

VFX Labor Unrest Points to Broader Trends in Hollywood

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Working conditions in Hollywood have been deteriorating since the 1990s, though some would say the trend began even earlier. Not only are screen media jobs leaving Southern California, but pay rates, benefits, and on-the-job satisfaction are also declining. At the 2013 Academy Awards, evidence of this trend gained wider currency when the Oscar winners for visual effects joined forces with [protestors](#) outside the hall to express their concern about Hollywood's "race to the bottom." At the center of the controversy was [Life of Pi](#), a film that earned widespread [critical acclaim](#) and more than \$600 million at the global box office. Like most successful blockbusters, the film relies heavily on computer-generated imagery. In fact, VFX now comprise one [third of production spending](#) on major studio releases and are considered as central to the filmmaking process as cinematography, editing, or costume design. Yet despite the rising status of visual effects industry, it has been in turmoil for over a decade. The situation was made palpable only ten days before the Oscars when the award-winning company, Rhythm & Hues, announced that it was laying off 254

employees—almost a third of its workforce—and filing for [Chapter 11 bankruptcy](#). The news sent shockwaves through the effects community, since it was seen as a telling indicator of the precarious conditions under which companies and their employees currently operate. Moreover, it seemed indicative of broader trends, pointing to the role that globalization is playing in the screen media industries.

Here are four things to know about labor conditions in the VFX industry:

1. Working Conditions for VFX Artists are deteriorating.
2. The studio contracting system is broken.
3. Globalization is generating a race to the bottom of the creative economy.
4. Solutions will require transnational cooperation.

1. Working Conditions for VFX Artists are deteriorating.

Three out of every four shots in the final cut of *Life of Pi* involved special effects, most of them generated by [Rhythm and Hues](#), working under contract for Fox 2000 Films. [Renowned](#) as one of the best employers in the effects business, R&H provided its employees with pay and benefits that were well above the industry norm, reasoning that this was the best way to attract and retain topflight talent. Yet such enlightened leadership is increasingly threatened by the growing competition among more than 500 firms that now compete for contracts with film and television producers. This competition has taken a toll in the workplace. Although some effects artists

are fulltime employees at blue-ribbon companies, many more toil long hours under [intense deadline pressures](#) and do so without health care, sick days, or paid overtime. The [average salary](#) is modest (\$89,000) given the cost of living in Los Angeles, but the biggest concern is job security, since companies increasingly hire staff on a project basis and terminate them after a movie is released. Constantly searching for new projects, artists scramble to cover their health care and retirement costs, and must be willing to relocate to distant locales. During the 1990s, when the VFX business began to grow, companies filled their ranks with young, ambitious techies who didn't worry about such uncertainties. Today, however, many artists are in their thirties and forties, with families and mortgages. Mobility and relocation can therefore throw personal lives into turmoil and amplify the already taxing pressures of the workplace.

Landing a job overseas can feel bitterly ironic as well, since LA artists sometimes find themselves overseeing workers who will eventually replace them. Meanwhile, artists in the UK and Canada worry that they too will lose work if industry subsidies from their governments evaporate, while those in Mumbai and Shenzhen face persistent pressure to pare back their already lean paychecks and benefits. VFX workers around the world are confronting demands for longer and often unpaid work hours, especially during "crunch times" that precede the release of a major movie. The president of one effects company claims the pressures began to escalate in the mid-2000s. At that time he [observed](#), "The final instructions are arriving later and the

work is being delivered sooner, not just for the movie itself but for trailers, for teasers, for marketing, for campaigns, for overseas, for international vs. domestic, for different versions. Literally, the pressure is on all sides of this cooker.” As a result, many skilled and experienced VFX workers no longer share the heady optimism expressed by proponents of the [creative economy](#) who argue that such jobs are the most promising wave of the future.

