Why More Media Companies Are Cutting Salaries Instead of Laying Off People

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Key insights:

Some media companies, no strangers to mass layoffs in the face of unstable funding models, are approaching the economic uncertainty caused by the coronavirus differently. Instead of adding to the layoffs that have seemed to hit consistently since the 2008 financial crisis, publishers are opting to scale back employees' pay this time around—at least so far.

Future Media Group, Vice, BuzzFeed, Gannett and American Media Group have cut the salaries of their staff as a way, they say, to avoid more layoffs. Other publishers, from national outlets to niche publications, are likely to offer something similar.

It's a move to apply pressure to the gaping wound the coronavirus has left in the entire supply chain of media economics: If companies aren't making products because they're

closed, they're not able to sell products, which means they can't market or advertise any products.

The media industry's efforts to diversify how it makes money beyond advertising, such as events for example, have also been impacted. Business experts who spoke with Adweek said the temporary cost-saving moves are measures that can preserve staff morale and keep the businesses running so when people can physically gather again, and marketing budgets are restored, publishers' businesses will be able to handle the demand.

In other words, they're hopeful that business will resume as quickly as it dried up.

The pandemic serves as a "short-term shock," said Joseph Foudy, clinical associate professor of economics at NYU Stern School of Business. Unlike a recession, there could be a turnaround in months, not necessarily years. "If the recovery comes sooner than expected, they could find that it's difficult to regrow," Foudy said. "It would be really inefficient to lay people off."

Not all publishers have avoided layoffs. Maven, which owns over 300 media properties, including Sports Illustrated, decided to lay off 9% of its workforce (31 people). Local newspapers and alt-weeklies, dependent on local advertising that has all but completely dried up, have also seen layoffs.

Media executives, speaking with Adweek on the condition of anonymity because of the sensitivity of talking about their business strategies, said this cost-cutting measure is likely to continue, and is seen as the least of the evils that would, at minimum, let their employees keep their healthcare as they navigate a pandemic.

It's an additional step media businesses can take to tighten their belts, along with hiring freezes, cutting expenses and curbing freelance budgets. "[Salary reductions] will be

considered an option just because there aren’t many options,” a C-level media exec recently said.

The effects on the business have left publishers experimenting with virtual webinars and events to make up for the money lost in sponsorships and ticketed sales. And they’ve had to move quickly, as this has all unfolded in the U.S. in a matter of weeks. “It’s unreasonable to assume there’s a business model for that,” Foudy said.

However, nearly as unreasonable is structuring a business model around an uncertain timeline for when advertising returns to normal levels and large gatherings in public are OK again. As one media exec said, “Everyone’s going to have a shitty Q2, that’s all we can really agree on.”

“This year is about getting through to next year and being in the strongest position you can be in. In some cases, that’s the least weak position you can be in,” said Mike Bloxham, svp of Global Media and Entertainment at Magid. “It’s not about predicting the future—it’s about being as prepared as you can be for the different realities that may play out.”

Advertising forecasts also predict a stormy rest of the year. According to the most recent prediction from IPG Mediabrands-owned Magna Global, full-year ad sales are predicted to decrease by 2.8% across all media. Print advertising alone is expected to see a 25% loss in ad sales compared to last year, instead of a 17% loss that the firm had projected before the coronavirus.

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