated from each other. Storper and Christopherson estimate that on average between 10 and 30 percent of total production budget is spent at the location where shooting takes place. The rest is spent where the pre- and post-shooting work is done. Michael Storper and Susan Christopherson, The Changing Organization and Location of The Motion Picture Industry: Interregional Shifts in the United States (Los Angeles: UCLA Graduate School of Architecture and Urban Planning, Report No. 68, 1985), p. 4. Other sources say production can consume close to 50 percent of a film's budget. Leonard Mogel, Making It in the Media Professions (Chester, Conn: The Globe Pequot Press, 1988), p. 201.

will also introduce the various unions and guilds that play important roles in the industry.

The Movie/TV Industry and the Unions That Operate There

The making of films for a mass market began in Hollywood in the early part of this century. For reasons of technology -- equipment at the time required outdoor shooting in direct sunlight -- and climate, filmmaking gravitated to Southern California. Hollywood is still the center of movie making and has become the center for television production as well, but the organization of this industry is vastly different from what it was seventy years ago.

Between 1920 and 1950, when unions first organized the film industry, the industry's distinctive characteristic was the concentration of film making in a handful of studios. The "big five," so-called because they had a fully integrated production, distribution, and exhibition capability, were: Paramount Pictures, Loew's (parent company of its famous subsidiary, Metro-Goldwyn-Mayer or MGM), Twentieth Century-Fox, Warner Bros., and Radio-Keith-Orpheum (RKO).

What made the dominance of the studios so complete was they not only had the stars under contract and made the films but controlled distribution and exhibition worldwide. It is estimated that, at their peak, the "big five" plus the "little three" made 75 percent of all feature films and generated 90 percent of the U.S. box office revenue.⁵

In the late thirties, the studio system began to unravel. Among the developments that helped change the industry were technological change (e.g., cameras less dependent on direct sunlight) which made it easier and cheaper for independents to emerge, and changes in tax laws which caused stars, directors, and producers to assert more independence, causing the

⁵ Universal, Columbia, and United Artists -- the "little three" -- concentrated on one or two of the activities of production, distribution, or exhibition but did not control all three at the same time. See Douglas Gomery, The Hollywood Studio System, New York: St. Martins Press, 1986, p. 9.

breakup of the star system. In the late forties the needs of the television industry began to have an impact. A final, and perhaps decisive, reason for the disintegration of studio dominance was that antitrust activity in the late 1940s forced the larger Hollywood studios to divest their holdings of movie theaters.⁶

Today, no group of production companies has a stranglehold on the movie industry. Nonetheless, Hollywood is divided into and recognizes the existence of the "majors," who make approximately 30 to 40 percent of the feature films and who exert considerable influence in relations with the unions and guilds.⁷ Although the "majors" may play a lead role, they do not dominate

⁶ U.S. Supreme Court. (U.S. vs. Paramount, 334 U.S. 131, 1948). Following this landmark Supreme Court decision, Paramount, RKO, Warner Brothers, Twentieth Century-Fox, and Loew's-MGM entered into a "consent decree" in which they agreed to divorce themselves of theater ownership, while retaining production and distribution. The Consent Decree contributed directly to the vertical disintegration of the studio system and the emergence of many new theater chains and independent production companies that now compete with the established studios. See Norman H. Garey, "Elements of Feature Financing," in The Movie Business Book, ed. Jason E. Squire (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1983), pp. 96-106.

⁷ The majors are so designated by the industry by virtue of their size and the number of films that each produces (twelve to fourteen) and distributes (ten to twelve) each year. There are eight "majors": Universal (owned by MCA), Columbia (owned by the Coca-Cola Company), Paramount (owned by the Gulf & Western conglomerate), Twentieth Century-Fox (owned by Rupert Murdoch), MGM, United Artists, Walt Disney Pictures, and Warner Brothers (owned by Warner Communications). There are also generally recognized "mini-majors," although these are a rather fluid group. They would include, in early 1988, Cannon, Embassy/DeLaurentiis, Lorimar, Orion/Filmways, Tri-Star, and Weintraub. See Variety: 31st International Film Annual, May 4, 1988, p. 488. The majors, especially, are much interested in asserting control over the outlets for their movie and TV products. Inasmuch as 65 percent of all U.S. households have VCRs according to a recent Gallup poll, and around 50 percent of American homes are now penetrated by cable, it is understandable why the majors are busy buying television stations and cable systems. Daily Variety, June 29, 1988, p. 2.

the industry but share turf with many independent producers. The majors may act as financial investors while an independent production company organizes the production. They also distribute products for independent producers.