2. The studio contracting system is broken.

The key to understanding these trends is the subcontracting system employed by producers of “tentpole” feature films, such as *Skyfall*, *The Hunger Games*, and *The Dark Knight Rises*. Although financed and distributed by major studios, the actual production of each film is conducted by hundreds of employees, most of whom work for independent companies that sign contracts with studio producers to provide specific services at a set price, which in the effects business is usually based on the number of shots contributed to the final product. These contracts are negotiated during the planning stages, well before shooting begins, and therefore effects companies must fashion competitive bids that nevertheless allow leeway for the inevitable revisions that take place during filming and post-production. Such revisions can result from the creative choices of the director or decisions made by producers or studio executives attached to the project. Yet contracts never include a clause for cost “overages” nor do they include a profit participation clause that might bring additional revenue to a VFX company that contributes to box office success.

Studios bargain hard to keep costs down and to get the most for their money. Reportedly, one [producer](#) remarked, “If I don’t put a visual effects shop out of business (on my movie), then I’m not doing my job.” Although hyperbolic, the remark points the fact that major studios operate very much like Walmart, Apple, or Trader Joes, constantly pressuring suppliers for price concessions and threatening to move their business elsewhere in the global supply chain. Under these conditions, executives at effects companies bid aggressively against competitors around the world, some of them supported by tax breaks or subsidies, and others by access to cheap labor. For example, Canada offers a 33 percent tax break on VFX production costs and Chinese officials have subsidized the construction of state-of-the-art production facilities. Meanwhile effects shops in India and the Philippines enjoy significant labor cost advantages.

Like all independent film and television companies, Rhythm & Hues tried to strike a balance between creative excellence and cost containment, but it was required do so in a business with very thin profit margins, ranging between 3 and 5 per cent. This allowed little room for error and although the company had a long and distinguished track record, it continually operated in the shadow of financial insolvency. Cancellation, delay, or failure of a major project threatened to push the company over the edge. To the outside world, however, R&H seemed a huge success, reportedly flourishing on revenues from tentpole features for Fox and Universal that brought in roughly \$90 million per year. But in 2012, [both studios cut back](#) on effects-driven titles, engendering a perfect storm for R&H, as its total revenues from

studio films plummeted to \$18 million. Lacking a nest egg from profit participation on successful films of the past, the company ran out of operating cash on the eve of its Academy Award for *Life of Pi*. Its failure signaled to many that the bidding and contracting system must be broken.

3. Globalization is generating a race to the bottom of the creative economy.

Governments around the world have been subsidizing the development of visual effects, animation, and other digital media businesses, seeing them as key drivers of future economic growth. Proponents of these policies argue that the most successful workers in a global economy are renowned for adding distinctive value to products, value that is not easily replicated elsewhere. The biotech and computer industries are emblematic of this so-called knowledge economy, so too are elite service sectors, such as finance, engineering, and law. The most glamorous sector is media and entertainment where Hollywood reigns supreme as a hotbed of creative talent and sophisticated infrastructure, or so it would seem. Nowadays, digital post-production facilities in [China](#), [India](#), [New Zealand](#), and the [United Kingdom](#) confidently assert that they can compete with Hollywood counterparts in terms of quality and cost. Hollywood studios have been receptive to these appeals, since the volume and cost of visual effects have grown tremendously.

Most tentpole films involve VFX tasks that vary in complexity, as do the creative and technical requirements of the tasks.

Consequently, studio producers usually line up several shops, often spreading the assignments around the world. At the top of the pyramid are a small cluster of firms renowned for their ability to generate stunning and innovative visuals, such as Sony's [Imageworks](#), Technicolor's [Moving Picture Company](#), and Disney's [Industrial Light & Magic](#). Another two dozen independent firms cluster near the top, many with specialties, such as animal imagery or green screen sequences. Other tasks, such as wire removal or simple compositing, are labor-intensive and relatively straightforward, and therefore can be outsourced to even smaller firms, a garage in Van Nuys or a small shop in Chennai. Several firms and more than 500 VFX artists contributed to the *Life of Pi*, with 53% of the [artists based in](#) LA, 20% in Hyderabad, 17% in Mumbai, 7% in Kuala Lumpur, and 3% in Vancouver. Studios [distribute the labor](#) both to achieve cost efficiencies and to keep suppliers and their workers on edge, constantly bidding against competitors near and far.

