

Should the payout to artists from streaming services increase?

My issue I have chosen is the low payout for artists from streaming platforms. I have chosen this issue because it links to my main skill that I have chosen being music, and I find the topic interesting as there are many examples I can write about. From the research I have done I can argue that the payout should be raised significantly for artists as it is setting people back from starting off and discouraging people as their revenue is so low in proportion to the amount of streams they get.

My opinion before further research:

I think that payout from streaming services to artists should be increased as the amount of money that artists get paid is so small that the only way anyone would be able to make a living out of it is if they were receiving minimum of millions of streams a month; which, to artists starting out, is extremely discouraging as if you are starting off and therefore receiving a few thousand streams a month this would be impossible to make much money at all.

Points in favour of increasing the streaming payout:

It is estimated that Spotify pays £0.0031 per stream. That means an artist would need roughly 366,000 streams on a track just to make minimum wage. Spotify, Apple Music and most other major platforms use a system of distribution. In this model, all the money collected from subscribers or ads for a month goes into a single pot, which is then divided by the total number of streams. If, say, Drake had 5 percent of all streams that month, he (and the companies that handle his music) get 5 percent of the pot — meaning that, effectively, he gets 5 percent of each user's money, even those who have never listened to his music.

This system favours artists with mass appeal. Features like playlisting (where songs are selected for curated lists with sometimes gigantic followings) and algorithmic recommendations, they say, also contribute to a network effect in which popularity leads to more popularity, **putting niche genres at a disadvantage**, which is why I think that their payouts should be increased.

Industry estimates put Spotify's payout rate for recordings at about \$4,000 per million streams, or less than half a cent per stream. Since that money can pass through a record company before getting to an artist, hundreds of millions of streams would be needed for a musician to make anything substantial. In a New York Times interview, Nadine Shah (a 34 year old British singer songwriter) said "If we got paid a meaningful income from streaming, that could be a weekly grocery shop; it could contribute to your rent or your mortgage when you need it the most," Shah said. "That's why I felt compelled to talk about it. I saw so many artists struggling." This just shows that increasing streaming payouts would end the artists' difficult times earning, part of the dispute is over streaming's basic economics.

On the digital music news website, they interviewed an Israeli financial newspaper 'Globes', and former Spotify executive Tristan Jehan explained why artists receive notoriously low royalty payments from Spotify and other streaming music services. Tristan Jehan emphasised the large portion of total revenue that streaming companies pay to record labels: "Companies like Spotify return 75% of the revenue to the industry, but they never pay directly to the artists, but to the labels". This shows that artists still only get 10-15% of the revenue, and the labels keep the rest. Later on in the interview, he states that the labels don't properly account to the artists and don't share the large upfront licensing payment they received. Then on the royalty side it's 10-15% instead of 50%. "All the labels fault and strategy", he mentions that labels also own or own shares of Spotify, and continues by talking about the fact that conflict doesn't benefit the artists. All of these points that Tristan Jehan has made during the interview are all reliable as he was a former Spotify executive and so he is an expert in the financial areas of Spotify.

Points not in favour of increasing the streaming payout:

Obviously if Spotify increased their streaming payout it would decrease their revenues as they would be making significantly less profit, especially as more and more artists are becoming big. Also, roughly 70% of the profits that Spotify makes is going to rights holders, the actual recording artists keep anywhere between 5% and a quarter. So if Spotify increased its streaming payout would it even help out smaller artists at all? If they're already only gaining a small amount of revenue from their streams, the actual percentage of Spotify's profits that they get can't change, as there is still the same amount of artists getting the same percentage; yet again, if the pay increased then it would only significantly benefit bigger artists.

During a Los Angeles Times interview, Mark Mulligan, managing director and streaming analyst at Media, has followed the 'Justice at Spotify' protests, and he stated, "There is nothing you can do about streaming royalty payments that will make it look like record sales again". Due to the amount of artists uploading on Spotify, the only way in which you could improve payout for everyone, is if there were less artists, or no money going to record labels, and both are next to impossible to achieve. Further on in the interview, he states that "Streaming works for record labels, It works for publishers. It works if you've got thousands or millions of songs — it all adds up," Mulligan says. "But if you've only got 20 or 30 or 100 songs then it doesn't. You need the scale of the catalogue to benefit." This shows that realistically, there isn't much that Spotify can do to change the percentage of Spotify's revenue that artists would actually receive. Even if Spotify were to double its payouts, that increase still wouldn't make much of a difference to your average artist or band with a few albums in their discography, says Media analyst Mulligan, who uses as an example an act that gets a million streams on Spotify in a year.

My opinion after research:

In conclusion, many artists are discouraged and feel like their payout is unfair due to the small percentage they receive of Spotify's overall revenue, which is what I think needs to be changed. Spotify has attempted to make it easier for artists to profit from the service, by adding features like a tip jar and the ability to sell tickets and merchandise via the platform however neither of these would make as much of a significant impact as that of Spotify increasing their pays. Many experts are saying that the payout cannot be changed as Spotify only has so much money and there are many artists entitled to their Percentage. However, many experts are also saying that Spotify is able, with the current money that it is making, to afford to payout more.

The argument that 'even if Spotify did pay more, if you're a smaller artist getting a smaller percentage then the pay raise would be so insignificant to you it'd be pointless', is understandable, however if small artists are already receiving so little, any rise in pay would be much better than none. Also, I think that Spotify should increase their payouts because even if they did it would still have a small impact on the smaller artists, who's to say that it's too small to help them out even a little bit. There's likely going to be many smaller artists uploading on Spotify who always think to themselves that they wished they could live off their Spotify revenue, if only it was a little bit more. So if you put yourselves in artists shoes, I'm sure any raise in payout wouldn't go unnoticed and would have an impact. Along with the message that it would send out to the artists, a payrise in any job is always a good thing no matter the actual pay as it reassures you that your efforts aren't going unnoticed and you are appreciated by your employer. Therefore encouraging artists to continue what they're doing and potentially in the long run even making Spotify more money if they became more popular.