When unions first organized Hollywood it was to deal with a stable employer situation. This early industry structure was almost ideal for the emergence of job conscious craft and guild unionism. In the studio system, with its high degree of functional specialization, unions competed to win jurisdiction over the new work functions. By the outbreak of World War II, most Hollywood studio labor, even the highly paid actors, was unionized. All of the unions continue their struggle with the problem of organizing the rapidly proliferating independent producers, another result of the change in industry structure. When one management controls the transactions necessary to make a film, the role of unions is quite different than it is when the film's management essentially subcontracts with many firms -- suppliers, distributors, bankers -- in the process of filming and distribution.

Table I shows the major guilds and unions that represent employees in the U.S. movie/television industry at the present time.

Table I
Major Unions in The U.S. Movie and Television Industry¹

<u>Above-The-Line Unions and Guilds²</u> <u>Professional/Performers</u>	<u>Date Founded</u>	<u>Membership³</u>	
		1987	Percent in Calif.
American Federation of Television and Radio Artists (AFTRA)	1937	63,839	42
Directors Guild of America (DGA)	1936	7,751	50-60
Screen Actors Guild (SAG)	1933	70,000	45
Screen Extras Guild (SEG)	1946	4,000	50
Writers Guild of America (WGA)	1954	9,030	71
<u>Below-The-Line Unions</u> <u>Craft/Technical</u>			
International Alliance of Theatrical and Stage Employees & Motion Picture Machine Operators (IATSE)	1893	58,500	44
National Association of Broadcast Employees and Technicians (NABET)	1933	5,000	28
International Brotherhood of Teamsters Local 399 -- Studio Transportation Drivers	1903	2,300	NA

¹In addition to the bargaining organizations listed here, there are many quasi-union and professional organizations, which, while not involved in bargaining, may serve an important protective function for their membership. An example of such an organization is the Producers Guild of America.

²The terms above-and below-the-line derive from the way film budgets are organized, but today are more commonly used to distinguish between the creative/professional and the craft/technical employees.

³The membership figures were obtained either directly from the unions and guilds or from publications provided by the unions.

Within the film industry, the Screen Actors Guild (SAG) and the American Federation of Television and Radio Artists (AFTRA) represent all performers -- except instrumental musicians -- on film and videotape. AFTRA's jurisdiction also covers performers in live TV broadcasts. The Directors Guild of America (DGA) represents all directors, whether they direct film or videotape productions. The Writers Guild of America (WGA) has jurisdiction over all writers, including most news writers. The International Association of Theatrical and Stage Employees (IATSE) has organized virtually all craftsmen and technicians -- including editors, soundmen, directors of photography, grips -- in the film industry, as well as some classifications at network production facilities. The National Association of Broadcast and Electrical Technicians (NABET) and the International Brotherhood of Electrical Workers (IBEW) represent similar types of engineers and technicians, as well as some clerical and creative personnel at the networks. NABET, although recently weakened, represents technicians at the ABC and NBC networks, while the IBEW has jurisdiction at CBS. More importantly, for this paper, NABET is also making some inroads in organizing smaller, low-budget independent production companies in Hollywood. Finally, one Teamsters local (Local 399) represents all the truck drivers on productions shot anywhere in the thirteen western states. Because of its unique ability to shut production down, Local 399 has negotiated the longest "grasp of jurisdiction" of any of the craft/technical unions. Geographically, the above-the-line-unions have carved out national jurisdictions, while IATSE's Hollywood jurisdiction is limited to persons who are hired or who work in Los Angeles County.

Collectively these unions/guilds represent virtually all categories of workers. Among the above-the-line organizations there is little jurisdictional conflict, although it has not always been so.⁸ All the unions in Table I -- with the exception of the SEG, WGA and the DGA -- are affiliated with the AFL-CIO.