Consequently, the inside and outside boundaries of the Hollywood effects business is growing ever more ambiguous. With the emergence of global competition, the largest VFX firms in LA are not only pressed to compete with outsiders but also to embrace them as well. Like many other mid-level companies, R&H resorted to overseas expansion, opening facilities in Canada, Malaysia, and India. This global footprint allowed them to offer a greater variety of services and to exploit the advantages of each location, but it also increased their ongoing overhead costs, which in some ways made them more vulnerable to fluctuations in demand from the major studios.

The shifting geography of the industry became apparent during the bankruptcy proceedings when contenders from India and China emerged as the leading bidders for control of Rhythm & Hues. The ultimate winner was [Prana Studios](#), backed by [Bollywood investors](#). One source claims that although the R&H will continue its LA operations, some 80 percent of production is likely to be conducted overseas whereas previously the company kept the vast majority of its work stateside. This will no doubt give a boost to the Asian effects industry, but it casts a pall over the business as a whole, as VFX shops in Asia are likely to face the very same pressures going forward.

4. Solutions will require transnational cooperation.

The vivid contrast between *Life of Pi*'s award-winning success and the adverse fortunes of Rhythm & Hues stimulated a great deal of online discussion within the effects community. Many expressed frustration with the bankruptcy, lay-offs, and general indifference of film executives to the plight of effects companies and their employees. Dedicated [blogs](#) and [Facebook](#) pages drew heavy traffic. Online [videos](#) poked fun at antagonists and pointed to the importance of the VFX craft. Most importantly, websites became organizing tools for [face-to-face](#) and [virtual](#) meetings that brought artists in Los Angeles together with counterparts in Canada, India, and New Zealand.

Meeting participants seem to be aware that globalization of the effects industry will require transnational [solutions](#). Some argued for a [trade association](#) that could establish bidding

templates that would standardize contracts, encourage profit participation, and set minimum standards for compensation. Others contended that artists should form a [union](#), with the IATSE's [animation guild](#) making a strong pitch to those assembled. Before the digital era, special effects work involved miniatures, models, and masks, which meant that most artists were members of the props or cinematographers guilds. Digital artists didn't fit into these conventional labor categories and therefore became one of the few groups of Hollywood employees (along with reality TV laborers), that today lack union representation.

Given the important role that effects now play in major films, studios are unlikely to allow the biggest companies to flounder. Indeed, major conglomerates have stepped in to acquire some effects firms in hopes of locking down key talent and insuring against an interruption of services. Yet by and large, the major studios keep most effects contractors at arm's length. Many studio executives see competition and even periodic bankruptcy as an important form of cost containment. The latter makes it occasionally possible for studios to buy up talent at fire sale prices. It's interesting, however, that none of the major studios took a pass at Rhythm & Hues. Instead, Asia-based companies were the most active bidders, indicating that Western media conglomerates may see the VFX business as inherently unstable. Whether conditions will improve is unclear. There are few indications that studios would be willing to restore stability by agreeing to bargain with a trade association. Given this reluctance, effects company executives have been keeping a

low profile and showing few signs of solidarity. Most seem reticent to advocate for a trade association or to be perceived as critical of the big studios. Effects artists, on the other hand, have expressed vehement concern about working conditions and trends in the industry, but they seem daunted by the complex challenge of forging a transnational labor movement. Without such innovation, however, working conditions will continue their downward trend and protests are likely to intensify. Demanding their “share of the Pi” on Oscar night, hundreds of effects employees opened the door to what could become a transformative era of labor organizing in global Hollywood.