ENGF0002 Design and Professional Skills Ethics Report:

Ethical concerns surrounding Spotify

Globally, music streaming services currently boast over 520 million subscribers (Mulligan, 2021) and generate upwards of 13 billion dollars in revenue (Moore, 2021). The service that is indisputably at the top is Spotify, with over 30% market share (Mulligan, 2021). Given that Spotify is so dominant in a field as ubiquitous in music streaming, it is useful to discuss some of the ethical concerns surrounding the company.

Unfair artist compensation

As a music streaming service, Spotify generates its revenue through users who pay a monthly subscription fee to listen to their favourite artists. However, despite the fact that Spotify is so reliant on artists to retain customers, Spotify is infamous in the music community for paying artists an alarmingly low amount. In a report compiled by the UN World Intellectual Property Organization (WIPO), Spotify's per-stream payout to artists was one of the worst, with a paltry rate of $0.0037 per stream (Esq and Feijoo, 2021). This is exacerbated by the fact that most of Spotify's closest competitors like Apple Music can afford to pay over double that at a rate of $0.0078 per stream (Esq and Feijoo, 2021).

The disparity between how valuable artists are to Spotify and how little they are compensated has led to many artists like Taylor Swift publicly condemning Spotify and, at points, removing their entire discography from the platform (Sweney, 2017). These critiques have hurt Spotify's sales, and garnered outrage from fans, greatly impacting Spotify's reputation in the music streaming market. This situation has even led to national unions, such as the Union of Musicians and Allied Workers (UMAW), actively targeting Spotify in their campaigns and even holding discussions with members of the US Congress regarding Spotify's unethical and unfair artist compensation (UMAW, 2021). Ultimately, it is clear that Spotify is using its dominant position in the market to underpay artists, an act that is extremely unethical and antithetical to basic labour rights.

Spread of COVID-19 misinformation

The second ethical concern relates to Spotify's recent signing of Joe Rogan's podcast, The Joe Rogan Experience for $100 million. Rogan has frequently spread conspiracy theories regarding the COVID-19 vaccination and mask mandates on his podcast (*BBC News*, 2020). Given that Spotify is such a massive platform, many have expressed concerns that promoting Joe Rogan on their front page spreads misinformation that could influence public health and safety sentiment and harm the lives of people in the pandemic. In fact, over 270 experts wrote an open letter to Spotify urging them to better moderate misinformation on the platform and accusing Joe Rogan of being a *"menace to public health"* (Yang, 2022).

This incident led to many artists such as Neil Young permanently leaving the platform and prompted massive outrage in the online community with hashtags such as *#boycottspotify* trending on twitter (Yang and Beaumont-Thomas, 2022). However, the damage was not just limited to mass disapproval and public outrage. The incident actually had a tangible impact on Spotify stock, dropping its value by as much as 18% in a single day (Reuters, 2022). Ultimately, this is another major ethical concern surrounding Spotify. By featuring and actively promoting such misinformation, Spotify intentionally influences young and vulnerable members of their user base and puts them at heightened risk of COVID-19 related complications.

Investments into military and surveillance technology

The last ethical concern has to do with Spotify's recent investment into military and surveillance technology. Spotify CEO Daniel Ek recently invested €100 million into Helsing, a European military tech company (Rose, 2021). Many musical artists felt slighted that not only was Spotify compensating them unfairly and taking a huge share of their royalties, but that Spotify was investing this money into dangerous military investments instead of improving the platform or increasing artists' pay. In an interview with RA magazine, Australian artist 'bluescreen' described the situation as follows: *"It became apparent very quickly that Spotify's CEO, as all billionaires, only got rich off the exploitation of others. As an artist I cannot morally agree with inadequate payments of royalties to those whose entire livelihood is the reason for Daniel Ek's success*" (Shukla, 2021).

The lack of transparency around what Spotify does with its share of artists royalties has always been a point of contention, and now that artists know where its being spent, many are personally calling for fans to delete spotify as it goes against their principles. In the same RA magazine article, music producer Darren Sangita expressed his belief that *"music is a powerful tool for peace"* and Ek's investments into military technology was *"a complete contradiction of our music philosophy"* (Shukla, 2021). Undoubtedly, this is another ethical lapse by Spotify. By investing such a significant amount into military technology, Spotify becomes fully complicit and profiteers from the consequences of war, including grievous injuries and mass loss of life.

Improvements

All in all, we can see that these issues - disregarding artists' contribution to the platform, spreading COVID-19 misinformation, and investing into potentially dangerous military and surveillance tech - are not only ethically concerning, but have severely damaged Spotify's reputation and had major effects on its stock price.

Regarding the low artist compensation, the most obvious way to improve the situation is to either increase subscription prices or reduce the share of royalties that Spotify takes from artists. However, both of these are unfeasible. Streaming services are extremely competitive and are in a constant battle for low subscription prices. Any increase to this cost is likely to drive away users to competing platforms such as Apple Music. While some unions such as the UMAW recommend that Spotify reduce the share that it takes from artists, that too is unfeasible. Spotify operates on extremely thin margins and has only recently started making a profit (Martins and Reis, 2021). Reducing the share they take would undoubtedly turn away investors. Thus, most research indicates that the way to make spotify more equitable is to adopt something known as a user centric model, that some competitors like Deezer have already adopted (Cush, 2020).

In the current model of payment, known as the pro-rata model, Spotify collects all the money from subscribers into a big pool and then distributes this total to artists based on what percentage of total streams on the platform they account for (Pederson, 2020). However, the problem with this model is that users' money goes towards artists they might not actually listen to. It disproportionately favours the top artists, and actively redirects money from niche artists to more successful ones (Pederson, 2020). In the user centric model, the money would instead be divided based on what each user actually listens to. Spotify would still earn the same share, but the money would be better divided among all artists, rather than just being concentrated towards the top few artists (Cush, 2020).

In terms of COVID-19 misinformation, it is unreasonable to expect Spotify to remove Joe Rogan from their platform, considering they invested $100 million into his podcast. Spotify has tried to remedy this problem by placing links to COVID information hubs under any podcasts covering the virus (Roth, 2022). However, this sort of blanket solution is largely invisible and doesn't address the actual issue of tackling misinformation. Instead, they should remove particularly egregious examples of episodes from Joe Rogan's podcast or at the very least place audio content advisories before such episodes so that it better integrates with the auditory nature of podcasts and can more effectively direct users away from such episodes.

In terms of Spotify's investment into military technology, it is absolutely Spotify's right to invest the money into Helsing despite what the artists on their platform think. However, as Spotify slowly continues to bleed users to competitors (Mickle and Steele, 2019), it loses the luxury of being the dominant player in the streaming market and doing as it pleases. Spotify has to consider how its actions and investments affect public sentiment and how they can drive away the very people that generate money for Spotify. I believe that encouraging greater transparency and artist involvement in Spotify’s decision-making, perhaps through a representative committee of artists, and providing more clarity as to where Spotify's share of artists royalties is going could appease artists and fans and largely alleviate frustrations.

Conclusion

To conclude, I think that these changes are necessary for Spotify, especially as Spotify slowly loses its grip on the industry. Apple Music has already overtaken Spotify in the US and also garners more support from musicians and fans (Mickle and Steele, 2019). The inevitable reputation harm from not improving policies, and the associated stock price volatility that always follows such incidents will make Spotify a much riskier option for investors in the future, and will slow down Spotify’s growth in the future as it struggles to secure funding. It needs to rebuild its reputation with users and artists by listening to their demands and implementing meaningful changes.

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