⁸SAG has historically been the sole union representing actors in theatrical films and AFTRA, performers in live television broadcasts. As videotape technology evolved, the question arose as to which guild had jurisdiction over performers in pre-recorded television shows. The resolution was that SAG was given jurisdiction for programs

Internationalization: Runaway Production and Labor Relations

Movement of the film industry to outside of the U.S. has not been a straight line from a "mature oligopoly" concentrated in Hollywood to foreign locations.⁹ For one thing, movement has been mostly from Hollywood to other domestic locations. Thus, from the perspective of Hollywood, the runaway production problem has a domestic as well as an international dimension. Another is that although the "shooting" phase of filmmaking has been on the move -- out of the Hollywood studios -- to other domestic and foreign locations for quite some time, this is not the case with respect to pre- and post-production activities, which have remained overwhelmingly in Hollywood.¹⁰

Reasons why film production leaves Hollywood include aggressive incentive programs by other states and countries: lower wages, fewer bureaucratic problems (e.g. in getting permits), and changes in consumer taste (audiences don't want sets that look like Ireland; they want to see the real thing). Another factor is that without a large permanent staff to keep busy and studio space to pay rent on, independent producers are quite mobile and open to seduction.¹¹

made on film to be shown on television and AFTRA was granted jurisdiction over performers who appeared in shows recorded on videotape.

⁹"Mature oligopoly" is the term used in Tino Balio, ed., The American Film Industry (Madison, Wisconsin: The University of Wisconsin Press) 1985, p. 233, to describe the industry during the period 1930 - 1948.

¹⁰ Michael Storper, "Dream Machine and Runaway Production," Architecture and Planning, Summer, 1986. Published by UCLA Public Affairs, for The Graduate School of Architecture and Urban Planning.

¹¹ Officials of the California Film Commission were gratified that during the first half of 1988, 57 percent of all domestic film starts were in California. This represented a substantial increase (more than 21 percent) over the comparable period in 1987. Daily Variety, July 25, 1988, pp. 1, 19.

Although many cities, states, and countries expend effort to lure a piece of the Hollywood film production, only a small number provide the facilities and funds to attract the pre- and post-production segments. A shoot can have a substantial local economic impact but by itself this does not help build stable employment or economic growth.

Pre-production

Pre-production begins once funding for a production is secured. It may involve hiring key personnel, casting, budgeting, and arranging for equipment, studio rentals, and shooting locations. Also, during pre-production planning, it is customary to book post-production facilities such as studios for recording sound effects and the musical score. The skills and talents required to make the film, the total number of jobs likely to be available, and the work environment are revealed in pre-production. This stage is also important to unions because it signals whether an attempt will be made to make the film with nonunion employees.

Although reliable data are not available, it appears that of the several stages involved in filmmaking, pre-production -- which is decision-making rather than filmmaking -- is the least susceptible to movement abroad.¹² The reason for this, very simply, is that pre-production occurs where the money and talent are, and these are most readily to be found in Hollywood.

Potentially the pre-production stage constitutes an area of union influence in strategic, policy-level decision-making, but so far this potential remains unrealized. To the extent that entertainment unions have a strategy for this stage at all, it is to get public bodies to provide encouragement to producers and studios to make decisions in pre-production which increase the likelihood that production and post-production will remain in the U.S. Of course, Canada and other countries interested in attracting more U.S. film

¹² There is some indication that this may change in the future as Japanese investors become more involved in the development of U.S. film/television products for home consumption. See "On Location in Hollywood: The Japanese," Business Week, March 21, 1988, p. 160.

business do everything they can to get the producers to make decisions that will lead to production and post-production moving out of the U.S.

The guilds and unions have not yet used collective bargaining extensively to acquire a greater voice in pre-production. An exception to this are the collective bargaining provisions regulating the hiring of directors, writers, and actors in respect to age and ethnicity.¹³ Until the guilds obtain a substantial measure of access to decisions about casting and shooting locations, they will not have significant influence in pre-production.

Production

Production involves the actual shooting of the film or videotape. It may be done on location, in a studio, or as is common, partly in each.

¹³ See Irene Wolt, "All Dressed Up With No Place to Go," American Film, December, 1984, pp. 59-61.

Table II shows a decline between 1970 and 1987 in the proportion of feature films that were shot in locations and studios outside the United States.

Table II¹

Where "Shooting" Occurred of Films Made by U.S. Production Companies for Release in U.S. Theatrical Market: 1970 and 1987

	1970		1987	
	No.	%	No.	%
Total Films	300	100	330	100
Films Shot Wholly in the U.S.	145	48	183	55
Films Shot Wholly Outside the U.S.	94	32	62	19
Films Shot Partially Outside the U.S.	61	20	85	26

¹Table is based on "Location Sources of U.S. Feature Film Releases," Variety: 31st International Film Annual, May 4, 1988, p. 490.

