

# The Effect of Minimum Wage Policy on the Employment in the Media and Entertainment Industry

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## Abstract:

Wage policy on employment in the media and entertainment industry, a field that combines both highly paid employees and entry-level workers. While most studies on minimum wage focus primarily on traditional low-income sectors, there has been far less at creative and digital industries, where flexible employment is prevalent. To address this gap, the study applies a qualitative multiple case study approach, using Netflix and BuzzFeed as examples. Both companies are headquartered in states (California and New York) that experienced significant minimum wage increases between 2010 and 2019. The findings suggest that Netflix, as a comparatively large company, absorbed the rising labor costs through investment in automation and outsourcing, thereby reducing the entry-level positions but strengthening the stability of those that remained. In contrast, BuzzFeed, facing greater financial pressure, responded with more layoffs and heavier reliance on freelancers, leading to more fragile employment. These results emphasize the heterogeneous effects of minimum wage legislation and highlight the importance of considering industry-specific contexts in labor markets and policy making.

**Keywords:** Minimum wage. Employment. Media. Entertainment.

## 1. Introduction

In recent years, minimum wage policy has become one of the most visible and disputed tools for labor market regulation. In many countries, including the United States, policymakers have increased minimum wages because of concerns about inequality and erosion of the living standards of low-income

workers. Since 2009, numerous states in the United States have adopted their own, normally higher, wage floors. Similar changes have also happened in many other European countries. These reforms reflect a global trend of using wage policy not only as an economic tool but also as a promotion of social equity. As recent studies emphasize, minimum wage legislation is increasingly regarded as both an economic

and a social intervention, shaping the labor markets in its own ways [1, 2].

Investigating the consequences of minimum wage policy can be both important for traditional low-income sectors and senior sectors such as creative and digital industries. Change in employment in the media and entertainment industry brought by the change of minimum wage policy is particularly intriguing because of this industry's dual nature: on the one hand, it contains many highly paid, professional positions like engineers, journalists and technical staff; on the other hand, it includes many lower wage workers and temporary freelancers such as editors and production assistants.

This combination brings special vulnerabilities to the media and entertainment sectors when labor costs rise. To be specific, in response to the increase in minimum wage, larger firms may absorb costs or invest more in automation, while smaller companies may apply layoffs or increase reliance on freelancers [3, 4]. Investigating their different responses help to have a deeper and more comprehensive understanding of how wage policy can shape the whole labor market.

Therefore, this paper addresses the main research question: How will the minimum wage increases influence employment levels in the media and entertainment industry? Exploring this question can not only fulfil a gap in literature--- since almost all of the studies focus merely on traditional low-wage workers-- but also inform policymakers about the heterogeneous effects of wage legislation on digital labor markets [5].

To answer this question, the study applies a qualitative multiple case study approach, accompanied by some data evidence. Specifically, it examines two contrasting companies: Netflix, a large company headquartered in California, and BuzzFeed, a relatively smaller company based in New York. These two are selected because they operated in states that were experiencing dramatic wage policy changes during 2010 to 2019. Besides, they can represent different outcomes after experiencing the legislation due to their various scales, total revenue and employment structures. The two separate case analyses and a cross-case comparison show how each company adjusted its labor practices in response to increasing minimum wage clearly.

## 2. Literature Review

Wage policy serves as an important tool in the labor market. Across different countries and time periods, wage policies are always used to protect low-income people, regulating the distribution of income and improving people's living conditions. Employment serves as a critical indicator to evaluate individual well-being and is directly affected by the minimum wage legislation. Therefore, an-

alyzing the relationship between minimum wage policies and employment is really important when studying labor economics. This importance has been emphasized by the influential work of Card and Krueger [6], which used a natural experiment to show that raising the minimum wage didn't actually reduce employment. Their finding challenged conventional ideas and emphasized the need for deeper investigation into the effect of policy on labor markets.

Wage policy, as one of the most disputed tools for adjusting the whole market, mainly aims to reduce inequality in the whole society. In addition, it helps to ensure that all workers can earn enough money to maintain a basic living standard. However, these policies can also cause some unintended consequences. By increasing labor costs, some firms may be discouraged from hiring entry-level workers. Also, they may accelerate the adoption of automation, which could possibly reduce their employment needs. As Neumark and Wascher argue in their comprehensive review of minimum wage research, such policies are likely to involve trade-offs between equity and efficiency, with potential adverse impacts on employment for certain groups of workers [7]. Therefore, the impact of wage policy is complex and can vary by industry or even firm size. Employment is extremely paramount for economic development and social stability. From the macro perspective, higher employment brings higher productivity and higher tax revenue earned each year, thereby reducing the welfare burden faced by the government. At the micro level, enough job opportunities provide each family with a stable income and a guarantee of a high-quality life, increasing individuals' well-being. And because employment is seriously affected by the wage policies, its effect on employment has been highly valued and carefully monitored by economists, especially during the period from 2010 to 2019, when the whole society was experiencing economic recovery and obvious structural changes.

