Artist revenue and why "equitable remuneration" isn't equitable

The whole question of remuneration for artists is key to IMPALA and we are very engaged in the debate on streaming. We aim to maximise revenue and propose reform to achieve that, but we don't support the compensatory system that certain groups call for, called 'equitable remuneration' (ER).

So how is that possible? After all, it's "equitable", isn't it? Let's back up a little first… Streaming is now the main source of income for recorded music in Europe. However, the pie is not increasing in line with the number of participants, and there has never been as much music released and available as today. Streaming has become the main bone of contention for some artists. Similar arguments are also made by some writer groups.

One of our members' jobs is to earn as much money as possible for their artists. This is part of what labels do that's indispensable alongside risk taking, providing stability, scale, investment, brand, experience, as well as the all-important "belonging" or identification with what a label stands for. This adds huge value to creators and the role of these structures in the music ecosystem is crucial.

The independent sector has trailblazed with our commitments to artists under the WIN Fair Digital Deals Declaration. IMPALA's proposals to reform streaming call on all labels to pay modern digital royalty rates. We also ask services to pay properly and apply different models to change how revenue is allocated. We have called for proper crisis support including performers and other music workers.

We want to see reform of streaming to help grow revenues. We agree with many points raised by artists on transparency, fair sharing of non-attributable revenues and the revision of old contracts to better reflect the contemporary market. We can't, however, support the introduction of ER. It simply does not mean 'fair payment'. It is a mechanism for compensation to be paid to performers whose work is used where they have no rights to say 'no' or to negotiate a payment.

The reality is that, far from being equitable, ER would hurt newer artists and those building careers and fanbases and have a negative impact on the independent sector as a whole. This model will favour artists who had success under the pre-digital era but are on old-world contracts which haven't been updated, over the new generations of diverse creators who are succeeding in the digital age.

Recent figures from the UK IPO show that the top 1% tracks account for 75% to 80% of all streams. This means ER would mostly benefit the artists and musicians on these tracks and undermine the democratisation of opportunity offered by the digital market. Instead of redistributing wealth, it simply makes the rich artists richer. This is exactly what we see in Spain, where a similar system in place doesn't bring in the expected revenues to middle and lower-tier earners.

The introduction of ER would no doubt lead to lower advances for artists, lower royalty rates and less investment in non-recoupable expenditure by our members. Their ability to take risks would suffer and they would have to turn away more artists, despite being inundated more than ever by artists looking for professional labels. 80% of new releases in Europe today depend on independent labels. UK IPO figures also show that while performers' revenue remained relatively stable between 2008 and 2021, and composers, lyricists and publishers' earning increased, the revenue going to labels declined by 19% over the same period.

The model on which equitable remuneration is based pays significantly less than streaming and is administered via collecting societies, with extra admin and fees, slower payments, less accuracy and transparency. The reality is that performers' collecting societies do not have the systems or processes required to manage streaming revenue from the big music streaming services.

Current remuneration models for digital and physical exploitation tend to reflect the variety of contractual options in the market and the risk taken by the respective parties. Without changing risk, we cannot justify remuneration changes which would hurt new artists.

The solution to driving up the value of music and revenues available for distribution is fair digital royalty rates and reforming how revenue is generated and allocated in a way that benefits all artists directly, including emerging talent with new business models, not "equitable" remuneration.