The drop in films shot wholly outside the U.S. is particularly pronounced from 32 percent in 1970 to only 19 percent in 1987. In addition, over one-half of all feature films made in 1987 were shot wholly in the United States, representing a 7 percent increase over 1970.

Thus, the data show that the "runaway production" problem discussed at length in the press and considered recently by the Los Angeles Film Development Committee is not one involving foreign locations. Indeed, it is other U.S. locations, in their efforts to entice producers through lower costs, less red tape, and, often, nonunion labor, that are causing the runaway production problem of the eighties.¹⁴

¹⁴ In the early sixties, a similar concern arose in Hollywood when foreign incentives lured many American productions to overseas locations. Thomas H. Gubak, "Hollywood's

Table III shows the shifts between 1970 and 1987 among the leading foreign countries where U.S. produced films were made. During this period France slipped from the number two rank to number ten and Canada moved from number seven in 1970 to number one in 1987. Mexico's rank did not change during this period, remaining in the number four spot. Argentina is the only other country in the Americas which ranked among the top ten in either of the two time periods. Together, Canada, Mexico and Argentina accounted for 45 percent of the international runaway productions in 1987.

International Market," in The American Film Industry, ed., Tino Balio (Madison: University of Wisconsin Press, 1985), p. 478. Storper and Christopherson have compiled data which show that the peak year for filming feature and made-for-television films in Hollywood was 1960 at 50 percent of the total. The percent declined steadily, reaching its low point of 30 in 1970 when it started to climb and then stood at 38 percent in 1984. Michael Storper and Susan Christopherson, "Flexible Specialization and Regional Industrial Agglomerations: The Case of the U.S. Motion Picture Industry," Annals of the Association of American Geographers, 77, 1, (1987), p. 111. Around 1984, the runaway production reemerged as an issue.

Table III¹

**Top Ten Foreign Countries for "Shooting" of U.S. Backed and Produced
Films: 1970 and 1987**

Country	Rank	
	1970	1987
United Kingdom	1	2
France	2	10
Italy	3	2
Mexico	4	4
Spain	5	5
Phillipines	6	7
Canada	7	1
West Germany	8	-
Japan	8	-
Australia	10	10
Morocco	10	-
Yugoslavia	10	-
Israel	-	6
Argentina	-	7
South Africa	-	7
New Zealand	-	10

¹Table is based on "Location Sources of U.S. Feature Film Releases," Variety: 31st International Film Annual, May 4, 1988, pp. 488, 515.

When production moves from the U.S. to a foreign location it affects the interest of the unions and guilds in several different ways.¹⁵ Some number

¹⁵Runaway production may involve a particular art form. For example, there has been a major exodus of animation houses from Hollywood to such countries as Taiwan, Korea, and the Philippines. IATSE Local 839 which represents cartoonists has experienced a significant drop in membership and work opportunities -- more than three times greater than the percentage losses experienced by the IATSE's other Hollywood locals -- over the past several years. Daily Variety, December 11, 1987, p. 2.

of jobs are lost in the U.S. each time shooting occurs outside the country, especially among craft/technical workers. In any production, producers first contract for the actors, writers, and directors. The general feeling is that there is little that can be done to control costs in these categories and going abroad won't help. The swelling below-the-line production costs (typically 30--35 percent of total costs) are the principal reason for runaway production.¹⁶

Movement of production abroad is always an issue in the quality of relations between U.S. and foreign entertainment unions. In the 1960s when runaway production to foreign locations first became a concern, SAG attempted to arrange with unions in other countries a more standard wage scale on an international level.¹⁷ In this regard, the major studios, which are locked into union contracts, find it attractive to distribute films made by independent production companies that rely on nonunion labor or the more cooperative unions that can be found in other countries.¹⁸

The principal reason why producers film abroad is economics. The independent producers who were responsible for 70 percent of all feature

¹⁶Runaway productions and an increase in nonunion producers help explain why members of IATSE locals in Hollywood worked 6 percent less in 1987 than they did in 1986 despite a sharp increase during this period in the total number of pictures made in Hollywood. The 6 percent drop represented a loss of approximately \$25,000,000 in earnings for the 23,000 members of the IATSE's Hollywood locals or more than \$1,000 per member on average. Variety, December 2, 1987, pp. 1, 109.

¹⁷Gregory Schubert and James E. Lynch, "Broadcasting Unions: Structure and Impact," in Broadcasting and Bargaining, ed., Allen E. Koenig (Madison: University of Wisconsin Press, 1970), p. 47.