## 3. Methodology

The literature of the past decade, conducted by different scholars and based on different methods, shows quite different results and views. Scholars in the 2010s increasingly used quasi-experimental methods such as difference-in-differences and regression discontinuity designs to identify causal effects of wage policies. Some researchers have found that minimum wage increases had little to no negative impact on employment in low-wage sectors when using regional variation across U.S. counties [8]. In contrast, some researchers argued that more disputed data showed evidence of employment reductions, especially among younger and less-skilled workers [9]. This difference shows how research design can yield different interpretations of policy outcomes.

This study applies a qualitative research design based on a multiple case study approach. Instead of using broad statistical generalizations to investigate the whole results of minimum wage policy, the case study allows for a more detailed and realistic examination of how individual firms experience and possibly respond to the legislation. Besides, by comparing the two cases in the same industry, differences brought by factors such as scales and original employment structures can be identified. Thus, the research is able to offer a more comprehensive understanding of the impacts of the legislation.

Case selection in this research was guided by two main criteria. First, the diversity of firms was considered in order to ensure that the analysis includes firms which can represent different segments of the media and entertainment industry, such as film production platforms and news outlets. In this way, the whole study can capture the difference in labor structures in the industry. Besides, the availability of the firms' public data was important as well. The chosen company must have comparably accessible annual reports and financial statements. These two criteria should be prioritized since they not only enhance the reliability of the whole research but also ensure that the study can progress successfully.

The analytical approach combines case analysis and cross-case comparisons. At first, each case is examined individually to assess the firm's employment structure, strategic responses and outcomes brought by minimum wage increases. The findings of two firms are then compared with each other to identify the similarities and differences. This comparison highlights how factors like companies' scales, reliance on freelancers and financial ability could mediate the effects of wage policy. By focusing on individual firms and the overall situation, the study offers a comprehensive qualitative account of how minimum wage legislation could shape employment in the media and entertainment industry.

## 4. Case Analysis

### 4.1 . Netflix

Netflix, as one of the most prominent media companies in the entertainment sector, with a corporate headquarters in California, can be a suitable example of how large-scale media companies are affected by the minimum wage policies. Netflix experienced a remarkable growth between 2010 and 2019. The number of its subscribers increased from 20 million to more than 150million. Original production of "House of Cards" in 2013 declared its transformation to a dominant producer of original content, a shift which was widely recognized in the literature as turning Netflix's evolution from distributor to global content studio [10]. The transformation requires both progress in

technology and a large amount of human capital, especially in fields of production and marketing. Besides, Netflix employ both highly paid engineers and analysts, completing the technology part, and large numbers of temporary and lower-wage workers who serve as the production studio for its film and television projects.

Netflix had an interesting employment structure during this period: highly skilled technical employees were concentrated in California, and they were paid above the state's minimum wage. Meanwhile, temporary workers and some outsourced production crews for content creation were normally paid at or near the minimum wage. Unlike employees in California who were almost unrelated to the legislation, these workers were significantly affected by the new policy.

The minimum wage legislation at this period indeed brought huge impacts for Netflix. California, where Netflix is headquartered, significantly increased its minimum wage from 2010 to 2019. Beginning in 2014, the state's minimum wage rose from \$8 per hour to \$12 per hour, which was one of the most notable adjustments in the United States during this period. This change forces the companies with a special wage structure, such as Netflix, to raise their labor costs, consistent with broader analysis of how minimum wage hikes in the United States directly raise production costs [11]. The workers in the production sector will be affected directly.

Netflix dealt with the dramatic rise in minimum wage through several adjustments. First, they raised payment for those essential production employees to meet the requirement, while reducing the total number of positions instantaneously. Besides, it increased its reliance on other independent production firms, shifting part of the labor cost pressure outside of its payroll. In addition, it invested more in automation, such as digital editing, aimed to further reduce its demand for low-skilled workers. Evidence from the industry report shows that Netflix became more selective during the hiring process, raising the requirements for new employees in order to fit the higher wage expenditure.

The impact brought by the increase in minimum wage on Netflix employment can be regarded as uneven. On the one hand, the number of entry-level positions and the job opportunities provided by them declined because of cost pressure. From the other side, the positions that remained after the changes that had been made were likely to have higher stability and higher earnings due to the new wage floor. The high-skilled staff were barely affected. For those who were about to enter the entertainment industry, job opportunities became scarcer and more limited. In conclusion, although the size and financial strength were large enough to help the company adapt to the sudden policy legislation without making major changes, the effects brought by it were still huge for many fragile parts of their

workforce.

#### 4.2 . Buzzfeed

Buzzfeed, as a relatively smaller company headquartered in New York, provides a obvious contrast to Netflix about how wage policy can affect different types of media companies. Unlike Netflix, Buzzfeed relies heavily on viral content and online advertising revenue. Between 2010 and 2019, Buzzfeed expanded itself into news reporting, video production and branded content. However, this growth was quite unstable and uncontrollable since the company was still vulnerable to fluctuations in online advertising markets. During this time period, Buzzfeed also experienced several rounds of layoffs, especially in its news division, reflecting the instability of digital media firms [12]. The employment structure of Buzzfeed during this period was quite different from that of Netflix, reflecting its special flexibility. The company only had a small core staff of journalists, editors and digital strategists, while relied heavy on temporary staff and some freelancers. These entry-level workers, who are often offered the modest salary and comparatively limited job stability, were important to its operation. There were also many young workers who took the Buzzfeed as their first step into the media industry. Therefore, employees in Buzzfeed were almost paid near the legal minimum, making it significantly sensitive to the change of minimum wage policy, a trend consistent with research on precarious employment in digital journalism [13].

