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Behind the scenes: How transnational firms are constructing a new international division of labor in media work

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Abstract

Predictions that work in fields such as computer programming, architecture, and graphic design will be globally sourced have raised the specter of job losses among skilled workers in high wage economies. One of the most interesting cases tied to this controversy is that of so-called "runaway" motion picture and television production from the traditional center of entertainment media production in Los Angeles to non-US satellite production centers. Although runaway production is an old complaint in the entertainment media industries, the production location decisions of media entertainment firms since the mid-1990s look considerably different than those in the 1980s when a similar alarm was raised. Among the critical differences are: (1) the location of an expanded range of production activities in regions outside the "headquarters" location of Los Angeles; (2) the ability of transnational firms to access multiple, self-organized and networked pools of skilled labor in production locations outside Los Angeles; and (3) the expanded role of the sub-national state in reducing the overall production costs of transnational firms, including those attendant to their use of skilled labor pools. The current controversy provides an opportunity to consider how transnational firms use international out-sourcing to address their need for high-skilled and specialized labor in the production process. It also contributes to the on-going theoretical debate over how transnational firms are combining the advantages to be derived from territorial agglomeration with those of substitutability of labor skills in multiple locations.

Keywords: Out-sourcing of skilled work; Media industries; Media unions; Labor geography; International division of labor

1. Introduction

> "Competition should flourish. It is citizens in each country who decide what movies they want to see, what TV programs they want to watch. This kind of competition stirs creative juices. It lifts the level of quality in the creative community. When a government tries to defy that truth, the future of its national industry is put to hazard.
>
> Jack Valenti
>
> The Motion Picture Association of America[1]

Predictions that work in fields such as computer programming, architecture, and graphic design will be globally sourced have raised the specter of job losses among skilled workers in high wage economies. One of the most interesting cases tied to this controversy is that of so-called "runaway" motion picture and television production from the traditional center of entertainment media production in Los Angeles to non-US satellite production centers (Coe, 2000, 2001; Scott, 2005). Although runaway production is an old complaint in the entertainment media industries, the production location decisions of media entertainment firms since the mid-1990s look considerably different than those in the 1980s when a similar alarm was raised. Among the critical differences are: (1) the location of an expanded range of production activities in regions outside the "headquarters" location of Los Angeles; (2)

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[1] Jack Valenti Press Release, February 7, 2002. Available at: <http://www.mpaa.org/jack/2002/2002_02_07b.htm>.

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the ability of transnational firms to access multiple, self-organized and networked pools of skilled labor in production locations outside Los Angeles; and (3) the expanded role of the sub-national state in reducing the overall production costs of transnational firms, including those attendant to their use of skilled labor pools. [2]

The current controversy provides an opportunity to consider how transnational firms use international out-sourcing to address their need for high-skilled and specialized labor in the production process.[3] This issue is of critical interest to the entertainment media industry labor force, which is composed of project-oriented workers who are concentrated in international territorial production complexes, and highly unionized. The increased power of transnational firms vis-a-vis these regionalized media labor forces has intensified pressure on the powerful media unions to reduce their wage demands, alter compensation packages, and loosen work rules across what are now multi-national production centers.

Transnational firms using skilled labor to produce creative or innovative products, face a particular set of problems. The first of these problems is labor supply – the continuous creation of a sufficiently large and skilled workforce, outside the historically sustaining framework of the firm. The second problem is control of the wage bargaining power of skilled workers in an unpredictable labor market. The third problem concerns firm needs to obtain flexible production conditions, governing hours of work and working conditions – what are generally called "work rules".

In looking at how these problems were solved in the 1980s and how they are solved in the early 2000s, we can see the impact of changes in both inter-regional, and inter- and intra-firm competition. Simply put, as regions have become more competitive with one another internationally, the transnational media corporations (TNCs) have taken steps to consolidate and concentrate their economic power. Conglomerate control of entertainment media distribution gateways has given them enhanced control over what is produced and how it is produced (Epstein, 2005). This control over both the production and distribution of core entertainment media, such as episodic (series) television and feature film, has increased TNC bargaining power vis-a-vis labor and regional governments.[4] In an inherently risky business, conglomeration (and its manifestation, concentrated power) has enabled TNCs to shift risk and the cost of sustaining a project-oriented creative workforce to the regional state.

At the regional scale, the rationale for taking on these burdens is that they will build industry capacity, create new well-paying jobs, and enable the region to compete in the global economy. Evidence from regions competing to host TNC media production suggests, however, that inter-regional competition primarily benefits the media conglomerates and may actually undermine the ability of regional complexes to develop comparative advantage in specialized segments of the industry.

Some of the reasons behind the change in the balance of power between transnational firms and the regions are well documented. They can be traced to an altered international trade environment in which TNCs move more easily across national borders, differentiating among various kinds of economies and the comparative advantages they provide (Kogut, 1984, 1985; Gereffi et al., 2005). At the same time, the devolution of national responsibility for social welfare and economic development to the regional scale has heightened tendencies toward "disorganized" or competitive capitalism, including at the regional scale (Brenner, 2005; Offe and Keane, 1984; Lash and Urry, 1987).

In addition, however, the changing power balance between TNCs and regions has been shaped by two other processes intimately connected with contemporary globalization: (1) the promulgation of an ideology of endogenous regional growth (Lovering, 2001; Martin and Sunley, 1997) and (2) changes in national regulatory regimes governing competition. Altered regulatory frameworks have resulted in concentrated economic power under the banner of creating globally competitive national champions.

In the US-based transnational entertainment media industries, the concentration of power has come about with changes in the policies that govern inter-firm competition. Of particular significance are: (1) the abrogation of the "Paramount decision" which limited ownership of distribution venues by media producers, and (2) the revocation of the regulations limiting production by the television networks (the so-called "financial syndication" rules). The past 20 years have witnessed horizontal integration across media industries (network and cable television, motion pictures)

[2] This article draws on earlier research on runaway production and economic development policy (Christopherson and Storper, 1989; Storper and Christopherson, 1985). The current analysis draws on recent (2001–2004) interviews with union leaders, public officials, producers, studio owners, and industry lobbyists in New York, Washington, DC, and Los Angeles; policy reports on regional competition in media production in the US and Canada and analysis of secondary public employment data and proprietary data from unions and entertainment payroll companies.

[3] Because it has come to focus on access to skilled labor, the policy debate over "runaway production" also provides an occasion to examine the contemporary labor question in the media industries. While the processes attendant to the vertical disintegration of production from the 1950s to the early 1980s have the subject of considerable examination and debate (cf. Aksoy and Robins, Blair and Rainnie, 2000; Christopherson and Storper, 1989; Storper and Christopherson, 1987; Hozic, 2001), the horizontally and vertically integrated production regime that began to emerge in the mid-1980s has received much less attention (Balio, 1998; Christopherson, 1996, 2002; Gomery, 1998; Scott, 2005). A consideration of labor issues and production politics has been particularly neglected in analysis of the new Hollywood that has emerged since the deregulation of the industry in the 1980s and 1990s. This is a major gap given the central role played by labor skills in media industries and the historical role that unions have played in organizing the industry (Christopherson and Storper, 1989).

[4] Core industries products are more expensive to produce but have an extended life as profit-makers. They also compose a central component of income for the entertainment industry workforce. As project-based workers, they compose an income combining work from the core projects with that from lower budget and shorter profit-life vehicles.