¹⁸California Business, January, 1988, pp. 32-39. The stakes are high. Every time a feature film leaves Hollywood it takes at least \$4 million in production dollars that would otherwise have been spent in California.. Los Angeles Times, November 15, 1987.

films in 1987 are particularly quick to chase lower production costs.¹⁹ It seems clear that a disproportionately large number of the runaways represent efforts by unionized companies to escape the higher costs of employees under union contract. In 1987, the IATSE made available to producers a "low budget contract" for movies and TV intended to provide incentive to shoot in Hollywood. For producers it meant that they could save 10 percent or more on below-the-line costs; for IATSE members it meant jobs. The savings were accomplished through union concessions in holiday and vacation pay, overtime, night premiums, meal allowances, and the like. The "low-budget" contract does not apply to post-production work, which is covered by a separate agreement.

Post-production

Post-production involves preparing the film or videotape for distribution. Editing and developing the sound track and special effects are among the creative aspects carried out in this stage and may be decisive in determining how the film or video will do in the marketplace. Post-production involves many technical and craft personnel, as well as the director and producer and usually takes many times longer to complete than does production. During this stage, final preparation for exhibition in ancillary markets such as records, TV reruns, cable, videocassettes, and foreign distribution needs to take place. Because of residual provisions in all major agreements, these decisions can affect the earnings of union members even though their own work in the production was concluded many months or even years ago.

When post-production moves abroad, IATSE is more affected than are the talent guilds, but there are exceptions, as when actors return to sound stage to redub scenes.²⁰ Currently, most post-production remains concentrated in

¹⁹The proportion of U.S. films made by independent producers can change dramatically from year to year. The all-time high for independents was 71 percent in 1977. However, in 1984, this had dropped to 46 percent and was back to 70 percent in 1987. Daily Variety: Fourteenth Annual Independent Film, TV and Music Special Issue, June 20, 1988, p. 16.

²⁰ See Richard Natale, "Flick Flight," Los Angeles Style, June 1986.

Hollywood, but facilities in other states (e.g., North Carolina) are making inroads. Other countries, too, are working to meet the post-production needs of U.S. filmmakers. For example, The Stephen Cannell company -- which produces network sitcoms -- moved its headquarters to Canada. Pre-production, production, and post-production are all now based at this location. Recently, Cannell broke ground in Vancouver for what is advertised as Canada's largest production studio. The center is expected to include seven state-of-the-art sound stages and more than 100,000 square feet of offices and production rooms. Italy's Cinecitta is making efforts to entice post-production as well.²¹

The work required in post production is among the most heavily unionized in Hollywood. Unions have not needed the bargaining process to keep this work from moving abroad. The ready availability of studios, state-of-the-art equipment, and skilled workers in Hollywood offset the cost advantages of other locations. As with pre-production, the talent is in Hollywood and that's where the work remains.

²¹"Rome's Cinecitta Passes Fifty with Hi-Tech Facilities Update," Variety, May 4, 1988, p. 489. See also Los Angeles Times, August 1, 1988, Part VI, p. 4.

Internationalization: Foreign Distribution and Exhibition

Between the two world wars, the U.S. achieved a major stake in the international distribution of film products.²² American filmmakers achieved their dominance because pictures were amortized in the home market -- with half of the world's theaters -- and resold at low cost to overseas distributors. This intensified during World War II when many countries cut off funding for the indigenous film industry. American products stepped in to fill the gaps. After the war, when production funds became more readily available to foreign producers, American products had already achieved an unbreakable stronghold on world markets. Today, 40 percent of a major studio's profit can come from foreign sales.²³

American laws, too, contributed to this dominance. Under the Webb-Pomerene Export Trade Act of 1918, the Motion Picture Export Association (MPEA) -- representing the major studios -- operated as a legal cartel in which domestic competitors cooperated in foreign trade in a manner normally held illegal under antitrust restrictions. Specifically, under this law, the major studios combine, fix prices, and allocate customers. The MPEA acts as their sole sales agent, sets prices and terms of trade for films, and arranges their distribution.²⁴ It provides a government support that facilitates an even tighter grip on world markets.