Between 2013 and 2019, New York, where the Buzzfeed's headquarter was located, experienced one of its most significant changes in minimum wage ever. The minimum wage in the state raised from 7.25 to 15 per hour. For companies like Buzzfeed, where most employees' wages are near that level, this shift in minimum wage indeed increase the labor costs for them. Unlike the large firms like Netflix, financial situation of Buzzfeed was more constrained, leading to more difficulties in making adjustment.

Buzzfeed responded to this policy change in some ways. Firstly, they used several rounds of layoffs to reduce the number of entry-level workers for news and video production, particularly during 2017 and 2019. Secondly, they increased the number of freelancers, aiming to shift the cost pressure outside of its permanent payroll. Third, Buzzfeed added more limitations on its remaining staff, requiring them to be more versatile and technical proficient in order to justify higher wages. These strategies showed how a company with quite large financial pressure may use to reshape employment structure after the increase of minimum wage.

The overall impact of minimum wage policy on Buzzfeed was more serious than that on Netflix due to its heavy reliance on low- wage and flexible positions. With

the decreasing number of entry level jobs and greater competition for freelance assignment, opportunities for young workers decreased. Besides, since the company relied more on the temporary employees and external contributors, employment even become more precarious. Therefore, for Buzzfeed, minimum wage increases didn't actually improve the conditions for workforce; instead, it increased the employment pressure. This case illustrates how a smaller and more fragile media company's responses to the change in wage policy may differ from those of a large firm.

### 5. Cross Case Comparison

Analyzing the companies of Netflix and Buzzfeed reveals how company size affects wages. The rapid displacement of wage policy between Walmart and Target has resulted in two distinct firms due to differences in their employment structures. When we contrast the two cases simultaneously, many similarities and differences appear. Both firms reduced the employee base by not recruiting for entry-level jobs for them for a while, which shows the talent policy has cause an effect on the movie industry's junior section. However, the differences exist as well. When they changed to a more precarious work environment, the company included a large scale of layoffs, contraction and outsourcing to make the structure better, though exes were more important; whereas the other company just kept their same lifestyle and adapted some of the changes made by Buzzfeed in some positions. Although some companies such as Netflix have additional stability for their employees the others will be split into separate sub- branches.

These noticeable changes show just how different wage policies can have on the media industry. Similar big firms are able to buffer many things due to hiring a large number of employees, even able to use that many employees as an opportunity to adapt to change. In smaller business with tight budgets, lack of stable jobs and more freelancing could increase problems in employment. In conjunction, the imposition of a minimum wage may succeed with increasing the amount of earnings workers have to response, however, it also may bring about job loss, ultimately causing the end for many corporate businesses. In reality, the change in wage policies towards higher rates may impact various companies in very different manners a variety of factors play a role.

The findings also provide important policy recommendations. Policymakers must come to the realization that the proper advocacy of the minimum payment policy may have its drawbacks, to only be sorted out later. The wage legislation would benefit with some additional regulations. For instance, the increase of a average worker's salary should be accompanied by some compensation for those with less employees. Subsidies and tax incentives



can be helpful in paying for the increasing price to do. The government should hold the responsibility in helping entry-level workers acquire higher technical skills so they can be as competitive as possible to the high demands that many firms have.

## 6. Conclusion

This article primarily focused on how minimum wage policies affect employment patterns in media and entertainment sectors through the cases of Netflix and BuzzFeed. The findings indicate that wage policy can have different effect on different companies due to their scales and resources. Netflix, as a relatively larger company, was able to absorb rising labor cost with limited disruption. Although its entry level opportunities could become scarcer, the remaining positions could be more stable. In contrast, BuzzFeed may face greater difficulties. Because of the heavy reliance on low wage workers, BuzzFeed was forced to apply more layoffs and increase the number of freelancers, leading to the rising job insecurity. In conclusion, minimum wage policy doesn't create uniform effects. Instead, the impact varies from companies to companies based on their different scales, employment structures and so on.

This study offers good insight into which kinds of wage policies could be beneficial, but it still has limitations. Although the research represents about five percent of the total prices the companies, the analysis can only show the numbers and not the total diversity of the industry nearly prohibiting its use as a model. A more comprehensive understanding of legal responses to copyright infringement can be gained by expanding the number of cases beyond music to other industries. Second, the study relies heavily on secondary data. Considering that the articles find interesting information, one possibly superior point of research could be gathering statements directly from people who do their work. Consequently, the research is exploring how rigid rules rather than the effects are enforced. Supplementing more statistical information would improve

the reliability of the conclusion.

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