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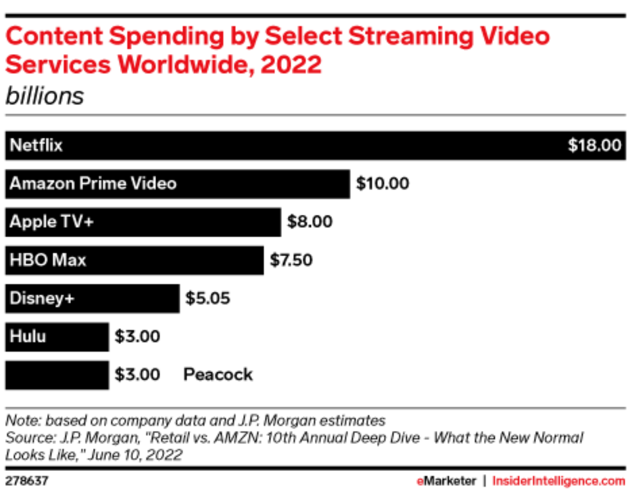
A brewing writers' strike comes at an awkward time for revenue-stretched streaming services

Article

The news: The potential for a Hollywood writers' strike is heating up again as the **Writers Guild of America** (WGA) prepares to enter negotiations with the **Alliance of Motion Picture and Television Producers** (AMPTP) on March 20.

The conflict: The main benefit the WGA demands in its new contract is **higher pay**. The WGA argues that the pivot to streaming services has deprived writers of crucial income sources and decreased pay overall, while streaming services have netted record revenues and profits.

- Before streaming, writers would typically receive residual payments whenever their work re-aired on television. But residuals are difficult to calculate due to streaming's closed ecosystems, and how much revenue a piece of content generates is hard to determine. Instead, writers receive "click-based" royalties, or just get a one-time payment.
- These changes have led to a 4% decrease in the average writer/producer's weekly income over the last decade, per the WGA. With inflation taken into account, the decrease amounts to **23%**, despite show budgets jumping 50%.
- Though a similar strike was narrowly avoided in 2021, the rhetoric around negotiations is beginning to boil. While accepting a WGA award, "**Everything Everywhere All At Once**" co-director **Daniel Kwan** used his speech to deliver a union rallying cry, saying "let's go give 'em hell."
- In a video about negotiations, WGA West board member **Eric Haywood** also criticized Wall Street's "obsession with growth," said streamers made a "choice" to devalue writers' work, and argued for a "fair and reasonable share" of profits.



Streaming's outlook: The possibility of a strike comes at a challenging time for streaming services, which are feeling pressure from investors to reverse shrinking revenues and subscriptions by cutting spending.

- The streaming market's saturation has led to slower growth, which in turn has affected stock values, forcing companies to seek expensive mergers, pursue new revenue sources, reduce original content spending, and more.
- A strike or new contract that results in significantly higher writer pay could make it more difficult for streaming services to pursue long-term growth goals.
- That means things like **Netflix**'s attempt to build its own ad tech system, **Warner Bros. Discovery**'s debt payments, potential acquisitions, and the broader industry's push into markets like India would be slowed both by greater expenditures and an inability to produce new content without writers.

Our take: 2021's canceled stage employee strike should give WGA members hope that a reasonable contract can be reached between streamers and writers, but platforms scared of shrinking revenues may play hardball, which could result in conflict.

- A strike poses virtually no risk of killing multibillion-dollar streaming behemoths, but a loud, public conflict and higher spending on a new contract would only further disappoint investors.