Today, foreign products appear almost unable to crack the American market on a sustained basis. In the last twenty years the number of film productions reaching the U.S. market has declined significantly. For example, in 1967, U.K. producers released seventy-nine titles in the U.S.; in 1987, this number

²² The historical development for this was set in a few years following World War I. In 1913, the U.S. exported only 32 million feet of film; by 1925, annual exports were 235 million feet. At the same time, the industry developed markets in the Far East, Latin America, and, to a smaller extent, Asia. Guback, *op. cit.*, p. 465.

²³ David Lees and Stan Berkowitz, The Movie Business (New York: Vintage Books, 1982), p. 125.

²⁴ Gubak, *op. cit.*

had dwindled to thirty-nine. In the same two years, Italy released sixty-five and fifteen pictures, respectively.

On the other hand, American product dominates the world box office and television screen as never before. For example, it has been estimated that less than 4 percent of the time on Canadian screens is taken up with Canadian produced films.²⁵ In Sweden, 60 to 70 percent of all movie tickets sold are for American films.²⁶ Similarly, American television series appear on television screens the world over. These shows -- reruns of American sitcoms, action shows, and television movies -- pull in huge audiences. The less technically sophisticated indigenously produced programs cannot compete with this fare.

Recent changes in European and Asian broadcasting should open more channels for American television product. In particular, the Western European countries are all in various stages of divesting their government-owned and controlled broadcast systems. Privatization means programming decisions increasingly made on drawing power and potential advertising revenues -- a contest American shows will win. Privatization will also mean a drying up of government monies available to indigenous producers, limiting alternatives to American programs. Finally, foreign governments are authorizing new, privately owned networks, in addition to those going from public to private ownership. Together, these developments signal a foreign television market with enormous potential -- something both American unions and producers have noticed.²⁷

As foreign markets have emerged, American unions have claimed a share of the revenue through collectively negotiated residuals provisions. The theory of residuals is that when a creative product or performance is used over and

²⁵ Garry Neil, "Runaway Production' -- A Canadian View," Screen Actor (Summer, 1988), p.11.

²⁶ Lees and Berkowitz, *op. cit.*, p. 124.

²⁷ Les Brown, "The Path Once Taken," Channels (December 1987), pp. 20-21.

over, the creative artist should be compensated. Residuals can also be considered a form of deferred compensation.

As early as 1948, the SAG raised in the collective bargaining setting the issue of residuals for theatrical films sold to TV. And in 1952, when SAG negotiated the first-ever residuals provision covering this use, it applied worldwide. Thus, residuals for films shown on foreign television began simultaneously with residuals on domestic reruns.

Table IV gives a chronology of when provisions regulating domestic and foreign residuals were introduced into basic collective agreements that WGA and SAG negotiate with the Alliance of Motion Picture and Television Producers (AMPTP).

Table IV¹
Development of Residuals in Domestic and Foreign Markets:
Screen Actors Guild and Writers Guild of America

Year Introduced/Union	Market
1952: SAG -- Domestic ² TV reruns Theatrical films ³ to free TV covering independent producers (domestic and foreign) ⁴	
1953: SAG -- TV commercial reruns (domestic) WGA -- Domestic TV reruns	
1960: SAG -- Theatrical films to TV covering major studios and independents (domestic and foreign) SAG -- TV programs to theatrical (domestic and foreign) WGA -- Theatrical films to TV (domestic and foreign)	
1962: WGA -- Domestic TV to foreign TV	
1964: SAG -- Domestic TV to foreign TV	
1971: SAG -- Theatrical films and TV programs to supplemental markets (video-cassette, pay-TV) (domestic and foreign)	
1973: WGA -- Theatrical films and TV programs to supplemental markets (video-cassette, pay-TV) (domestic and foreign)	
1980: SAG -- Products made for supplemental markets to other supplemental markets (domestic and foreign)	
1981: WGA -- Products made for supplemental markets to other supplemental markets (domestic and foreign)	
1988: WGA -- Products originating in basic cable shown in other markets (domestic and foreign)	

¹Special thanks to Alan S. Paul for his help in creating this table.

²The domestic market includes, basically the U.S. and Canada.

³"Theatrical" refers to films receiving their first showing in movie theaters.

⁴Unlike the other provisions listed here, these first residuals provisions were negotiated with each producer individually.

By the early seventies, all of the major entertainment unions -- the DGA and IATSE as well as the WGA and SAG shown in Table IV -- had detailed provisions in their basic agreements for participation in the revenue generated by the exhibition of American film and video products in foreign

markets. In most markets, domestic and foreign residual provisions took effect at the same time. By the mid-1980s, a film initially produced for theatrical distribution could also expect runs on videocassettes, and on network, cable, and pay-per-view television, as well as in the domestic and foreign syndication markets. In bargaining over residuals, the unions have had two major objectives: to expand the exhibition markets from which residual payments are obtained, and to enrich the residuals formulae.

As foreign markets expand, residuals derived from foreign distribution and exhibition are increasingly significant for unions and employers. For example, in 1964, the WGA expanded residuals coverage to income from foreign syndication of TV shows.²⁸ The first payment to the WGA for \$352 thousand for this single component was made in 1967. By 1979, this had increased to almost \$3 million and in 1987, to over \$6 million. The total payment to the WGA for foreign TV residuals between 1967 and 1987 was over \$56 million. Another perspective on the magnitude represented by residuals is that total payment from all sources to the WGA in calendar 1987 was slightly more than \$57 million. Residuals from foreign exhibition of movie and TV products constituted approximately 18 percent of this total.

With dollar amounts of this magnitude at stake, it is not surprising that foreign residual entitlements are frequently at the center of controversy during collective bargaining, as the recently concluded WGA negotiations so amply demonstrate.

²⁸ Syndicated television is but one of many markets which contribute to foreign residuals for writers, directors, and actors. Detailed data on residuals for these other markets are not published. We might also note here that Canada is almost always considered part of the U.S. domestic market and consequently not part of the foreign residuals provisions.

Foreign Residuals and the 1988 Writers Guild Strike

The residual entitlement for foreign exploitation of one-hour television programming was one of the three principal points of contention in the record 154-day strike of the WGA against the Alliance of Motion Picture and Television Producers (AMPTP) in 1988. The reason for this is that within the rapidly expanding foreign market, the revenue from TV reruns sold abroad grew to outpace all other components. TV products' share of total U.S. revenue from overseas distribution grew from 27 percent to 34 percent between 1986 and 1987 and is expected to reach 40 percent in 1988. Foreign distribution of TV products alone is about an \$800 million business. Many industry analysts predict that accelerating deregulation and privatization of European television, as well as growth in home video, cable, and satellite delivery will further expand this market. Some observers see the day when TV product's international revenues will outstrip its U.S. revenues.

At the base of the foreign residuals dispute was disagreement over estimates of the revenue that would be generated in the relevant television markets by hour shows over the next contract period. As the WGA attempted to enrich the current formula for foreign TV residuals, the producers took the position that the gains abroad would not make up for escalating production costs and the dip in domestic revenues. The producers sought to roll back the domestic formula and hold the line on foreign residuals.

The final outcome was a compromise with no clear winner. There was some rollback on the domestic TV side and some improvement for writers in the growing international market. However, the increase in foreign residuals applies only to one-hour television programs, still largely untried in foreign markets. In addition, increased payments to writers depend on producers actually realizing increases in revenue. In short, if international sales grow, WGA members get a higher share of revenue, but only if producers also increase their take. A drawback -- from the writers' standpoint -- is that the guaranteed payment to writers is less than under the old formula.

There is no question that the American film/video industry will continue to direct its efforts toward international distribution and exhibition. So will American entertainment unions. Unions have decided that they and their

members' interests are best served not by placing curbs on foreign distribution as the International Federation of Actors (FIA) is urging, but by increasing their share of the revenues realized from foreign sales and rentals. The American unions support the film industry's initiatives to blunt foreign retaliatory actions designed to reserve screen time and market share for indigenous film industry. As we will see in the following section, this can mean isolation for American unions. But, as long as America continues to dominate world markets, it is a profitable isolation.

Internationalization: Union Cooperation

Through the leadership of the International Federation of Actors (FIA), performers have been successful in developing more cross-national cooperation than have unions in most industries, although they are still far from establishing a single international standard for employment and professional protection. Started in 1952, the FIA, whose permanent headquarters is in London, is a federation of fifty-seven unions from some forty-three different countries, including AFTRA, SAG, and Actors' Equity from the U.S.²⁹ Altogether, the FIA affiliates represent some 200,000 individual performers. FIA cooperates closely with The International Federations of Musicians (FIM) and Audiovisual Workers (FISTAV).³⁰

²⁹Equity and SAG joined in 1970 and AFTRA in 1973. Other above-the-line personnel -- as for example the writers -- work together on an international level, through the International Affiliation of Writers Guilds.

³⁰Despite the name, FIA's membership is not limited to actors, but covers all performers -- actors, dancers, singers, variety artists -- other than instrumental musicians who have their own organization. The International Federation of Musicians (FIM) -- which represents instrumental musicians -- was founded in 1948. The FIA and FIM are collectively referred to as the International Federation of Performers (FFF). Such multinational agreements as exist were negotiated by the FFF on behalf of performers and instrumental musicians. See "FIA: The First Thirty Years," (London: International Federation of Actors, 1982.)

Although FIA's role has changed over the years, it has exhibited a continuing concern for (a) enhancing performer rights, (b) promoting employment opportunities for actors, (c) improving communication among performer unions from different countries, and (d) enhancing international employment standards through representation before such groups as UNESCO and the ILO.

FIA has been dominated by unionists from Western Europe, concerned with gaining some control over the penetration of U.S. products in their markets. From the standpoint of foreign entertainment unions, U.S. products shown in their countries prevent domestic performers from creating their own version of the products, reducing job opportunities. Accordingly, European unions have concentrated on both limiting the entry of American product into their markets, as well as stimulating the development of indigenous film and television industries. The safeguarding of national film and TV production against U.S. exports continues to be an uphill struggle.

FIA's policy of obtaining control over the repeated uses of a performance is fully in accord with the American unions' strategies of negotiating residual distributions.³¹ The dilemma for international unionism is that the dominance of U.S. distribution leaves a limited market for products on which residuals can be collected on behalf of other FIA affiliates. Thus, in reality, FIA has little leverage to influence the economic circumstances of performers or the industry of which they are a part. While U.S. unions value their FIA membership, their members have different concerns from those of most FIA affiliates. It is highly unlikely that U.S. unions will participate in any agreement with a negative economic impact on their members in the

³¹ The European Broadcasting Union, an employer's organization representing broadcasting companies, has a negotiated agreement for residual payments to performers for repeat showings across international boundaries, where countries other than the one in which the film was made are defined as part of the supplemental market. This agreement covers performers, directors, choreographers, and certain other categories, and constitute as good an example as exists anywhere of bargaining on an international rather than national level. For a discussion of these topics see Philip A. Miscimarra, "The Entertainment Industry: Inroads in Multinational Collective Bargaining." *British Journal of Industrial Relations*, XIX (1981), pp. 49-65.

absence of reciprocation to offset monetary losses. For example, U.S. unions complain about the unwillingness of FIA affiliates in foreign countries to help monitor the use of U.S. products abroad to assist in accounting for residual payments.

Consumer preference for entertainment has little respect for geographic boundaries. The people -- producers and performers -- who make entertainment products are not rigidly bound by geography. For these reasons, all performer unions have a stake in cooperating to ensure that their members creative and economic concerns and the conditions under which they work are up to acceptable standards regardless of the country in which they are working at the time. The incentive for increased international union cooperation is strong, but what can be accomplished has clear limits as well.

Conclusions

In this paper, we introduced some history relevant to Hollywood and the rise of unionism there. We also examined the unions that currently operate in Hollywood. We found no evidence that the international runaway production is on the rise. In fact, more production is happening in the U.S. than ever before. Pre- and post-production, too, remain centered in Hollywood near the talent and facilities required. Unions currently use collective bargaining very little to influence decisions on production location, but this presumably could change if these activities begin to shift substantially to foreign countries.

We also looked at the U.S. film and TV industries' influence in foreign markets, where U.S. product dominates to an unprecedented degree. Residuals provisions in union agreements allow entertainment personnel to participate in the revenues from the growth of these markets in a manner unique to the arts and entertainment sphere.

The economic importance of residuals for performers can scarcely be exaggerated. And unions fight to protect their residuals entitlements in

showings of their products abroad, as the recently concluded strike of the Writers Guild demonstrates. There seems little doubt that as the foreign residuals potential continues to grow, unions and management will continue to disagree over allocation of the revenue from this growth. Foreign residuals will remain a key issue.

Finally, we've seen the very effective system for international cooperation unions have established on a range of issues, including immigration and health standards, and reciprocity in assisting each other in the collection of fees generated by international distribution. On the other hand, where there is a clear clash of economic interests -- as between the U.S. unions and the rest of the international entertainment union community over the distribution of U.S. products in foreign countries -- cooperation generally gives way to economic self-interest. Now the challenge remaining for international unionism is how to reconcile American unions' pursuit of economic gain, which thus far has driven U.S. entertainment union policy, with expanded job opportunities for members of entertainment unions worldwide.